

PRELIMINARY OFFICIAL STATEMENT

\$4,200,000*
CITY OF BRISTOL, TENNESSEE
General Obligation Bonds, Series 2015

OFFERED FOR SALE NOT SOONER THAN

Thursday, April 30, 2015 at 10:15 A.M. E.D.T.
Through the Facilities of **PARITY®**
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

at the
OFFICES OF
Cumberland Securities Company, Inc.
Knoxville, Tennessee

April 9, 2015

*Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 9, 2015

NEW ISSUE

BOOK-ENTRY-ONLY

Ratings: Moody's : "Aa2"
(See "MISCELLANEOUS-Ratings")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$4,200,000*

**CITY OF BRISTOL, TENNESSEE
General Obligation Bonds, Series 2015**

Dated: Date of Delivery (assume May 28, 2015)

Due: June 1 (as indicated below)

The \$4,200,000* General Obligation Bonds, Series 2015 (the "Bonds") shall be issued by the City of Bristol, Tennessee (the "City") as book-entry-only Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2015 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of the Registration Agent. In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the principal corporate trust office of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent").

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021.

<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPS No.</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPS No.</u>
2017	\$ 100,000				2032	\$ 140,000			
2018	100,000				2033	150,000			
2019	100,000				2034	155,000			
2020	100,000				2035	160,000			
2021	100,000				2036	165,000			
2022	100,000				2037	175,000			
2023	105,000				2038	180,000			
2024	110,000				2039	185,000			
2025	110,000				2040	190,000			
2026	115,000				2041	195,000			
2027	120,000				2042	200,000			
2028	120,000				2043	205,000			
2029	130,000				2044	215,000			
2030	135,000				2045	200,000			
2031	140,000								

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire PRELIMINARY OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Jack W. Hyder, Jr., Esquire, counsel to the City. It is expected that the Bonds, will be available for delivery through the facilities of DTC, New York, New York, on or about May __, 2015.

Cumberland Securities Company, Inc.
Financial Advisor

April __, 2015

*Preliminary, subject to change.

This Preliminary Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Preliminary Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Preliminary Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Preliminary Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Preliminary Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this Preliminary Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF BRISTOL, TENNESSEE

COUNCILMEMBERS

Lea Powers, Mayor

Chad Keen, Vice Mayor

Michelle Dolan

Margaret Feierabend

Jack Young

CITY OFFICIALS

William L. Sorah

City Manager

Tara Musick

City Recorder / Finance Director

Jack W. Hyder, Jr.

City Attorney

REGISTRATION AND PAYING AGENT

Regions Bank

Knoxville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC

Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.

Knoxville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

IssuerCity of Bristol, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.

The Bonds.....\$4,200,000* General Obligation Bonds, Series 2015 (the “Bonds”).

Security.....The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged. As to the portion of the Bonds that finance improvements to the System (as defined below), as determined by the Municipality, that portion of the Bonds shall be additionally payable from and secured by the revenues to be derived from the operation of the System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System. The Municipality may issue bonds or other obligations in the future that are secured by such revenues without the consent of the holders of the Bonds.

Purpose.....The Bonds are being issued for the purpose of providing funds to finance (i) improvements, renovations and equipping to public buildings, including but not be limited to technological improvements and park and athletic facility improvements; (ii) the acquisition of vehicles and equipment, including but not be limited to public works vehicles, public safety vehicles and equipment, computer hardware and software and other technological equipment; (iii) the construction, extension, repair, renovation and improvement of the drainage system of the Municipality, including the stormwater system of the Municipality (the, "System"); (iv) the acquisition of land for schools, preservation of open space, parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads, and public buildings; (v) the construction, improvement and equipping of drainage systems, parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads and public buildings; (vi) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (vii) reimbursement to the Municipality for funds previously expended for any of the foregoing; (viii) interest on the bonds during the construction of the projects referenced herein and for up to six (6) months thereafter; and (ix) payment of the costs related to the issuance and sale of the Bonds.

Optional Redemption.....The Bonds maturing on or after June 1, 2022 are subject to optional redemption prior to maturity on or after June 1, 2021, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.

Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion) included herein.

Bank Qualification.....The Bonds have been designated or deemed designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.

*Preliminary, subject to change.

Ratings Moody's: "Aa2". See the section entitled "MISCELLANEOUS - Ratings" for more information.

Registration & Paying Agent Regions Bank, Nashville, Tennessee (the "Registration Agent").

Bond Counsel Bass, Berry & Sims PLC, Knoxville, Tennessee.

Financial Advisor Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor; Related Parties; Others", herein.

Underwriter..... _____.

Book-Entry-Only The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION – Book-Entry-Only System".

General The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.

Disclosure In accordance with Rule 15c2-12 of the U.S. Securities and Exchange Commission as amended, the City will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State information depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."

Other Information..... The information in the PRELIMINARY OFFICIAL STATEMENT is deemed "final" within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission as of the date which appears on the cover hereof except for the omission of certain pricing and other information. For more information concerning the City, or the PRELIMINARY OFFICIAL STATEMENT, contact Mr. William L. Sorah, City Manager or Tara Musick, City Recorder, 801 Anderson Street, Bristol, Tennessee 37620, Telephone: 423-989-5500; or the City's Financial Advisor, Cumberland Securities Company, Inc., 813 S. Northshore Drive, Knoxville, Tennessee, 37919, Telephone: (865) 988-2663. Additional information regarding **BIDCOMP™/PARITY®** may be obtained from **PARITY®**, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800.850.7422.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances
(Fiscal Years Ending June 30)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Beginning Fund Balance	\$12,417,339	\$12,922,506	\$13,961,665	\$14,281,951	\$13,195,799
Revenues	26,601,565	27,248,159	27,692,211	26,985,222	27,353,937
Expenditures	19,797,333	20,470,433	21,850,833	22,274,889	22,778,186
Excess (Deficiency) of Revenues Over Expenditures	6,804,232	6,777,726	5,841,378	4,710,333	4,575,751
Transfers In	2,201,276	2,295,916	2,355,115	2,741,735	2,513,796
Transfers Out	(8,500,341)	(8,262,807)	(8,165,113)	(8,555,444)	(7,995,703)
Ending Fund Balance	<u>\$12,922,506</u>	<u>\$13,961,665</u>	<u>\$14,281,951</u>	<u>\$13,195,799</u>	<u>\$12,296,307</u>

Source: Comprehensive Annual Financial Reports of the City of Bristol, Tennessee.

SUMMARY NOTICE OF SALE

\$4,200,000*

CITY OF BRISTOL, TENNESSEE General Obligation Bonds, Series 2015

NOTICE IS HEREBY GIVEN that the City of Bristol, Tennessee (the “City”) will receive electronic or written sealed bids until **10:15 a.m. E.D.T. on Thursday, April 30, 2015** for the purchase of all, but not less than all, of the City's \$4,200,000* General Obligation Bonds, Series 2015 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written sealed bids, bids will be received at the office of the City’s Financial Advisor, Cumberland Securities Company, Inc., 813 S. Northshore Drive, Suite 201A, Knoxville, Tennessee 37919. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume May 28, 2015). The Bonds will mature on June 1 in the years 2017 through 2045, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2015, and will be subject to optional redemption on or after June 1, 2021 at the redemption price of par plus accrued interest. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the City Manager of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the City’s Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee (865) 988-2663. Further information regarding **PARITY®** may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF BRISTOL, TENNESSEE
By: William L. Sorah, City Manager

*Preliminary, subject to change.

DETAILED NOTICE OF SALE

\$4,200,000*

CITY OF BRISTOL, TENNESSEE General Obligation Bonds, Series 2015

NOTICE IS HEREBY GIVEN that the City of Bristol, Tennessee (the “City”) will receive electronic or written sealed bids until **10:15 a.m. E.D.T. on Thursday, April 30, 2015** for the purchase of all, but not less than all, of the City's \$4,200,000* General Obligation Bonds, Series 2015 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale.” In case of written sealed bids, bids will be received at the office of the City’s Financial Advisor, Cumberland Securities Company, Inc., 813 S. Northshore Drive, Suite 201A, Knoxville, Tennessee 37919. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY®** System.

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance, bear interest payable each June 1 and December 1, commencing December 1, 2015, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature (subject to the right of redemption as hereinafter set forth) and be payable as follows:

<u>YEAR</u> <u>(JUNE 1)</u>	<u>AMOUNT*</u>	<u>YEAR</u> <u>(JUNE 1)</u>	<u>AMOUNT*</u>
2017	\$ 100,000	2032	\$ 140,000
2018	100,000	2033	150,000
2019	100,000	2034	155,000
2020	100,000	2035	160,000
2021	100,000	2036	165,000
2022	100,000	2037	175,000
2023	105,000	2038	180,000
2024	110,000	2039	185,000
2025	110,000	2040	190,000
2026	115,000	2041	195,000
2027	120,000	2042	200,000
2028	120,000	2043	205,000
2029	130,000	2044	215,000
2030	135,000	2045	200,000
2031	140,000		

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One

*Preliminary, subject to change.

fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-entry system is not required.

In the event that the book-entry only system for the Bonds is discontinued and a successor securities depository is not appointed by the City, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the City and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged. As to the portion of the Bonds that finance improvements to the System (defined below), as determined by the Municipality, that portion of the Bonds shall be additionally payable from and secured by the revenues to be derived from the operation of the System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System. The Municipality may issue bonds or other obligations in the future that are secured by such revenues without the consent of the holders of the Bonds.

Purpose. The Bonds are being issued for the purpose of providing funds to finance (i) improvements, renovations and equipping to public buildings, including but not be limited to technological improvements and park and athletic facility improvements; (ii) the acquisition of vehicles and equipment, including but not be limited to public works vehicles, public safety vehicles and equipment, computer hardware and software and other technological equipment; (iii) the construction, extension, repair, renovation and improvement of the drainage system of the Municipality, including the stormwater system of the Municipality (the, "System"); (iv) the acquisition of land for schools, preservation of open space, parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads, and public buildings; (v) the construction, improvement and equipping of drainage systems, parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads and public buildings; (vi) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (vii) reimbursement to the Municipality for funds previously expended for any of the foregoing; (viii) interest on the bonds during the construction of the projects referenced herein and for up to six (6) months thereafter; and (ix) payment of the costs related to the issuance and sale of the Bonds.

Bank Qualification. The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Optional Redemption. The Bonds maturing on and after June 1, 2022 will be subject to optional redemption prior to maturity at the option of the City on and after June 1, 2021 at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such series of Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the same manner as above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The City will receive electronic or sealed written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or no more than one hundred and twenty-five percent (125%) of par.

Bidders may designate two or more consecutive serial maturities of the Bonds as one or more Term Bond maturities equal in aggregate principal amount to, and with mandatory redemption requirements corresponding to, such designated serial maturities.

Electronic bids must be submitted through **PARITY**® via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division’s BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**® conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**® shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, sealed written bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**®. The use of **PARITY**® facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**®, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the City’s Financial Advisor, Cumberland Securities Company, Inc., at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The City and the Financial Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written sealed bids should be submitted in sealed envelope marked “Bid for Bonds” at the offices of the City’s Financial Advisor, Cumberland Securities Company, Inc., 350 Lighthouse Pointe Drive, Lenoir City, Tennessee 37772. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

Acceptance or rejection of “Bids for Bonds” for the Bonds will not obligate the City to accept or reject “Bids for Bonds”.

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the City to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the City shall determine in its sole discretion which of the bidders shall be awarded the Bonds.

The City reserves the right to reject all bids and to waive informalities in the bids accepted.

Adjustment and/or Revision. While it is the City’s intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the City Manager reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to \$1,000,000. The primary factor to be considered in such adjustment is the amount of premium that is bid. Among other factors the City Manager may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the City. Additionally, the City Manager reserves the right to change the dated date of the Bonds. The maximum revision will occur if the winning bidder bids the maximum price.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City’s Financial Advisor (wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the City’s Financial Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the City as liquidated damages.

In the event of the failure of the City to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Reoffering Prices; Other Information. The successful bidder must furnish the following information to the City to complete the *Official Statement* in final form within two (2) hours after receipt and award of the bid for the Bonds:

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and
4. Any other material information necessary to complete the *Official Statement* in final form but not known to the City.

In addition, within two hours of the award of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel stating: (i) the reoffering prices (as shown in the bidder's winning bid); (ii) that the successful bidder will make a bona fide public offering of all of the Bonds at such reoffering prices; and (iii) that the successful bidder reasonably expects that the Bonds (or at least 10% of each maturity of the Bonds) will be sold to the public (excluding bond houses, brokers and other intermediaries) at those reoffering prices.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the City confirming that nothing has come to the bidder's attention that would lead it to believe that its certification with respect to the reoffering prices of the Bonds given in connection with the award of the Bonds is inaccurate, and addressing such other matters as to the reoffering prices of the Bonds as bond counsel may request.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax imposed on individuals and corporations; and is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after each of the City's fiscal years, (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the City to be material under applicable federal securities laws. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system (the "EMMA")

and any State Information Depository established in the State of Tennessee (the “SID”). If the City is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of material events will be summarized in the City's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days' notice will be given the successful bidder. Delivery will be made in book-entry form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds. Delivery is currently expected on or about May 28, 2015.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the City. The City will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The City has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “SEC”) except for the omission of certain pricing and other information. The City will furnish the successful bidder at the expense of the City a reasonable number of copies of *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder(s) to the persons to whom such bidder and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the City and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the City's Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee, Telephone: 865-988-2663. Further information regarding **PARITY**® may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF BRISTOL, TENNESSEE

By: William L. Sorah
City Manager

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BID FORM

William L. Sorah, City Manager
801 Anderson Street
Bristol, Tennessee 37620

April 30, 2015

Dear Mr. Sorah:

For your legally issued, properly executed \$4,200,000* General Obligation Bonds, Series 2015 (the "Bonds") of City of Bristol, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$_____).

The Bonds shall be dated the date of issuance (assume May 28, 2015) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2017	\$ 100,000	___	2032	\$ 140,000	___
2018	100,000	___	2033	150,000	___
2019	100,000	___	2034	155,000	___
2020	100,000	___	2035	160,000	___
2021	100,000	___	2036	165,000	___
2022	100,000	___	2037	175,000	___
2023	105,000	___	2038	180,000	___
2024	110,000	___	2039	185,000	___
2025	110,000	___	2040	190,000	___
2026	115,000	___	2041	195,000	___
2027	120,000	___	2042	200,000	___
2028	120,000	___	2043	205,000	___
2029	130,000	___	2044	215,000	___
2030	135,000	___	2045	200,000	___
2031	140,000	___			

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

Term Bond 1: Maturities from June 1, 20____ through June 1, 20____ @ ____%.

Term Bond 2: Maturities from June 1, 20____ through June 1, 20____ @ ____%.

Term Bond 3: Maturities from June 1, 20____ through June 1, 20____ @ ____%.

Term Bond 4: Maturities from June 1, 20____ through June 1, 20____ @ ____%.

Term Bond 5: Maturities from June 1, 20____ through June 1, 20____ @ ____%.

Term Bond 6: Maturities from June 1, 20____ through June 1, 20____ @ ____%.

Term Bond 7: Maturities from June 1, 20____ through June 1, 20____ @ ____%.

It is our understanding that the Bonds are offered for sale as "qualified tax exempt obligations" subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion will be furnished by the City without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

Accepted for and on behalf of the
City of Bristol, Tennessee, this
30th day of April, 2015.

William L. Sorah, City Manager

Respectfully submitted,

Total interest cost from

May 28, 2015 to final maturity \$_____

Less: Premium /plus discount, if any \$_____

Net Interest Cost \$_____

True Interest Rate _____%

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

*Preliminary, subject to change.

\$4,200,000*
CITY OF BRISTOL, TENNESSEE
General Obligation Bonds, Series 2015

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Bristol, Tennessee (the “City”, “Municipality” or “Issuer”) of its \$4,200,000* General Obligation Bonds, Series 2015 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to resolutions adopted by the City Council of the City (the “Council”). The detailed bond resolution (the “Resolution”) was adopted by the Council on April 7, 2015.

The Bonds are being issued for the purpose of providing funds to finance (i) improvements, renovations and equipping to public buildings, including but not be limited to technological improvements and park and athletic facility improvements; (ii) the acquisition of vehicles and equipment, including but not be limited to public works vehicles, public safety vehicles and equipment, computer hardware and software and other technological equipment; (iii) the construction, extension, repair, renovation and improvement of the drainage system of the Municipality, including the stormwater system of the Municipality (the, "System"); (iv) the acquisition of land for schools, preservation of open space, parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads, and public buildings; (v) the construction, improvement and equipping of drainage systems, parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads and public buildings; (vi) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (vii) reimbursement to the Municipality for funds previously expended for any of the foregoing; (viii) interest on the bonds during the construction of the projects referenced herein and for up to six (6) months thereafter; and (ix) payment of the costs related to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume May 28, 2015). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2015. The Bonds are issuable in registered book-entry form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

*Preliminary, subject to change.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Municipality are hereby irrevocably pledged. As to the portion of the Bonds that finance improvements to the System, as determined by the Municipality, that portion of the Bonds shall be additionally payable from and secured by the revenues to be derived from the operation of the System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System. The Municipality may issue bonds or other obligations in the future that are secured by such revenues without the consent of the holders of the Bonds.

The City through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from any stormwater revenues and direct appropriations from the General Fund of the City to the payment of debt service on the Bonds.

The Bonds will not be obligations of the State of Tennessee.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2022, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2021 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the

Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
-----------------	----------------------------	---

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Municipality not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered

owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Municipality pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below. However, if the winning bidder certifies to the City that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry System is not required.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-

U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Issuer determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the

occurrence of the event described above, the Issuer will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

- (a) all accrued interest, if any, shall be deposited to the appropriate fund of the Municipality to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund to be known as the 2015 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the Municipality. The Municipality shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Project. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be paid to the Municipality Trustee and shall be used to pay principal of and interest on the Bonds. Moneys in the Construction Fund shall be invested at the direction of the Municipality

in such investments as shall be permitted by applicable law. Earnings from such investments in the Construction Fund shall be deposited in the Municipality's debt service fund.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); or
3. By delivering such Bonds to the Registration Agent for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void; and if the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such

cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

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LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended, (the "Code")
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also "Changes in Federal and State Tax Law" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts

withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances

in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Recorder acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond counsel has not prepared the PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the PRELIMINARY OFFICIAL STATEMENT or OFFICIAL STATEMENT, in final form, except for the information under the caption TAX MATTERS. The opinion of bond counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of opinion is included in "APPENDIX A-Form of Legal Opinion".

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MISCELLANEOUS

RATINGS

Moody's Investor Services, Inc. ("Moody's") has given the Bonds the rating of "Aa2". Such rating reflect only the views of such organization and explanations of the significance of such rating should be obtained from such agency.

There is no assurance that such ratings will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by Moody's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and rating, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds.

Any explanation of the significance of the rating may be obtained only from Moody's.

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on April 30, 2015. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 9, 2015.

The successful bidder for the Bonds was an account led by _____, _____, _____ (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$_____ (consisting of the par amount of the Bonds, less an underwriter's discount of \$_____ and less an original issue discount of \$_____) or ____% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee has been employed by the Issuer to serve as its Financial Advisor. The Financial Advisor is an independently owned financial advisory firm.

Regions Bank. Regions Bank (the "Bank") is also a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds.

In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims, PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's role as serving as the City's Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City has not authorized any additional debt. However, the City has various Capital Projects which may or may not be funded in future years, including but not limited to a new middle school.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later

than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2015 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transactions were made or made in a timely manner as required by SEC Rule 15c2-2. With the exception of the foregoing, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided; however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-14;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-15 and B-16;
3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as show on page B-17;
4. Information about the Bonded Debt Service Requirements – Water and Sewer Service Fund as of the end of such fiscal year as show on page B-18;
5. Information about the Bonded Debt Service Requirements – Stormwater Fund as of the end of such fiscal year as show on page B-19;
6. Information about the Bonded Debt Service Requirements – Electric System Fund as of the end of such fiscal year as show on page B-20;

7. The fund balances and retained earnings for the fiscal year as shown on page B-21;
8. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-22;
9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-24;
10. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-25; and
11. The ten largest taxpayers as shown on page B-25.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;

- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at

the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement

between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12(b) of the U.S. Securities and Exchange Commission except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12(b).

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CERTIFICATION OF ISSUER

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ _____
City Manager

ATTEST:

/s/ _____
City Recorder

APPENDIX A

FORM OF LEGAL OPINION

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Bristol, Tennessee (the "Issuer") of the \$_____ General Obligation Bonds, Series 2015 (the "Bonds") dated _____, 2015. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.
2. The resolution of the Board of Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with their terms.
3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. That portion of the Bonds that finances improvements to the Issuer's stormwater system (the "System") shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the System.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, it should be noted that for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply

with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Bristol (the “City”) is located in Sullivan County (the “County”) in northeastern Tennessee. Located among the Blue Ridge Mountains, Bristol is actually a twin city. One community in two states, the City of Bristol, Virginia on the north side of State Street and Bristol, Tennessee on the south side. To the west the County is bordered by Hawkins County, Washington County is to the south, Carter and Johnson Counties border the east and the Virginia state-line is to the north. Other cities within the County are Bluff City and Kingsport. Blountville, the County Seat, is not incorporated.

GENERAL

The approximate land area of the City is about 31 miles and the County is about 413 square miles. The local economy enjoys a well-balanced industrial, agricultural and manufacturing base. The leading crops produced are tobacco, small grains and cattle. Bristol's industrial base includes batteries, electronics, pharmaceuticals, mining machinery, aluminum products, compressors, apparel, textiles, copper wire, vacuum cleaner and food products.

Bristol is part of the Kingsport-Bristol Metropolitan Statistical Area (the “MSA”). According to the 2010 Census, the MSA has a population of 308,662. The cities in the MSA include Kingsport, Bristol, Tennessee and Bristol, Virginia. The Counties in the MSA are Hawkins and Sullivan Counties in Tennessee. In 2004 the Tri-Cities MSA that included Johnson City was split into two MSAs, the Johnson City MSA and the Kingsport-Bristol MSA.

The City is also part of the Tri-Cities Combined Statistical Area (the “CSA”) of Northeast Tennessee and Southwest Virginia. According to the 2010 Census, the CSA has a population of 509,669. The CSA is unusual in that there is no dominant central city, but Johnson City is the lead city. Other major cities in the CSA include Johnson City, Kingsport, Elizabethton, Jonesborough, Bristol, Tennessee and Bristol, Virginia.

According to the 2010 Census, the population of Bristol, Tennessee was 26,702 and the population of the County was 156,823.

GOVERNMENT

The City itself was officially incorporated in 1856. The governing body for the City of Bristol, Tennessee is independent from the City of Bristol, Virginia. Each has a council-manager form of government. Both cities have planning commissions, zoning ordinances and industrial development authorities.

The governing body for the City is delineated as the City Council. The City Council consists of five (5) members, with three members elected from districts and two members elected at-large. The three districts of the City have approximately equal populations and are maintained by the City.

TRANSPORTATION

Located within a day's drive of more than 70 percent of the U.S. population, the City is served by more than 82 motor freight carriers and the Norfolk/Southern Railroad. Bristol is the center of the five-state area. State Street joins Tennessee and Virginia and puts the states of West Virginia, Kentucky and North Carolina within easy driving distance of Bristol. Interstate 81 ties Bristol to important population centers such as Knoxville, TN. (118 miles south) and Roanoke, VA. (143 miles north). Interstate highways 77 and 40 connect with I-81 within 73 miles of Bristol. US Highways 11E, 11W, 19E, 58 and 421 along with State Highways 36, 37, 126 and 394 also run through the City. Commercial air service is available through the Tri-Cities Regional Airport, TN/VA, which offers jet and air carrier service. The facility has an 8,000 foot asphalt runway and offers direct service to seven cities.

EDUCATION

Bristol City School System. The City School System operates eight schools covering grades kindergarten through 12: five elementary schools, one middle school and two high schools. The fall 2013 enrollment was 4,082 students with 276 teachers. Adult education programs are offered for GED preparation, career enhancement, enrichment and parent-training programs. The system is accredited by the Southern Association of Colleges and Schools. It boasts test scores in the top 10% in the Tennessee Comprehensive Assessment Program.

Source: Tennessee Department of Education.

Sullivan County School System is comprised of 23 schools, pre-K through 12, divided into 4 zones, North, South, East and Central. Each zone is headed by its high school and a number of elementary and middle schools. In total there are four comprehensive high schools, five middle schools, one intermediate school and eleven elementary schools. All the middle and high schools are accredited by the Southern Association of Colleges and Schools. The System had a fall 2013 enrollment of 10,654 and 749 teachers.

Source: Tennessee Department of Education.

King University is a private, Presbyterian affiliated comprehensive college located in Bristol, Tennessee. The 135 acres campus is just 2 minutes from downtown Bristol, the twin city of Bristol, Virginia. The University was founded 1867 and offers more than 80 majors, minors, and concentrations. The fall full-time enrollment for 2013 was 2,213 students. *U.S. News & World Report's 2009 edition of America's Best Colleges* lists King among the Best Baccalaureate Colleges in the South.

Source: King College.

National Business College. Founded in the 1880's, National Business College is a private career college whose purpose is to educate men and women for the duties and responsibilities of business life and to help place them in positions where there is opportunity for advancement. There are campuses located in Virginia, Kentucky, Tennessee, Indiana and Ohio. The Bristol, Virginia campus is now located in Bristol, Tennessee in a modern, 18,655 square foot facility which features 16 classrooms, a library, a bookstore, office space, and an administrative lounge, and 81 computer workstations offer high-speed Internet access. Teaching skills to students in Kingsport, Johnson City, and Bristol Tennessee and Bristol Virginia, National College draws students from several counties in both states to its campus in Bristol. The campus opened in 1992, and moved to its new location in the spring of 2005.

Northeast State Technical Community College was founded in 1966 as the Tri-Cities State Area Vocational-Technical. Northeast State is located at Blountville in Sullivan County, Tennessee, and had a fall 2014 enrollment of 5,865 students. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The College serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray, and Kingsport.

Source: Northeast State Technical Community College and TN Higher Education Commission.

The Tennessee Technology Center at Elizabethton. The Tennessee Technology Center at Elizabethton is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Elizabethton serves the northeast region of the state including Carter, Johnson, Sullivan, Unicoi and Washington Counties. The Technology Center at Elizabethton began operations in 1963, and the main campus is located in Carter County. In October of 1999, the school opened an instructional site in Mountain City, offering Business Systems Technology, and later in Kingsport, offering classes in Practical Nursing. The fall 2012 enrollment was 1,025 students.

Source: Tennessee Technology Center at Elizabethton and Carter County and TN Higher Education Commission.

Virginia Schools. There are many education opportunities on the other side of State Street in Virginia. *Emory & Henry College*, founded in 1836, is ranked on of the top 5 best liberal arts school in the south by U.S. News and World Report. There is also *The University of Virginia's College of the Wise* in Wise, Virginia; *Southwest Virginia Community College* in Richlands, Virginia; *Virginia Highlands Community College* in Abingdon, Virginia; *University of Appalachia School of Pharmacy* in Oakwood, Virginia; *Appalachia School of Law* in Grundy, Virginia; *Southwest Virginia Higher Education Center* in Abingdon, Virginia; *Sullins Academy* in Bristol, Virginia; and *Mt. Mission School* in Grundy, Virginia.

HEALTHCARE

The Tri-Cities area has ten acute-care hospitals and many other healthcare facilities. Mountain States Health Alliance (the "MSHA") is based on Johnson City and has six open hospitals with two under construction in Johnson City. There is also a hospital for veterans in Johnson City, the James H. Quillen VA Medical Center at Mountain Home. MSHA has two facilities in Kingsport, the Indian Path Medical Center and the Indian Path Pavilion. The national healthcare system Health South has the facility HealthSouth Rehabilitation Hospital in Kingsport. Wellmont Health System has two facilities in Kingsport: the Holston Valley Medical Center and the Wellmont Madison House. In addition, the East Tennessee State University located in Johnson City has a College of Medicine that brings specialties to the area normally not available in a community of this size.

Wellmont Health System. Founded in 1996, Wellmont Health System is a premier healthcare provider in the Tri-State region, with hospitals and healthcare facilities in Northeast Tennessee, Southwest

Virginia and Southeast Kentucky. Wellmont is one of the region's largest employers and is based in Kingsport. Nearly 600 physicians deliver care at Wellmont facilities across Northeast Tennessee, Southwest Virginia and Southeast Kentucky. The not-for-profit healthcare system includes eight full-service hospitals, with four located in Tennessee. See "RECENT DEVELOPMENTS" for more information on recent developments of the health system.

Source: Wellmont Health System.

Bristol Regional Medical Center. Located in Bristol, the Bristol Regional Medical Center first opened in 1994 on a 125-acre campus. Bristol Regional has 348 beds and over 270 board-certified or board-eligible physicians. It was the first hospital in the region to offer the CyberKnife Stereotactic Radiosurgery System, a digital cardiac catheterization lab and a Primary Stroke Center. It is part of the regional Wellmont Health System. Other services offered include cardiac care, the J.D. and Lorraine Nicewonder Cancer Center, a Primary Stroke Center, a Diabetes Treatment Center, an emergency department and Level II trauma center, an inpatient and outpatient hospice and palliative care, neuroscience, occupational health, outpatient services, rehabilitation services and women's health.

Source: Wellmont Health System.

Ridgeview Pavilion. Ridgeview Pavilion is a 28 bed secured adult inpatient psychiatric facility in Bristol. It is part of the regional Wellmont Health System. Inpatient programming is targeted toward short term crisis intervention, medication assessment, stabilization and detoxification. Services are designed to encourage the least restrictive and structured level of care that is clinically appropriate. Coordination with outside clinicians, community service boards and patient families helps to ensure smooth movement among levels of care, encouraging the transition into community based life and the patient's home environment.

Source: Wellmont Health System.

Wellmont Hospice House. Wellmont Hospice House was the first freestanding hospice facility in Tennessee and offers short-term inpatient care in a comfortable setting for persons with end-stage illness. Patients may be admitted to the hospice house for acute management of symptoms, for the final days of life or for respite care. Respite is a level of care that provides relief for the weary caregiver. The 12,000-square-foot hospice house is located by Bristol Regional Medical Center and includes eight spacious patient rooms, each of which opens to a private patio. There is a great room, chapel, family kitchen/dining area and areas for privacy and quiet meditation. It is part of the regional Wellmont Health System.

Source: Wellmont Health System.

POWER PRODUCTION

Fort Patrick Henry Dam and Reservoir. Tennessee Valley Authority's ("TVA") Fort Patrick Henry Dam is located in Kingsport on the South Fork Holston River. Construction of the Dam began in 1951 and was completed in 1953. The Dam is 95 feet high and stretches 737 feet across the South Fork Holston River. The generating capacity of Fort Patrick Henry Dam is 59,400 kilowatts of electricity. The Dam was built primarily for hydropower, but it is also used to regulate the flow of water downstream to ensure a reliable supply of water for local industry and for cooling water at TVA's John Sevier Fossil Plant. Fort Patrick Henry Reservoir extends 10 miles in Sullivan County upstream from the Dam to Boone Dam.

Source: Tennessee Valley Authority.

South Holston Dam and Reservoir. Tennessee Valley Authority's ("TVA") South Holston Dam is located in Sullivan County on the South Fork Holston River. Construction of the dam was begun in 1942

but was halted in favor of other wartime construction efforts. Building resumed in 1947 and was completed in 1950. South Holston Dam is 285 feet high and reaches 1,600 feet across the South Fork Holston River. South Holston is an earth-and-rockfill dam with one hydroelectric unit. The generating capacity of South Holston Dam is 38,500 kilowatts of electricity. South Holston Reservoir extends in Sullivan County 24 miles east of the Dam into Virginia.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

The following chart lists the City's major employers:

Major Employers in the City of Bristol

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Bristol Regional Medical Center*	Bristol, TN	Hospital	1,848
U.S. Solutions Group	Bristol, TN		620
Century Link	Bristol, TN	Telecommunications	600
Sprint Telecenters	Bristol, TN	Telecommunications	475
Bristol School System	Bristol, TN	Education	415
Robinette Company	Bristol, TN	Printed Roll Stock	338
City of Bristol	Bristol, TN	Government	337
Bristol Metals	Bristol, TN	Metal Fabricating	314
Wal-Mart	Bristol, TN	Retail	300
Exide Battery Plant	Bristol, TN	Batteries	250
Lowe's	Bristol, TN	Retail	250
Pfizer	Bristol, TN	Pharmaceuticals	165
Royal Mouldings	Bristol, TN	Molded products	125

* Wellmont Health Systems has about 6,577 total employees in the Tri-Cities area.

Source: Business Journal of the Tri-Cities, City of Bristol Audit - 2014.

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The following is a list of the major sources of employment in Tri-Cities area (*Carter County*: Johnson City; *Hawkins County*: Kingsport, Bulls Gap, Surgionsville and Church Hill; *Sullivan County*: Bristol, Kingsport, Johnson City and Piney Flats; *Washington County*: Johnson City, Jonesborough, Gray, Telford and Midway; and in nearby Bristol, Virginia):

Major Employers in the Remaining Tri-Cities Area

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Mountain States Health Alliance*	Johnson City	Healthcare	8,610
Eastman Chemical Company	Kingsport	Chemicals, Fibers, Plastics	6,800
Wellmont Health Systems*	Kingsport	Healthcare	6,577
East Tennessee State University	Johnson City	Education	2,370
Veterans Administration Hospital	Johnson City	Healthcare	2,188
Citigroup	Gray	Credit Card Programs	1,700
Sullivan County Schools	Blountville	Education	1,620
Brock	Kingsport	Service Contractor	1,500
Hawkins County Schools	Rogersville	Education	1,500
Washington County School System	Johnson City	Education	1,200
Advance Call Center Tech	Johnson City	Communications	1,179
Kingsport City Schools	Kingsport	Education	1,150
Pals Sudden Service	Kingsport	Restaurant	1,000
AO Smith (American Water Heater Group)	Johnson City	Water Heaters	1,076
Frontier Health ²	Gray	Rehabilitative Healthcare	1,016
City of Johnson City	Johnson City	Government	883
Johnson City School System	Johnson City	Education	832
Holston Medical Group	Kingsport	Healthcare	823
Wal-Mart	Kingsport	Retail	753
City of Kingsport	Kingsport	Government	734
Jacobs	Kingsport	Engineering	706
Barrette Outdoor Living	Bulls Gap	Wood & Vinyl Fencing	700
Bristol Compressors	Bristol, VA	Manufacturing	656
Kelly Services	Johnson City	Personnel Supply Services	650
BAE Systems	Kingsport	Chemicals & Explosives	637
Federal Pacific Transformer Co.	Bristol, VA	Transformers	600
Line Power Federal Pacific	Bristol, VA	Manufacturing	600
Sprint Telecenters	Bristol, TN	Telecommunications	575
Universal Fibers	Bristol, VA	Manufacturing	525
State of Franklin Healthcare	Johnson City	Healthcare	530
Bell Helicopter	Piney Flats	Aircraft Outfitting	466
Mullican Flooring	Johnson City	Flooring	445
TRW Automotive	Rogersville	Steering Components	425
TPI Corporation	Gray	Electric Heating Equip	389
Office Max	Bristol, VA	Retail	386
Copper Standard Automotive	Surgionsville	Automotive Tubing	350
HSN	Piney Flats	Distribution	363

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Domtar	Kingsport	Paper	328
Strongwell Corporation	Bristol, VA	Manufacturing	315
Shearer Foods	Bristol, VA	Food Manufacturing	300
NN Inc.	Johnson City	Rollers and Bearings	278
Kennametal, Inc.	Johnson City	Carbide Alloys	272
Bank of Tennessee	Kingsport	Bank	265
Federal Pacific Transformer Co	Bristol, VA	Transformers	249
Siemens Industry	Johnson City	Automation	240
Ball Metal Beverage Packaging	Bristol, VA	Can Ends	230
Assure Snack Foods	Bristol, VA	Food Manufacturing	225
Modern Forge	Piney Flats	Manufacturing	215
Marriott Meadowview Conference	Kingsport	Hotel	200
Dentsply Tulsa Dental Products	Johnson City	Manufacturing	200
Powell Companies	Johnson City	Steel Erection	200
Silgan Plastic Closure Solutions	Kingsport	Plastic Closures	190
General Shale	Johnson City	Manufacturing	189
Bristol Virginia Utilities	Bristol, VA	Public Utilities	183
Oldcastle Building Envelope	Midway	Aluminum Products	175
Kingsport Times-News	Kingsport	Newspaper	165
First Tennessee Bank	Johnson City	Bank	164
Koyo Corp. of USA	Telford	Bearings	160
Walker Forge	Surgoinsville	Engines Components	158
Pepsi Beverage Co	Johnson City	Pepsi Products	152
Regions Financial Corp.	Kingsport	Bank	149
Reinhart Food Service	Johnson City	Food Service	145
Alemite LLC	Johnson City	Lubrication Systems	130
Borla Performance Industries, TN	Johnson City	Manufacturer	130
QEP Company & Harris Wood, LLC	Johnson City	Wood Flooring	130
Microporous (Daramic LLC)	Piney Flats	Battery Separators	125
Holiston LLC	Church Hill	Hard Cloth	124
MINCO	Midway	Fused Silica Products	115
Industrial Electronics Services	Gray	Electronics	110
Clinical Management Concepts	Johnson City	Pharmacy	110
Manitowoc Walk-Ins (Kysor)	Piney Flats	Walk-In Coolers	110
Aurora Hardwoods	Piney Flats	Hardwood	106
Johnson Eye Clinic	Johnson City	Healthcare	100

** Includes employees from multiple areas in the Tri-Cities area.*

Source: Business Journal of the Tri-Cities, Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee, Johnson City / Washington County Economic Development Board - 2014.

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EMPLOYMENT INFORMATION

As of February 2015, the unemployment rate of Bristol stood at 5.8%, representing 10,850 persons employed out of a workforce of 11,530. As of February 2015, the unemployment rate in the County stood at 6.3%, representing 65,220 persons employed out of a workforce of 69,610.

The unemployment rate for February 2015 in the Kingsport-Bristol MSA stood at 6.2%, representing 130,680 persons employed out of a workforce of 139,270. The unemployment rate for February 2015 in the Tri-Cities CSA stood at 6.3%, representing 213,770 persons employed out of a workforce of 228,270.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	9.6%	8.9%	8.1%	7.4%	6.2%
Tennessee	9.7%	9.2%	8.0%	8.2%	6.7%
Bristol	8.3%	8.0%	6.6%	7.4%	7.0%
Index vs. National	8.6	89	81	100	113
Index vs. State	85	87	83	90	104
Sullivan County	8.4%	7.7%	7.0%	7.5%	6.7%
Index vs. National	88	87	86	101	108
Index vs. State	87	84	88	91	100
Kingsport-Bristol MSA	8.8%	8.1%	7.3%	7.5%	6.5%
Index vs. National	92	91	90	101	105
Index vs. State	91	88	91	91	97
Tri-Cities CSA	8.8%	8.2%	7.3%	7.6%	6.7%
Index vs. National	92	92	90	103	108
Index vs. State	91	89	91	93	100

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

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ECONOMIC DATA

Per Capita Personal Income

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
National	\$39,379	\$40,144	\$42,332	\$44,200	\$44,765
Tennessee	\$34,439	\$35,426	\$37,151	\$39,002	\$39,558
Sullivan County	\$33,465	\$33,901	\$35,698	\$36,868	\$37,074
Index vs. National	85	84	84	83	83
Index vs. State	97	96	96	95	94
Kingsport-Bristol MSA	\$31,269	\$31,803	\$33,877	\$35,146	\$35,264
Index vs. National	79	79	80	80	79
Index vs. State	91	90	91	90	89
Tri-Cities CSA	\$31,221	\$31,865	\$33,816	\$35,029	\$35,175
Index vs. National	79	79	80	79	79
Index vs. State	91	90	91	90	89

Source: University of Tennessee, Center for Business and Economic Research.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Sullivan County</u>	<u>Bristol</u>
Median Value Owner Occupied Housing	\$176,700	\$139,200	\$121,700	\$103,500
% High School Graduates or Higher Persons 25 Years Old and Older	86.0%	84.4%	84.1%	80.7%
% Persons with Income Below Poverty Level	15.4%	17.6%	18.3%	18.3%
Median Household Income	\$53,046	\$44,298	\$39,479	\$35,621

Source: U.S. Census Bureau State & County QuickFacts - 2013.

TOURISM AND RECREATION

Arts and Culture

The *Paramount Center for the Arts*, a 1931 Art Deco movie house formerly known as the Paramount House, was recently given a \$2.2 million renovation. *Theatre Bristol* provides the experience of live theater performances to more than 40,000 people in the region each year. The *Bristol Ballet*

Company, which operates the Bristol Ballet School, is recognized as an outstanding regional ballet company. The *Bristol Art Guild* operates the Bristol Art Gallery where residents and visitors can view local artists' paintings, drawings, sculptures, pottery and other pieces of fine art.

Bristol is recognized by the U.S. Congress and Country Music Association as "*The Birthplace of Country Music*". The first commercially and nationally successful country music stars, Jimmie Rodgers and the Carter Family, made their first recordings in Bristol in 1927. Many organizations in the Bristol area host concerts and showcase exhibits to highlight this noteworthy aspect of the community. Murals and monuments in the downtown area mark this heritage. The historic Carter Fold, a historic shrine of American country music, is located in the Bristol area.

Started in September of 2001, the *Rhythm and Roots Reunion* celebrates the 1927 recordings in Bristol that started country music. Held on Stated Street in Downtown Bristol, the site of the original recording sessions, the 3 day Reunion features the Country, Gospel, Bluegrass, Old-Time, Celtic, and Americana Acts of national and regional fame. Impromptu jam sessions on State Street complemented the scheduled acts, echoing the spirit of the original 1927 sessions.

Source: Bristol, Tennessee.

Viking Hall Civic Center. The City's only civic arena, Viking Hall Civic Center, opened in December 1981. Viking Hall is a unique venue with all the seats located in front of the 80 x 60 permanent stage. The venue hosts numerous public events such as concerts, trade/consumer shows and sporting events. The venue is also home to all of Bristol, Tennessee High School sports / academic activities.

Source: Viking Hall Civic Center.

Auto Racing

Twice a year 160,000 - plus race fans flock to the *Bristol Motor Speedway* to enjoy the Spring Nationwide Series and K&N Pro Series East Races. During a weekend in March the Speedway hosts the NASCAR Sprint Cup Series Food City 500.

On the last weekend in August, fans will pack the "The World's Fastest Half Mile Track" for the Sprint Cup Series IRWIN Tools Night Race and the Nationwide Series Food City 250. The Speedway rivals the Daytona 500 and the Brickyard 400 in terms of prestige among fans and competitors. The IRWIN Tools Night Race at the Speedway has been voted fans' favorite race in annual NASCAR Nextel Cup Scene fan survey, outranking races at Daytona, Talladega, Indianapolis and Lowe's Motor Speedway at Charlotte.

Opened in June of 1999, The *Bristol Dragway* is a \$14 million state-of-the-art drag racing facility adjacent to the Bristol Motor Speedway. The Dragway hosts championship drag racing and is sanctioned by the National Hot Rod Association. The racetrack also hosts a "Fantasy in Lights" during Christmas.

Parks

Appalachian National Scenic Trail (the "AT"). The Appalachian Trail is a 2,175-mile long footpath stretching through 14 eastern states from Maine to Georgia. It runs along the Sullivan – Johnson County

line, and can be accessed through the Cherokee National Forest. Conceived in 1921 and first completed in 1937, it traverses the wild, scenic, wooded, pastoral, and culturally significant lands of the Appalachian Mountains. The AT is enjoyed by an estimated 4 million people each year.

Source: National Park Service.

Caverns. The area has two show caves, *Appalachian Caverns* and the *Bristol Caverns*. Used by the Native Indians as an attack and escape route, these caverns feature many unusual formations. A tour of the caverns includes a walk along the banks of an underground river. Visitors can take the lighted asphalt trail that goes through several levels of the caverns. Picnicking is permitted.

Source: Bristol, Tennessee.

Cherokee National Forest (the “CNF”). The Cherokee National Forest is located in Eastern Tennessee and stretches from Polk, Monroe, Cocke, Greene, Unicoi, Carter and Johnson Counties along the North Carolina border. The 640,000-acre forest is the largest tract of public land in Tennessee. It lies in the heart of the Southern Appalachian mountain range, one of the world's most diverse areas. These mountains are home to more than 20,000 species of plants and animals. Also popular are the 650 miles of hiking trails and the 500 miles of streams for fishing. Each year millions of people visit Tennessee's Cherokee National Forest, over 2 million in 2010. The area is the former homeland of the Cherokee Indians and is Tennessee's only National Forest. National forests are lands of many uses. The original purpose for their creation was to protect water quality and provide a continuous supply of timber. Today the national forest mission includes outdoor recreation, wildlife and fish habitat, wilderness, water quality, minerals, wood products, and much more.

Source: USDA Forest Service.

Fort Patrick Henry Dam and Reservoir. Tennessee Valley Authority's (“TVA”) Fort Patrick Henry Dam is located in Kingsport on the South Fork Holston River. Fort Patrick Henry Reservoir extends 10 miles in Sullivan County upstream from the Dam to Boone Dam. Fort Patrick Henry Reservoir is a popular site for fishing, particularly rainbow trout, bluegill, bass, and crappie. Warrior's Path State Park is located on the reservoir.

Source: Tennessee Valley Authority.

South Holston Dam and Reservoir. Tennessee Valley Authority's (“TVA”) South Holston Dam is located in Sullivan County on the South Fork Holston River. South Holston Reservoir extends in Sullivan County 24 miles east of the Dam into Virginia. South Holston is operated for many purposes, including flood control, power production, and aquatic ecology. Water levels in the reservoir vary about 30 feet during normal years to provide for flood storage and augmentation of the flow of water during the drier seasons of the year. In 1991 TVA built a weir immediately below South Holston Dam to add oxygen to the river when the hydropower plant isn't generating electricity. Oxygen-rich water helps create a sustained habitat for aquatic insects, vegetation, and fish.

Source: Tennessee Valley Authority.

Steele Creek Park. Steele Creek Park is a 2,200+ acre municipal park owned and operated by the City of Bristol, Tennessee. The park features a Nature Center, Golf Course, a multi-use Lodge and shelters available for rent, paddle-boating on our 54 acre lake, 21 miles of hiking trails, soccer fields, picnic tables with grills. The park is one of the largest City Parks in the State.

Source: Bristol, Tennessee.

Warriors' Path State Park. Warriors' Path State Park is located in Kingsport in Sullivan County. It was named for the park's proximity to the ancient war and trading path used by the Cherokee. Since that time, the park land has known a long history of travelers, and is still a pathway for modern-day outdoor enthusiasts. The 950-acre area was acquired from the Tennessee Valley Authority in 1952, to serve the people who live in or visit this section of Northeast Tennessee. It is situated on the shores of TVA's Patrick Henry Reservoir on the Holston River. The park offers boating, fishing, many hiking trails, campsites, picnic facilities and a swimming pool.

Source: Tennessee State Parks.

RECENT DEVELOPMENTS

Dr. Reddy's Laboratories. In early 2011, Dr Reddy's Laboratories (DRL) signed an agreement to buy GlaxoSmithKline's (GSK) oral penicillin facility and product portfolio in the US. GSK will transfer its plant in Bristol, Tennessee and rights for Augmentin and Amoxil brands to Dr Reddy's. However, GSK will retain the rights for these brands outside the US. GSK began laying off workers at its pharmaceutical plant in Bristol in early 2008. GSK shuttered its 400,000-square-foot plant in 2006, citing declining sales of its signature penicillin drug, Augmentin. Sales of Augmentin have declined by about 70 percent since 2003, when the company lost patent protection and began facing greater competition from generic brands. At its peak, the plant employed more than 400 workers. The Bristol facility is the only U.S. plant still producing Augmentin, and the company also makes some other penicillin-based drugs there.

Eastman Chemical Company. Eastman Chemical Company is located in Kingsport on the Sullivan County side. In 2011 the company purchased Sterling Chemicals Inc. for \$100 million in cash. The assets bought, a plasticizer and acetic acid manufacturing facility, are located in Texas. In 2009 the company slashed costs by more than \$200 million by cutting up to 300 jobs in response to the current economic turmoil. Eastman had 2007 sales of \$6.8 billion with approximately 10,500 employees and is the largest manufacturing employer in Tennessee.

Exide Technologies. In 2013 Exide Technologies filed for Chapter 11 bankruptcy after a number of layoffs in recent years. In early 2013, 68 workers were laid off, and in 2011 236 jobs were lost as some of the Bristol operations were transitioned to a Kansas facility. The company had already laid off about 570 jobs in 2009. The company employed 118 employees at the time of the bankruptcy filing in 2013. For many years, Exide was among Bristol's largest employer, boasting more than 800 workers. Exide runs 13 manufacturing locations in the U.S. and 74 branches through North America. The company also said it plans to pay U.S. employees as usual, and it does not expect material changes to their benefits. Exide Technologies, based in Georgia, makes batteries for vehicles and also provides stored electrical energy services for industrial applications.

Pfizer Global Supply. The pharmaceutical company, Pfizer, announced in 2011 it was ending its manufacturing and logistics operations at its Bristol, TN facility. The plant will continue its commercial and support operations. Pfizer is looking to consolidate plants after purchasing the Bristol-based King Pharmaceuticals in 2010.

Pure Foods. A Vancouver-based specialty snack foods company, Pure Foods, will establish U.S. headquarters in Kingsport in late 2015. The \$22 million investment of a new, 83,000 square foot manufacturing facility on 33 acres in Gateway Commerce Park will create 273 jobs over three years.

U.S. Solutions. In 2013 the telecommunications company, U.S. Solutions, expanded its call center by hiring an additional 120 employees. The company combined its operations in 2012 in Abingdon and Bristol, Va., at the former Touchstone site on in Bristol, Tenn. The company transferred around 270 jobs from Virginia and hired nearly 300 more. U.S. Solutions invested \$4.1 million when it renovated the 100,000-square-foot facility and relocated operations to Tennessee. The company was founded in 2001 and merged with Teleperformance in 2010.

Source: The City, Knoxville News Sentinel, Kingsport Times-News, Tri-Cities.com and Wellmont Health System.

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CITY OF BRISTOL, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) As of June 30, 2014 OUTSTANDING
\$ 9,850,000	(3) General Obligation Bonds, Series 2007	June 2023	Fixed	\$ 1,145,000
2,760,000	General Obligation Refunding Bonds, Series 2009	June 2024	Fixed	2,000,000
5,037,689	General Obligation Loan, Series 821-001 (EESI)	2024	Fixed	4,330,949
500,000	General Obligation Energy Note	2016	Zero	121,144
100,000	(2) General Obligation Energy Note	2016	Zero	21,715
4,450,000	General Obligation Bonds, Series 2011	June 2023	Fixed	3,520,000
4,000,000	(4) General Obligation Bonds, Series 2012	June 2027	Fixed	3,370,000
9,800,000	General Obligation Bonds, Series 2013A	June 2038	Fixed	9,800,000
8,585,000	(5) General Obligation Refunding Bonds, Series 2013B	June 2023	Fixed	8,440,000
17,350,000	General Obligation Bonds, Series 2014	June 2038	Fixed	17,350,000
28,505,000	Electric System Revenue Ref. and Impr. Bonds, Series 2013	Sept 2043	Fixed	28,505,000
\$ 90,937,689	TOTAL BONDED DEBT			\$ 78,603,808
\$ 4,200,000	(6) General Obligation Bonds, Series 2015	June 2045	Fixed	\$ 4,200,000
(5,685,000)	Less: Revenue Supported Debt			(4,801,715)
(28,505,000)	Less: Electric Revenue Only Debt			(28,505,000)
\$ 60,947,689	NET BONDED DEBT			\$ 49,497,093

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Revenue Supported Debt.

(3) \$320,000 Supported by Revenues of the Water and Sewer System.

(4) \$3,025,000 Supported by Revenues of the Water and Sewer System.

(5) \$510,000 Supported by Revenues of the Water and Sewer System.

CITY OF BRISTOL, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The indebtedness information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. Property tax information is derived the City.

	Fiscal Year Ended June 30					After Issuance
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$ 17,407,013	\$ 21,506,267	\$ 22,714,038	\$ 31,162,652	\$ 46,222,093	\$ 49,497,093
Revenue Supported Bonds	4,437,303	3,059,842	2,648,625	4,442,568	3,876,715	4,801,715
TOTAL TAX SUPPORTED	\$ 21,844,316	\$ 24,566,109	\$ 25,362,663	\$ 35,605,220	\$ 50,098,808	\$ 54,298,808
Electric Revenue Only Bonds	\$ 22,545,000	\$ 22,060,000	\$ 21,555,000	\$ 21,035,000	\$ 28,505,000	\$ 28,505,000
TOTAL DEBT	\$ 44,389,316	\$ 46,626,109	\$ 46,917,663	\$ 56,640,220	\$ 78,603,808	\$ 82,803,808
Less: Revenue Supported Debt	\$ (4,437,303)	\$ (3,059,842)	\$ (2,648,625)	\$ (4,442,568)	\$ (3,876,715)	\$ (4,801,715)
Less: Electric Revenue Only Debt	\$ (22,545,000)	\$ (22,060,000)	\$ (21,555,000)	\$ (21,035,000)	\$ (28,505,000)	\$ (28,505,000)
Less: Debt Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET DIRECT DEBT	\$ 17,407,013	\$ 21,506,267	\$ 22,714,038	\$ 31,162,652	\$ 46,222,093	\$ 49,497,093
PROPERTY TAX BASE						
Estimated Actual Value	\$ 2,156,171,614	\$ 2,138,170,092	\$ 2,280,764,243	\$ 2,233,328,937	\$ 2,063,630,022	\$ 2,063,630,022
Appraised Value	2,156,171,614	2,138,170,092	2,146,655,306	2,102,009,196	2,063,630,022	2,063,630,022
Assessed Value	665,269,949	660,382,908	662,668,099	647,681,144	634,106,967	634,106,967

DEBT RATIOS	Fiscal Year Ended June 30					After Issuance
	2010	2011	2012	2013	2014	2015
TOTAL DEBT to Estimated Actual Value	1.01%	1.15%	1.11%	1.59%	2.43%	2.63%
TOTAL DEBT to Appraised Value	1.01%	1.15%	1.18%	1.69%	2.43%	2.63%
TOTAL DEBT to Assessed Value	3.28%	3.72%	3.83%	5.50%	7.90%	8.56%
NET DIRECT DEBT to Estimated Actual Value	0.81%	1.01%	1.00%	1.40%	2.24%	2.40%
NET DIRECT DEBT to Appraised Value	0.81%	1.01%	1.06%	1.48%	2.24%	2.40%
NET DIRECT DEBT to Assessed Value	2.62%	3.26%	3.43%	4.81%	7.29%	7.81%
PER CAPITA RATIOS						
POPULATION (1)	26,719	26,750	26,675	26,675	26,675	26,675
PER CAPITA PERSONAL INCOME (2)	\$33,779	\$35,544	\$36,711	\$36,711	\$36,711	\$36,711
Estimated Actual Value to POPULATION	80,698	79,932	85,502	83,724	77,362	77,362
Assessed Value to POPULATION	24,899	24,687	24,842	24,280	23,772	23,772
Total Debt to POPULATION	1,661	1,743	1,759	2,123	2,947	3,104
Net Direct Debt to POPULATION	651	804	852	1,168	1,733	1,856
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.42%	2.58%	2.59%	3.64%	5.12%	5.54%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.93%	2.26%	2.32%	3.18%	4.72%	5.05%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF BRISTOL, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F. Y. Ended	Existing Debt General Obligation (1) As of June 30, 2014			General Obligation Bonds, Series 2015			Series 2015 Principal Repaid		Total Bonded Debt Service Requirements (1)			% Total Principal Repaid	
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	%	Principal	Interest	TOTAL	Principal	%
2015	\$ 2,033,608	\$ 1,484,471	\$ 3,518,079	\$ -	\$ -	\$ -	\$ -	0.00%	\$ 2,033,608	\$ 1,484,471	\$ 3,518,079	\$ -	4.11%
2016	2,181,680	1,385,695	3,567,375	-	122,471	122,471	2,181,680		2,181,680	1,508,166	3,689,846	2,181,680	
2017	2,179,204	1,318,501	3,497,705	80,000	122,813	202,813	2,259,204		2,259,204	1,441,314	3,700,518	2,259,204	
2018	2,287,312	1,250,534	3,537,846	80,000	119,813	199,813	2,367,312		2,367,312	1,370,346	3,737,658	2,367,312	
2019	2,335,456	1,179,137	3,514,593	80,000	116,813	196,813	2,415,456	7.33%	2,415,456	1,295,949	3,711,405	2,415,456	22.74%
2020	2,418,624	1,107,010	3,525,634	80,000	113,813	193,813	2,498,624		2,498,624	1,220,823	3,719,447	2,498,624	
2021	2,386,804	1,038,072	3,424,876	80,000	110,813	190,813	2,466,804		2,466,804	1,148,884	3,615,688	2,466,804	
2022	2,445,020	966,910	3,411,930	80,000	107,813	187,813	2,525,020		2,525,020	1,074,722	3,599,742	2,525,020	
2023	2,578,260	897,999	3,476,259	80,000	104,813	184,813	2,658,260		2,658,260	1,002,811	3,661,071	2,658,260	
2024	1,981,524	824,788	2,806,312	85,000	101,813	186,813	2,066,524	19.69%	2,066,524	926,600	2,993,124	2,066,524	47.42%
2025	1,459,601	765,279	2,224,880	85,000	98,625	183,625	1,544,601		1,544,601	863,904	2,408,505	1,544,601	
2026	1,385,000	724,643	2,109,643	90,000	95,438	185,438	1,475,000		1,475,000	820,080	2,295,080	1,475,000	
2027	1,425,000	683,093	2,108,093	95,000	92,063	187,063	1,520,000		1,520,000	775,155	2,295,155	1,520,000	
2028	1,460,000	640,343	2,100,343	95,000	88,500	183,500	1,555,000		1,555,000	728,843	2,283,843	1,555,000	
2029	1,515,000	596,018	2,111,018	100,000	84,938	184,938	1,615,000		1,615,000	680,955	2,295,955	1,615,000	
2030	1,560,000	550,018	2,110,018	105,000	81,188	186,188	1,665,000	33.89%	1,665,000	631,205	2,296,205	1,665,000	63.00%
2031	1,600,000	501,408	2,101,408	110,000	77,250	187,250	1,710,000		1,710,000	578,658	2,288,658	1,710,000	
2032	1,640,000	449,120	2,089,120	110,000	73,125	183,125	1,750,000		1,750,000	522,245	2,272,245	1,750,000	
2033	1,725,000	395,000	2,120,000	115,000	69,000	184,000	1,840,000		1,840,000	464,000	2,304,000	1,840,000	
2034	1,775,000	337,250	2,112,250	120,000	64,688	184,688	1,895,000	50.99%	1,895,000	401,938	2,296,938	1,895,000	80.90%
2035	1,850,000	277,344	2,127,344	125,000	60,188	185,188	1,975,000		1,975,000	337,531	2,312,531	1,975,000	
2036	1,925,000	212,594	2,137,594	130,000	55,500	185,500	2,055,000		2,055,000	268,094	2,323,094	2,055,000	
2037	2,000,000	145,219	2,145,219	135,000	50,625	185,625	2,135,000		2,135,000	195,844	2,330,844	2,135,000	
2038	2,075,000	75,219	2,150,219	140,000	45,563	185,563	2,215,000		2,215,000	120,781	2,335,781	2,215,000	97.83%
2039	-	-	-	145,000	40,313	185,313	145,000	71.60%	145,000	40,313	185,313	145,000	
2040	-	-	-	150,000	34,875	184,875	150,000		150,000	34,875	184,875	150,000	
2041	-	-	-	150,000	29,250	179,250	150,000		150,000	29,250	179,250	150,000	
2042	-	-	-	155,000	23,625	178,625	155,000		155,000	23,625	178,625	155,000	
2043	-	-	-	160,000	17,813	177,813	160,000		160,000	17,813	177,813	160,000	
2044	-	-	-	165,000	11,813	176,813	165,000	95.42%	165,000	11,813	176,813	165,000	
2045	-	-	-	150,000	5,625	155,625	150,000		150,000	5,625	155,625	150,000	
	<u>\$ 46,222,093</u>	<u>\$ 17,805,660</u>	<u>\$ 64,027,753</u>	<u>\$ 3,275,000</u>	<u>\$ 2,220,971</u>	<u>\$ 5,495,971</u>	<u>\$ 49,497,093</u>		<u>\$ 49,497,093</u>	<u>\$ 20,026,632</u>	<u>\$ 69,523,725</u>	<u>\$ 69,523,725</u>	

Notes:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Estimated Interest Rates. Estimated Average Coupon 3.75%.

CITY OF BRISTOL, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer
As of June 30, 2014

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% Total Principal Repaid
	Principal	Interest	TOTAL	
2015	\$ 460,856	\$ 95,300	\$ 556,156	11.89%
2016	475,859	83,188	559,047	
2017	465,000	70,488	535,488	
2018	465,000	57,788	522,788	
2019	285,000	45,088	330,088	55.50%
2020	200,000	36,188	236,188	
2021	200,000	32,188	232,188	
2022	200,000	28,188	228,188	
2023	225,000	24,188	249,188	
2024	225,000	19,688	244,688	82.59%
2025	225,000	14,906	239,906	
2026	225,000	10,125	235,125	
2027	225,000	5,063	230,063	100.00%
	<u>\$ 3,876,715</u>	<u>\$ 522,381</u>	<u>\$ 4,399,096</u>	

Notes:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) The City budgets to account for interest rate and/or basis risk.

CITY OF BRISTOL, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Stormwater Fund

F.Y. Ended	Existing Debt Stormwater Fund (1) As of June 30, 2014			General Obligation Bonds, Series 2015			Total Bonded Debt Service Requirements (1)			% Total Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	
6/30										
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
2016	-	-	-	-	34,591	34,591	-	34,591	34,591	
2017	-	-	-	20,000	34,688	54,688	20,000	34,688	54,688	
2018	-	-	-	20,000	33,938	53,938	20,000	33,938	53,938	
2019	-	-	-	20,000	33,188	53,188	20,000	33,188	53,188	6.49%
2020	-	-	-	20,000	32,438	52,438	20,000	32,438	52,438	
2021	-	-	-	20,000	31,688	51,688	20,000	31,688	51,688	
2022	-	-	-	20,000	30,938	50,938	20,000	30,938	50,938	
2023	-	-	-	25,000	30,188	55,188	25,000	30,188	55,188	
2024	-	-	-	25,000	29,250	54,250	25,000	29,250	54,250	18.38%
2025	-	-	-	25,000	28,313	53,313	25,000	28,313	53,313	
2026	-	-	-	25,000	27,375	52,375	25,000	27,375	52,375	
2027	-	-	-	25,000	26,438	51,438	25,000	26,438	51,438	
2028	-	-	-	25,000	25,500	50,500	25,000	25,500	50,500	
2029	-	-	-	30,000	24,563	54,563	30,000	24,563	54,563	32.43%
2030	-	-	-	30,000	23,438	53,438	30,000	23,438	53,438	
2031	-	-	-	30,000	22,313	52,313	30,000	22,313	52,313	
2032	-	-	-	30,000	21,188	51,188	30,000	21,188	51,188	
2033	-	-	-	35,000	20,063	55,063	35,000	20,063	55,063	
2034	-	-	-	35,000	18,750	53,750	35,000	18,750	53,750	49.73%
2035	-	-	-	35,000	17,438	52,438	35,000	17,438	52,438	
2036	-	-	-	35,000	16,125	51,125	35,000	16,125	51,125	
2037	-	-	-	40,000	14,813	54,813	40,000	14,813	54,813	
2038	-	-	-	40,000	13,313	53,313	40,000	13,313	53,313	
2039	-	-	-	40,000	11,813	51,813	40,000	11,813	51,813	70.27%
2040	-	-	-	40,000	10,313	50,313	40,000	10,313	50,313	
2041	-	-	-	45,000	8,813	53,813	45,000	8,813	53,813	
2042	-	-	-	45,000	7,125	52,125	45,000	7,125	52,125	
2043	-	-	-	45,000	5,438	50,438	45,000	5,438	50,438	
2044	-	-	-	50,000	3,750	53,750	50,000	3,750	53,750	94.59%
2045	-	-	-	50,000	1,875	51,875	50,000	1,875	51,875	100.00%
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 925,000</u>	<u>\$ 639,654</u>	<u>\$ 1,564,654</u>	<u>\$ 925,000</u>	<u>\$ 639,654</u>	<u>\$ 1,564,654</u>	

Notes:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Bonds are supported by Stormwater Revenues.

(2) Estimated Interest Rates. Estimated Average Coupon 3.75%.

CITY OF BRISTOL, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Electric System
As of June 30, 2014

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% Total Principal Repaid
	Principal	Interest	TOTAL	
2015	\$ 675,000	\$ 1,511,271	\$ 2,186,271	2.37%
2016	700,000	1,107,925	1,807,925	
2017	720,000	1,086,625	1,806,625	
2018	740,000	1,064,725	1,804,725	
2019	765,000	1,042,150	1,807,150	12.63%
2020	785,000	1,018,900	1,803,900	
2021	810,000	994,975	1,804,975	
2022	835,000	970,300	1,805,300	
2023	865,000	944,800	1,809,800	
2024	890,000	918,475	1,808,475	27.31%
2025	915,000	891,400	1,806,400	
2026	945,000	862,319	1,807,319	
2027	990,000	822,213	1,812,213	
2028	1,040,000	771,463	1,811,463	
2029	1,085,000	725,119	1,810,119	44.76%
2030	1,130,000	680,763	1,810,763	
2031	1,180,000	631,675	1,811,675	
2032	1,230,000	580,463	1,810,463	
2033	1,275,000	528,825	1,803,825	
2034	1,325,000	476,825	1,801,825	66.30%
2035	1,380,000	422,725	1,802,725	
2036	1,440,000	364,525	1,804,525	
2037	710,000	318,838	1,028,838	
2038	745,000	285,125	1,030,125	
2039	780,000	247,000	1,027,000	84.04%
2040	820,000	207,000	1,027,000	
2041	865,000	164,875	1,029,875	
2042	910,000	120,500	1,030,500	
2043	955,000	73,875	1,028,875	96.49%
2044	1,000,000	25,000	1,025,000	100.00%
	<u>\$ 28,505,000</u>	<u>\$ 19,860,671</u>	<u>\$ 48,365,671</u>	

Notes:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Electric System Bonds do **NOT** have any tax support. Bonds are supported by Electric Revenue Only.

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts fund balances and net assets for the last five fiscal years ending June 30:

	<u>For the Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<i>Governmental Funds:</i>					
General	\$12,922,506	\$13,961,665	\$14,281,951	\$13,195,799	\$12,296,307
Chapter 420	-	-	-	1,871,655	4,795,619
General Purpose					
School Fund	8,159,553	9,246,411	10,524,362	9,942,641	8,807,445
IDB	-	-	-	246,823	250,568
Other	<u>2,233,152</u>	<u>4,175,556</u>	<u>1,612,936</u>	<u>1,917,152</u>	<u>2,380,401</u>
Total	<u>\$23,315,211</u>	<u>\$27,383,632</u>	<u>\$26,419,249</u>	<u>\$27,174,070</u>	<u>\$28,530,340</u>
<i>Proprietary Net Assets:</i>					
Enterprise Funds	\$127,558,193	\$136,991,336	\$144,439,115	\$150,410,390	\$158,857,088

Source: Comprehensive Annual Financial Reports of the City of Bristol, Tennessee.

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CITY OF BRISTOL, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues:					
Taxes	\$ 21,529,448	\$ 21,298,834	\$ 22,072,969	\$ 21,525,248	\$ 21,396,465
Licenses, Permits, Fines	135,954	150,377	320,985	167,955	291,726
Intergovernmental	3,079,657	3,298,445	3,399,733	3,386,212	3,504,822
Service Charges	1,077,072	1,059,261	1,123,964	1,126,380	1,135,114
Revenue from Use of Facilities	291,690	418,506	353,519	320,375	402,983
Fines and forfeitures	367,615	400,211	402,478	389,171	476,247
Interest	25,688	21,428	11,408	11,306	8,102
Other	94,441	601,097	7,155	58,575	138,478
Total Revenues	<u>\$ 26,601,565</u>	<u>\$ 27,248,159</u>	<u>\$ 27,692,211</u>	<u>\$ 26,985,222</u>	<u>\$ 27,353,937</u>
Expenditures:					
Current					
Administration & General Gov't	\$ 3,392,675	\$ 3,615,375	\$ 4,741,601	\$ 4,918,403	\$ 5,087,221
Community Relations	-	-	406,918	433,572	478,865
Leisure Services	3,053,008	3,309,796	3,333,298	3,493,585	3,447,142
Public Safety	9,899,757	10,188,736	10,414,660	10,364,105	10,773,735
Public Works	2,726,135	3,018,047	2,954,356	3,065,224	2,991,223
Capital Outlay	381,528	-	-	-	-
Other Services	344,230	338,479	-	-	-
Debt Service	-	-	-	-	-
Total Expenditures	<u>\$ 19,797,333</u>	<u>\$ 20,470,433</u>	<u>\$ 21,850,833</u>	<u>\$ 22,274,889</u>	<u>\$ 22,778,186</u>
Excess of Revenues					
Over (Under) Expenditures	\$ 6,804,232	\$ 6,777,726	\$ 5,841,378	\$ 4,710,333	\$ 4,575,751
Other Financing Sources (Uses):					
Proceeds from Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Notes/Bonds	-	-	-	-	-
Insurance Recoveries	-	219,801	273,766	14,345	66,223
Sale of Equipment	-	8,523	15,140	13,211	8,373
Transfers In	2,201,276	2,295,916	2,355,115	2,741,735	2,513,796
Transfers Out	(8,500,341)	(8,262,807)	(8,165,113)	(8,555,444)	(7,995,703)
Total	<u>\$ (6,299,065)</u>	<u>\$ (5,738,567)</u>	<u>\$ (5,521,092)</u>	<u>\$ (5,786,153)</u>	<u>\$ (5,407,311)</u>
Excess of Revenues					
Over (Under) Expenditures					
& Other Uses	\$ 505,167	\$ 1,039,159	\$ 320,286	\$ (1,075,820)	\$ (831,560)
Fund Balance July 1	<u>\$ 12,417,339</u>	<u>\$ 12,922,506</u>	<u>\$ 13,961,665</u>	<u>\$ 14,281,951</u>	<u>\$ 13,195,799</u>
Adjustments	-	-	-	(10,332)	(67,932)
Fund Balance June 30	<u><u>\$ 12,922,506</u></u>	<u><u>\$ 13,961,665</u></u>	<u><u>\$ 14,281,951</u></u>	<u><u>\$ 13,195,799</u></u>	<u><u>\$ 12,296,307</u></u>

Source: Comprehensive Annual Financial Report for City of Bristol, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Recorder. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost which approximates market value.

PROPERTY TAX

Introduction. The City is authorized to levy a tax on all property within the City without limitation as to rate or amount. All real and personal property within the City is assessed in accordance with the state constitutional and statutory provisions by the City Property Tax Assessor except most utility property, which is assessed by the State Public Service Commission. All property taxes are due on October 1 of each year based upon appraisals as of January 1 of the same calendar year. Real and personal property taxes are delinquent on January 5 of the subsequent calendar year. Utility property taxes are delinquent on April 5 of the subsequent calendar year.

Reappraisal Program. Title 67, Chapter 5, Part 16, Tennessee Code Annotated, as supplemented and amended, mandates that after June 1, 1989, all property in the State of Tennessee will be reappraised on a continuous six (6) year cycle composed of an on-sight review of each parcel of property over a five (5) year period followed by reevaluation of all such property in the year following the completion of the review. In the second and fourth years of the review, there shall be an updating of all real property values by application of an index or indexes established for the jurisdiction by the State Board of Equalization, so as to maintain real property values at full value as defined in Title 67, Chapter 5, Part 6, Tennessee Code Annotated. The State Board of Equalization shall also consider a plan submitted by a local assessor which would have the effect of maintaining real property values at full value which may be used in lieu of indexing.

Title 67, Chapter 5, Part 17, Tennessee Code Annotated, provides that at such time as such reappraisal and reassessment processes are completed in a particular county, the respective governing bodies of the county and the municipalities located therein shall determine and certify a tax rate which will provide the same ad valorem tax revenue for the respective jurisdiction as was levied prior to reappraisal and reassessment. In computing the new tax rate, the estimated assessed value of all new construction and improvements placed on the tax rolls since the previous year, and the assessed value of all deletions from the previous tax roll are excluded. The new tax rate therefore, is derived from a comparison of tax revenues, tax rates and assessed values of property on the tax roll in both the year before and the year after the reappraisal. The effect of the reappraisal and reassessment statutes is to adjust the property tax rate downward to prevent a taxing unit from collecting additional property tax

revenues as a result of reappraisal. Once a municipality or county complies with state law and certifies a tax rate which provides the same property tax revenue as was collected before reappraisal, its governing body may vote to approve a tax rate change which would produce more or less tax revenue. The City had a reappraisal program, conducted by the State Board of Equalization, Division of Property Assessment, which was completed as of January 1, 2010.

Assessed Valuations. According to the Tax Aggregate Report, property in the County and City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2013¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities	\$ 15,132,689	55%	\$ 34,668,245
Commercial and Industrial	274,681,360	40%	686,703,400
Personal Tangible Property	52,369,943	30%	174,566,477
Residential and Farm	<u>291,922,975</u>	25%	<u>1,167,691,900</u>
Total	<u>\$634,106,967</u>		<u>\$2,063,630,022</u>

The estimated assessed value of property in the City for the fiscal year ending June 30, 2014 (tax year 2013) is \$634,106,967 compared to \$647,681,144 for the fiscal year ending June 30, 2013 (tax year 2012). The estimated actual value of all taxable property for tax year 2013 is \$2,063,630,022 as compared to \$2,233,328,937 for tax year 2012.

Source: 2013 Tennessee Tax Aggregate Report and the City.

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¹ The tax year coincides with the calendar year, therefore, tax year 2013 is actually fiscal year 2013-2014.

Property Tax Rates and Collections. The table on the following page shows the property tax rates and collections of the City for tax years 2010 through 2014 as well as the aggregate uncollected balances for each fiscal year as of June 30, 2013.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2014 Amount	Pct
2010	\$660,382,908	\$2.19	\$14,464,758	\$13,684,810	94.6%	\$144,719	1.0%
2011	662,668,099	2.19	14,512,491	13,796,991	95.1%	223,702	1.5%
2012	647,681,144	2.19	14,187,921	13,432,991	95.1%	281,697	2.0%
2013	634,106,967	2.25	14,309,646	13,532,181	94.6%	761,702	5.3%
2014	625,348,320*	2.25	14,070,337*	IN PROCESS			

* Estimated

Source: Tax Aggregate Report of Tennessee, and City of Bristol.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2014 (tax year 2013), the ten largest taxpayers in the City were as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
1. Bristol Motor Speedway, Inc.	Auto Racing	\$ 44,473,063	7.01%
3. Godsey Leasing	Leasing Company	12,686,295	2.00%
2. King Pharmaceutical, Inc.	Pharmaceuticals	11,413,172	1.80%
4. Royal Mouldings Ltd.	Manufacturing	9,631,873	1.52%
8. Exide Corporation	Batteries	8,570,029	1.35%
5. Wellmont Health System	Healthcare	8,537,687	1.35%
6. United Telephone Southeast	Telecommunications	8,411,313	1.33%
9. Bristol Metals	Metal Fabricating	8,114,434	1.28%
7. Dr. Reddy's Laboratories	Pharmaceuticals	7,641,586	1.21%
10. Wal-Mart	Retail	<u>5,391,171</u>	<u>0.85%</u>
TOTAL		<u>\$124,870,623</u>	<u>19.69%</u>

Source: The City.

PENSION PLANS

Employees of the City of Bristol are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of sixty with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of fifty-five. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Bristol participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information of the funding status, trend information and actuarial status of the City's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City herein.

INSURANCE

The City participates in the Tennessee Municipal League's Insurance Pool program for workmen's compensation insurance. This program has been established pursuant of Section 12-9-104(f), Tennessee Code Annotated. The City is required to pay into the program according to a formula which will be adjusted each year based upon the loss record of the City.

The City is exposed to various risk of losses related to torts; theft; damage and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City purchases various commercial insurance policies to cover potential claim settlements and judgments. The City reports its risk management activities within the General and Special Revenue Funds. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount can be reasonable estimated.

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City provides post-employment health, dental, and life insurance benefits for certain retirees and their dependents through a single-employer defined benefit plan. The City may change, add or delete health and dental insurance benefits as the City deems appropriate with City Council approval. The plan does not grant retirees vested health or dental coverage benefits. The City also provides life insurance to all City retirees with 25 years of service. Please see the Financial Statements provided herein for more information.

APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF BRISTOL, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



PREPARED BY:

Tara Musick, CPA, MAcc,
Director of Finance

CITY OF BRISTOL, TENNESSEE
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**INTRODUCTORY
SECTION**



THE CITY OF BRISTOL, TENNESSEE
801 Anderson Street
P. O. Box 1189
Bristol, Tennessee 37621-1189

Office of the City Manager

Telephone: (423) 989-5500
Facsimile: (423) 989-5506
Email: bsorah@bristoltn.org

December 29, 2014

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

Tennessee statute requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Mauldin & Jenkins, LLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Bristol, Tennessee's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Bristol, Tennessee, incorporated on February 22, 1856, is located in the northeastern part of the state bordering the City of Bristol, Virginia. It occupies a land area of 32.6 square miles and serves a population of 26,702. The City of Bristol, Tennessee is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered to extend its corporate limits by annexation under the limited circumstances provided by Tennessee law.

The City of Bristol operates under the council-manager form of government. Policy making and legislative authority are vested in a five member City Council. The City Council is responsible for enacting ordinances, adopting a budget, appointing members to boards and commissions, and hiring a City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of Council, overseeing the day-to-day operation of the government, and appointing the heads of the various departments and all City employees. The City Council is elected on a non-partisan basis for four year, staggered terms. In July of each year, the City Council selects one of its members to serve as mayor and another as vice-mayor for the coming one year period.

The City of Bristol provides a full range of services including fire and police protection; the construction and maintenance of streets and other infrastructure; provision of water, sewer, stormwater, and sanitation services; and recreational or cultural activities and events. The City also is financially accountable for an electric system with broadband services that is an enterprise fund and an industrial development board that is a blended component unit. The two entities are reported in these financial statements. The City also participates in several joint ventures that are also disclosed in Note I.

The annual budget serves as the foundation for the City of Bristol's financial planning and control. All City departments submit funding requests to the City Manager and budget team by the end of January each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents the proposed budget to the Council for review. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget not later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund. Departments may make transfers of appropriations within a department. The City Manager can transfer appropriations between departments. However, appropriation amendments to funds require Council approval. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget was adopted.

LOCAL ECONOMY

Bristol is located in northeast Tennessee and is strategically located as an integral link in the national transportation highway system. The City, a part of the Kingsport-Bristol Metropolitan Statistical Area, is located on Interstate 81 (served by Exits 69 and 74), and is 17 miles north of the junction of I-81 and I-26. Bristol is centrally located to serve major southeastern markets and is within a one-day drive of 53 percent of the U.S. population, with 65 percent of U.S. major markets located within a 600-mile radius. The Tri-Cities Regional Airport provides air travel and freight opportunities and is the location of a U.S. Customs port of entry and U.S. Foreign Trade Zone No. 204. More than 50 motor freight carriers serve the area and the Norfolk Southern Railway has a main line running through the City.

The community is the home of the Bristol Metals L.P., Bristol Regional Medical Center, Century Link, DLH Industries, Dr. Reddy's Laboratories, Robinette Company, Royal Mouldings, Seaman Corporation, Sprint Telecenters, Teleperformance and UPM Pharmaceuticals. Wellmont Health Systems is the largest employer in the City with more than 270 board certified or board eligible physicians and over 1,700 nurses, technicians, and support staff members at Bristol Regional Medical Center.

The City successfully recruited Sprint Telecenters and Teleperformance to the community each of which currently operate a call center. Sprint employs 575 persons and Teleperformance employs 703 persons. Other positive announcements include the decision of UPM Pharmaceuticals to purchase the Pfizer facility in downtown Bristol. UPM currently employs more than 140 individuals with expansion plans on the horizon. The DLH facility continues to expand both in employment, over 130 employed at this time, and in product manufacturing. The City continues to work with a number of companies on their expansion and relocation needs.

On a less positive note, Exide Technologies has ceased production at their Bristol facility. Exide is currently developing a reorganization strategy to be implemented following their Chapter 11 bankruptcy procedures.

The NETWORKS Sullivan Partnership, with assistance of the Economic Development staff of the City, has qualified Partnership Park II and the Bristol Business Park as Select Tennessee Certified Sites which is an important business recruitment designation and will assist the community in industrial recruitment. As part of our marketing effort for these two sites, the Partnership recently conducted a “Red Carpet Tour” hosing site location consultants from a variety of industrial and business sectors to show case the region’s assets and quality of life.

An 807 acre portion of the City at Exit 74 on Interstate 81 was designated as a Border Region Retail Tourism Development District by the State of Tennessee. The State Act authorizes Tennessee border cities to incentivize the local development of an “extraordinary retail or tourism facility” in a designated district. Under this legislation, the State will provide a special allocation and distribution of State sales tax to pay for the cost of the project. Bristol is one of only three cities to be certified under this program in the State of Tennessee. The Pinnacle Project, planned to contain 1.2 million square feet of retail, restaurant, hotel, and office space is currently underway to take advantage of this special designation.

The project has made significant progress during the past year with the successful opening of the 100,009 square foot Bass Pro in August and the commencement of construction of the 130,278 square foot Belk retail store. In addition, construction has commenced the the “life-style” center shops that are ancillary stores surrounding the Belk store. The remainder of the regional retail center will open in the subsequensnt nine months with full build out anticipated during 2015 and 2016. Additionally, the development of the new retail center has spurred ancillary growth in the vicinity. A new hotel commenced construction adjacent to the interstate exit and additional retail and service growth is anticipated. The new hotel is anticipated to open in early 2015. During the 2014 fiscal year, the City borrowed \$13.3 million to fund the second phase of the development’s infrastructure including internal circulation roads, traffic signalization, water, sanitary sewer, and stormwater infrastructure. In addition, property was acquired for the location of a future Fire and EMS substation.

The City has also invested in support of the development of the BCM Birthplace of Country Music Museum to stimulate tourism in our Downtown. The museum opened to the public in August of 2014. The City has committed a total of \$500,000, to the construction and operation of the museum. The funding is contributed in annual installments of \$100,000, with the second installment having been made during Fiscal 2014.

As of November 2014, the unemployment rate of Bristol stood at 6.6%, representing 11,544 persons employed out of a workforce of 12,360. This rate is comparable to the unemployment rate for Sullivan County, Tennessee of 6.4%, and the unemployment rate for the State of Tennessee of 6.6%, for the same time period.

LONG-TERM FINANCIAL PLANNING

In the 2014 fiscal year, three series of bonds payable were issued. Series 2013 Electric Revenue Refunding and Improvement Bonds were issued for \$28,505,000 to refund the Series 2005 Electric System Revenue Bonds of \$22,230,043 and to provide additional funding of \$7,000,649 for capital improvements. The City issued Series 2013B General Obligation Refunding Bonds of \$8,585,000 to refund, in whole or in part, the outstanding Series 2005 General Obligation Bonds, Series 2007 General Obligation Bonds, and Series 2008 General Obligation Bonds with fixed rate bonds that have lower interest rates. Series 2014 General Obligation Bonds were also issued to obtain funding for The Pinnacle Project for \$17,350,000.

All outstanding debt of the City has been refinanced in recent years in order to obtain savings from lower interest rates. All outstanding debt is also currently fixed and there are no variable rate debt obligations.

The City has an upcoming bond issue planned to fund a portion of the 800 MHz public safety radio system that will be upgraded to comply with new FCC Project 25 technology at an expected cost of approximately \$836,000. Additional funding will also be necessary for the City's portion of the reconstruction of East Cedar Street for \$1.2 million and to fund Stormwater Fund projects of approximately \$892,000. Funds may also be obtained to fund architecture and engineering costs for the expansion of the Nature Center and to construct a new Fire Station near The Pinnacle.

City Council would like to renovate and expand Vance Middle School. Management has a multi-year model and has been analyzing the feasibility and timing of the project in conjunction with forecasted revenues, other planned capital outlays, and anticipated operational costs.

In addition, several utility projects are anticipated in the next five years to open new areas for sanitary sewer service to promote growth and development and to upgrade service to existing customers. Much of the cost of the new sanitary sewer projects will be borne by Sullivan County under the City-County Sewer Agreement.

RELEVANT FINANCIAL POLICIES

Temporarily idle cash is invested in a money market checking account and the State of Tennessee Treasurer's Local Government Investment Pool (LGIP) for most of the operating cash reserves of the City and Board of Education (BOE). Funds are primarily invested in the investment pool and cash is transferred into the operating account of the City and BOE when required. Staff has reviewed various investment alternatives allowed under State statute and the LGIP is offering competitive rates with increased liquidity. Certificates of deposits are also being utilized by Bristol Tennessee Essential Services (BTES) and the Industrial Development Board of Bristol, Tennessee as investment instruments. Unspent bond proceeds from the Series 2012 and Series 2013A General Obligation Bonds are being invested in various bonds and securities as allowed by State statute in order to earn a higher yield based upon anticipated drawdowns of the funds.

MAJOR INITIATIVES

Each year the City adopts a Goals and Objectives Program that identifies specific objectives to be completed during the year to move the community forward in a planned and unified manner. This work plan serves as a formalized statement of direction for the City during the year as well as an instrument to evaluate progress and achievement in accomplishing the same. Eight key tasks grouped into program areas vital to fulfilling various purposes, supported by 193 specific objectives/performance standards, were included in the plan.

The budget for the 2014 fiscal year focused on projects and initiatives directly related to the provision of basic municipal services, community development, and enhancements to the quality of life while being mindful of a soft, but improving economy for the year. The City continued efforts to further a major local road improvement project which will be the East Cedar Street Project from 5th Street to King College Road. Routine road resurfacing, guardrail replacements, additional downtown lighting, and the eighth year of upgrades to traffic signal systems continued to include backlights and LED lights during the year.

The City commenced the second phase of the implementation of an automated meter reading system for the Waterworks Fund during the year. Meter reading has typically been labor intensive with manual input of data into a handheld system that uploaded data into the billing software module. The new system involves converting the meter registers to be compatible with the new system and the addition of radio equipment to allow the readings to be transmitted electronically. Staff will now be able to obtain the readings by driving by the meters and will allow for increased efficiency, more accurate reading, and a reduction of costs. This year was the second year of a three year planned implementation process.

The City has continued its aggressive replacement of aging utility infrastructure. Fiscal 2014 included the improvement of fire suppression capabilities by replacing the existing water main serving a portion of the Fairmount residential neighborhood. In addition, substantial quantities of aged galvanized water main and storm sewer were replaced as part of the City's on-going street resurfacing program.

The Police Department continued its drive for excellence in community policing by recertifying their law enforcement accreditation from both state and federal accreditation bodies. The Police Department continued the phased implementation of the technological advancements through the Personal Digital Assistant (PDA) Program. This program will allow officers to issue tickets electronically and to be able to access records from dispatch and related databases while in the field. The Police Department continued a multi-year process to install and upgrade emergency warning sirens throughout the City. This year saw the installation of a new siren at the Exide Fire Station and rehabilitation of the Rosemont area siren. The Fire Department successfully negotiated a new contract for the third-party billing for EMS ambulance services. The new contract is anticipated to enhance collection of ambulance service fees. During Fiscal 2014, the City acquired property in the vicinity of I-81, Exit 74, for the purpose of constructing a new Fire and EMS substation.

The Public Works Department was granted primacy from the Tennessee Department of Environment and Conservation for the administration of their stormwater management program. This function is typically administered by TDEC. The ability to independently manage the stormwater program offers a streamlined process for developers and eliminates a duplication of permit fees and lost project time.

The Parks and Recreation Department continued their renovation of soccer fields at Whitetop Creek Park. Efforts at the park involved the establishment of cool season grasses to accommodate league and tournament play. In partnership with the local school system and foundation, the City commenced the planning process for the construction of an eight court tennis facility to serve both school system and community needs.

The Community Relations Department instituted a new central answering point for callers seeking information regarding City services. In addition, the City's web-site received a complete restructuring and a bi-monthly electronic newsletter was developed.

In an effort to control employee retirement benefit costs, the City made the decision to discontinue participation in the Tennessee Consolidated Retirement System's defined benefit program and offer a hybrid version of a defined benefit and defined contribution plan to new employees effective January 1, 2015.

The City departmental organization structure was restructured to allow for staff and service delivery efficiencies. The Administration Department was created to house the functions of Human Resources, Risk Management, Purchasing, and Information Technology. The Department of Economic and Community Development was created to consolidate the functions of Community Development, Planning, Codes Enforcement, and Economic and Business Development. The Public Works Department was restructured to house the functions of utility services, public services, engineering services, and the Metropolitan Planning Office.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bristol for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the eleventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the accounting staff of the Finance Department. We would like to express our appreciation to all members of City staff who assisted and contributed to the preparation of this report. We must also extend appreciation to the staff at Bristol Tennessee City Schools and Bristol Tennessee Essential Services for assistance with preparing and gathering data for the report. Credit must also be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Bristol, Tennessee's finances.

Respectfully submitted,



William L. Sorah
City Manager



Tara E. Musick, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Bristol
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

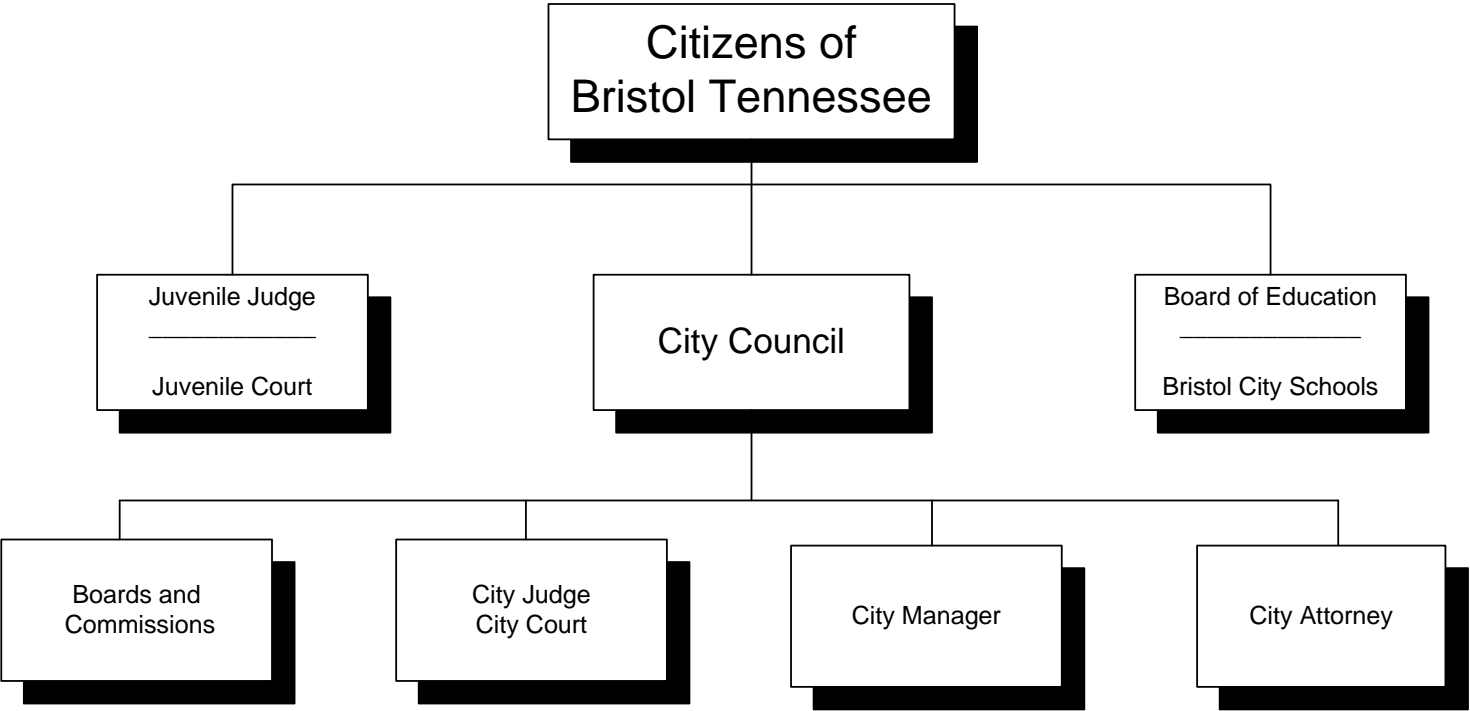
June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Enser". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

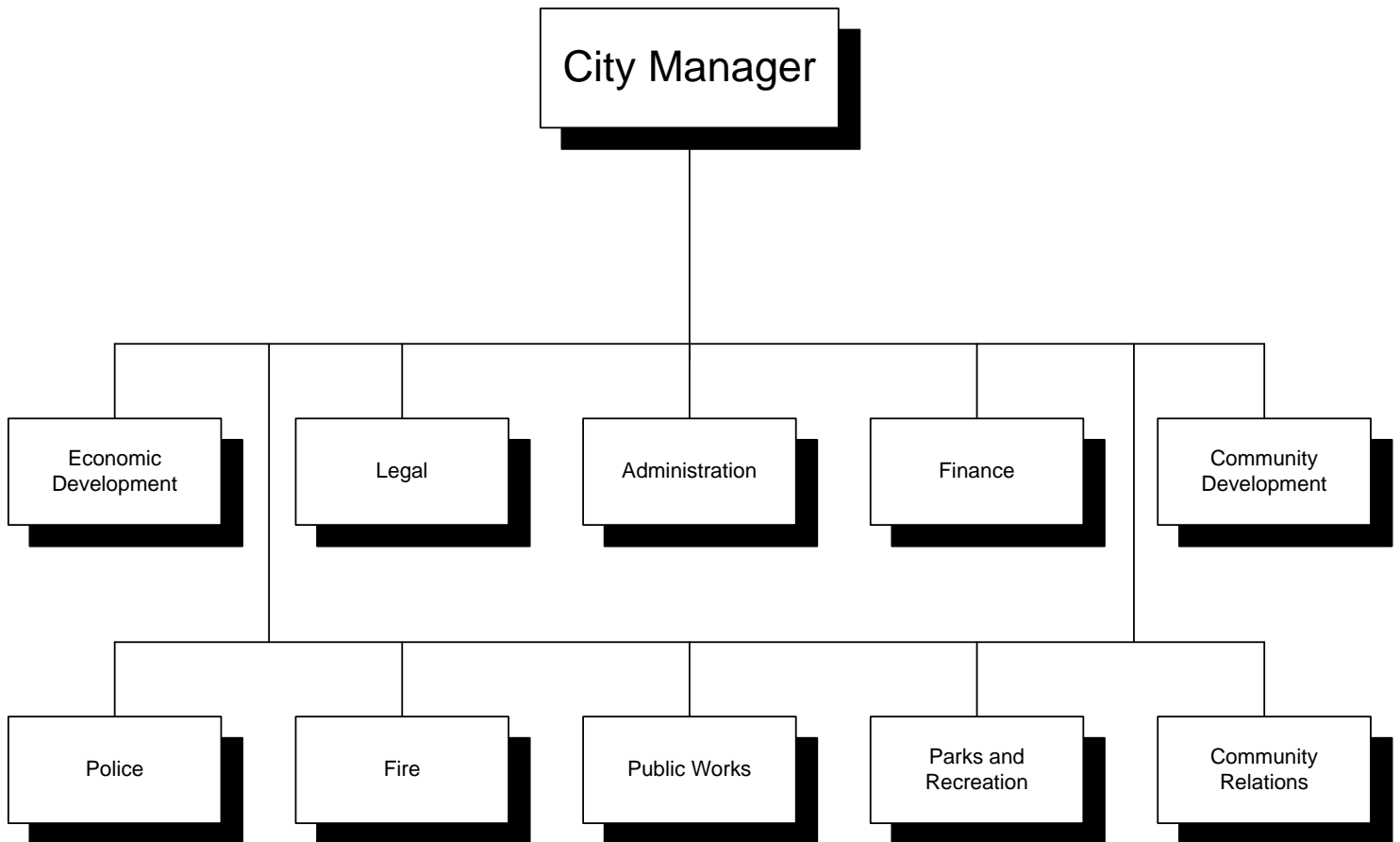
Executive Director/CEO

CITY OF BRISTOL TENNESSEE

ORGANIZATIONAL CHART



CITY OF BRISTOL TENNESSEE ORGANIZATIONAL CHART



CITY OF BRISTOL, TENNESSEE
LIST OF PRINCIPAL OFFICERS

City Council

Lea Powers
Chad Keen
Michelle Dolan
Margaret Feierabend
Jack Young

City Manager

William L. Sorah

Department Directors

Administration
Community Relations
Economic and Community Development
Finance
Fire
Legal
Parks and Recreation
Police
Public Works

Belva Hale
Terrie Talbert
Shari Brown
Tara Musick
Bob Barnes
Jack W. Hyder, Jr.
Terry Napier
Blaine Wade
Tim Beavers

City Attorney

Jack W. Hyder, Jr.

**FINANCIAL
SECTION**



INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and Members
of the City Council of the
City of Bristol, Tennessee**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Bristol, Tennessee** (the "City"), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Fund, which represents 100% of the assets, net position, and revenues of the Electric major enterprise fund and 71%, 67%, and 92% of the assets, net position, and revenues, respectively, of the business-type activities; or the BTES Other Post Employment Benefits Trust Fund, which represents 12%, 34%, and 5% of the assets, fund equity, and revenues, respectively, of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Electric Fund and BTES Other Post Employment Benefits Trust Fund are based solely on the reports of the other auditors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 principles 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 opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bristol, Tennessee as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Industrial Development Board Fund, Chapter 420 Fund, and General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 15 through 31) and schedules of funding progress and employer contributions (on pages 136-139) 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 and other auditors 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

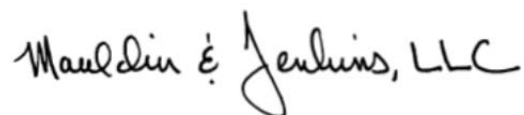
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bristol, Tennessee's basic financial statements. The combining and individual fund financial statements and schedules (which includes the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations as well as the schedule of unaccounted for water) and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules (including the schedule of expenditures of federal awards and the schedule of unaccounted for water), (collectively the "supplementary information") 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the City of Bristol, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chattanooga, TN
December 23, 2014

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CITY OF BRISTOL, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bristol, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2014. Management's Discussion and Analysis should be read in conjunction with the City's financial statements for the fiscal year ending June 30, 2014, including related notes.

Financial Highlights

- The assets and deferred outflows of the City of Bristol, Tennessee exceeded its liabilities and deferred inflows of resources at the close of the 2014 fiscal year by \$291,276,701 (*total net position*). Of this amount, \$83,288,147 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$12,205,749 due to current year activity. For governmental activities, a \$4,128,509 increase resulted primarily from the donation of capital assets to the City. Roads were accepted by the City and library books were received by the Bristol Public Library, which the City owns a portion of the assets, for a combined total of \$3,864,246 of donated assets. These transactions are reflected in the Statement of Activities as a portion of the capital contributions for public works and general government.
- As of the close of the current fiscal year, the City's governmental activities reported an unrestricted net position of \$14,744,807 for an \$8,801,293 decrease from the previous year. The net investment in capital assets amount for governmental activities increased by \$6,959,004 throughout the course of the fiscal year. Capital spending has been restricted for approximately five years due to declined revenues. Spending has increased in the past two years as a result of additional funding from bond proceeds for the Chapter 420 Project, The Pinnacle. The related debt for the portion of the bond proceeds that has been spent has been netted against the total capital assets amount to arrive at the net investment in capital assets.
- At the end of the current fiscal year, fund balance for the General Fund was \$12,296,307 which was a decrease of \$899,492 from the prior year. Management uses a multi-year model as part of the budget process each year to determine where fluctuations in the years will occur. The 2014 fiscal year was planned as part of the original budget to have a loss of \$878,273. Debt service requirements had increased and a draw from fund balance was planned. The loss is comparable to budget projections since management altered spending trends and projects during the year to offset declines in actual revenues projected for the remainder of the fiscal year.
- The City's total liabilities increased by \$20,144,400 during the fiscal year. Accounts payable and other current liabilities decreased by \$4,935,623. Noncurrent liabilities increased by \$22,687,267 from the prior year due to additional debt obtained during the year related to the Series 2013 Electric System Revenue Refunding and Improvement Bonds, Series 2013B General Obligation Bonds, and Series 2014 General Obligation Bonds. Contracts payable and retainages payable also increased by \$2,178,628 due primarily to development of The Pinnacle Project in the Industrial Development Board Fund.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the City of Bristol, Tennessee's basic financial statements. The City's basic financial statements are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Bristol, Tennessee's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Bristol, Tennessee is improving or deteriorating.

The *Statement of Activities* presents information showing how the City of Bristol, Tennessee's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Bristol, Tennessee 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, community relations, education, parks and recreation, public safety, and public works. The business-type activities of the City include the provision of electric, waterworks, cable and internet, and telephone services.

The government-wide financial statements include not only the City of Bristol, Tennessee itself (known as the *primary government*), but also a legally separate entity. The Industrial Development Board of the City of Bristol, Tennessee, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 32 - 33 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 of Bristol, Tennessee, 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. 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 assessing 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 the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Bristol, Tennessee maintains seventeen 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, Chapter 420 Fund, Industrial Development Board Fund, and General Purpose School Fund which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Bristol, Tennessee adopts an annual budget appropriating the General Fund and special revenue funds. The City's charter necessitates re-appropriations of the budget only when the entire fund expenditures are expected to exceed budgeted amounts. A budgetary comparison statement has been provided for the General Fund and special revenue funds to demonstrate compliance with the appropriation.

The basic governmental fund financial statements can be found on pages 34 - 44 of this report.

Proprietary Funds. The City of Bristol, Tennessee maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprises funds to account for its electric, waterworks, cable and internet, and telephone services. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Bristol, Tennessee uses an internal service fund to account for its employee medical and dental insurance costs. Because payment of employee insurance related costs predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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 Electric and Waterworks operations, both of which are considered to be major funds of the City of Bristol, Tennessee. Conversely, the internal service fund is presented as a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 46 - 50 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds *are not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the City of Bristol, Tennessee's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The Other Post Employment Benefits Trust Funds are used to report resources held in trust for retirees and beneficiaries covered by the City's medical and dental plan. The Agency Funds report resources held by the City of Bristol, Tennessee in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statements can be found on pages 51 - 52 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53 - 135 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Bristol, Tennessee's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 136 - 139 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 141 - 163 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Bristol, Tennessee, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$291,276,701 at the close of the most recent fiscal year. By far the largest portion of the City of Bristol's net position (68%) reflects its net investment in capital assets (e.g., land, buildings, machinery, etc. less any related debt used to acquire those assets that are still outstanding). 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 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors.

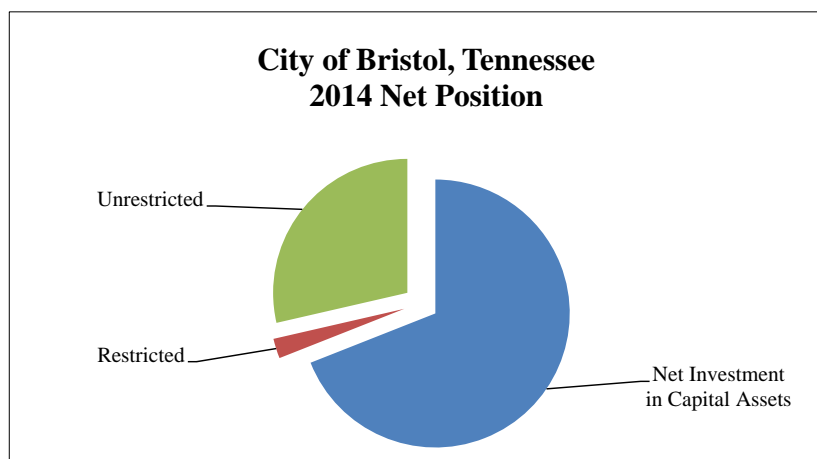
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of Bristol, Tennessee Net Position

June 30, 2014

(Presented in Actual Dollars)

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and Other Assets	\$ 62,062,233	58,846,274	76,901,908	66,198,012	138,964,141	125,044,286
Capital Assets, Net of Accumulated Depreciation	153,216,150	135,384,173	121,078,564	121,562,177	274,294,714	256,946,350
Total Assets	<u>215,278,383</u>	<u>194,230,447</u>	<u>197,980,472</u>	<u>187,760,189</u>	<u>413,258,855</u>	<u>381,990,636</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	<u>444,445</u>	<u>31,882</u>	<u>1,252,069</u>	<u>-</u>	<u>1,696,514</u>	<u>31,882</u>
LIABILITIES						
Current Liabilities	7,671,424	6,173,528	6,833,905	10,874,668	14,505,329	17,048,196
Noncurrent Liabilities	<u>51,364,619</u>	<u>35,763,237</u>	<u>33,668,692</u>	<u>26,582,807</u>	<u>85,033,311</u>	<u>62,346,044</u>
Total Liabilities	<u>59,036,043</u>	<u>41,936,765</u>	<u>40,502,597</u>	<u>37,457,475</u>	<u>99,538,640</u>	<u>79,394,240</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned Revenue - Prop. Tax	<u>24,140,028</u>	<u>23,557,326</u>	<u>-</u>	<u>-</u>	<u>24,140,028</u>	<u>23,557,326</u>
NET POSITION						
Net Investment in Capital Assets	110,820,768	103,861,764	90,186,604	97,612,978	201,007,372	201,474,742
Restricted	6,981,182	1,360,374	-	-	6,981,182	1,360,374
Unrestricted	<u>14,744,807</u>	<u>23,546,100</u>	<u>68,543,340</u>	<u>52,689,736</u>	<u>83,288,147</u>	<u>76,235,836</u>
Total Net Position	<u>\$ 132,546,757</u>	<u>128,768,238</u>	<u>158,729,944</u>	<u>150,302,714</u>	<u>291,276,701</u>	<u>279,070,952</u>



The City's net position increased by \$12,205,749 during the fiscal year. The majority of this increase resulted from the business-type activities and the operating income from charges for services less related expenses.

Governmental Activities. Governmental activities increased the City's net position by \$3,778,519 relating to current year activity. This increase accounts for 33% of the total current year change in net position.

Key elements of this increase are as follows:

- As previously mentioned, the City received donated assets during the year which are being included in the Statement of Activities. The City accepted roads and related infrastructure with an estimated value of \$3,782,450. Also, the City is a joint owner of the Bristol Public Library. All capital assets of the library are owned by the City of Bristol, Tennessee and Bristol, Virginia. City of Bristol, Tennessee owns all assets utilized at the Avoca Library which is in the city limits. The capital assets of the Main Library are owned 50% by each entity. During the year, the Library received \$81,796 of various library books at the two locations.
- The City received the highest total governmental activities program revenues in 2014 versus the amounts received for the past six years. The total amount received in FY 2014 was \$32,791,826. However, \$3,864,336 of this amount was for the capital contributions previously discussed. Total governmental activities program revenues are \$28,927,490 exclusive of the capital contributions. Fiscal years 2008 to 2013 had average total program revenues per year of \$29,635,377. The current revenue exclusive of the donations is less than the average per year amount for the preceding six years. The function with one of the most significant decreases over time is Community Relations. The Viking Hall Civic Center has had less revenue every year for the past five years. Since the revenue from shows was not adequate to fund the administrative costs of operations, the General Fund has had to subsidize this special revenue fund at a higher amount every year. City Council did close this fund as part of the FY 2015 Budget and only local events will be hosted versus concert type activity.
- While the City has experienced a decline in program revenues, expenses of the governmental activities have increased due to additional costs of personnel, such as wages, retirement, and health care. Goods have also experienced inflation in high dollar areas, such as paving materials and salt products for clearing roadways. One of the biggest increases over the past five years is the education function. This function increased \$421,738 from the prior year due to new program offerings, increased school maintenance, and new technology being added across the school system. Public Safety also experienced an increase from the previous year of \$594,925 due to additional spending for the replacement of routine equipment items as an annual expenditure versus funding at one time every few years. One other important function to note is that interest on long-term debt has increased steadily over the years. This increase is related mainly to the debt service related to construction of the new Fairmount Elementary School several years ago. The debt service schedule was based upon reducing the Fairmount related debt down to a lower level to allow for additional funding for the expansion and renovation of Vance Middle School.
- General revenues of the governmental activities increased in total by \$463,182 from the prior year. The majority of this increase is attributable to property tax revenue that experienced a growth of approximately \$753,000 from last year. However, the City also experienced a decline in sales tax revenue of \$709,882. The combined increase is contributable to the other general revenue sources.

- For six consecutive years, the City has elected to fund the annual required contribution (ARC) for other post employment benefits (OPEB) in an OPEB Trust Fund. The fund was established during the 2009 fiscal year. The City transferred the portion required as a contribution to fully fund the 2014 ARC from each function of the governmental funds. Therefore, the functions' current year expenditures reflect their portion of the OPEB trust contribution.

Business-type Activities. Business-type activities increased the City's net position by \$8,427,230 relating to current year activity. This increase accounts for 67% of the total current year change in net position.

Key elements of this increase are as follows.

- Operating revenues in the Electric Fund are principally derived from retail sales of electricity. Temperature has historically been a main driver in electric sales. Weather experienced during the year was slightly colder than normal. However, the Electric Fund lost a large industrial customer. As a result of both factors, power revenues decreased .5% and purchased power expense decreased .5%. Revenues from cable, Internet, and telephone collectively increased 6% from the prior fiscal year also. The fund experienced a \$7,398,499 increase in net position because of growth. Capital grants and contributions of \$2,214,495 were also recorded.
- The service rates for the Waterworks Fund remained the same during the 2014 year. See schedules of rates on pages 207 - 208 for additional information. The Waterworks Fund recorded \$72,250 in capital grants and contributions during the fiscal year.

City of Bristol, Tennessee Changes in Net Position
For the Fiscal Year Ended June 30, 2014
(Presented in Actual Dollars)

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$ 5,025,047	4,807,370	115,430,872	114,667,056	120,455,919	119,474,426
Operating Grants	22,327,308	23,094,181	-	-	22,327,308	23,094,181
Capital Grants	5,439,471	181,946	2,286,745	990,443	7,726,216	1,172,389
General Revenues:						
Property Taxes	24,852,090	24,098,806	-	-	24,852,090	24,098,806
Payments in Lieu of Tax	66,781	80,429	-	-	66,781	80,429
Sales Taxes	9,163,261	9,837,143	-	-	9,163,261	9,837,143
Beer and Liquor Taxes	724,043	768,538	-	-	724,043	768,538
Business Tax	537,107	566,913	-	-	537,107	566,913
Cable Franchise Tax	348,852	245,840	-	-	348,852	245,840
Gas Franchise Tax	286,920	225,205	-	-	286,920	225,205
Hotel/Motel Taxes	341,129	366,890	-	-	341,129	366,890
State Revenue (Unrestricted)	2,817,037	2,819,519	-	-	2,817,037	2,819,519
Investment Income (Unrestricted)	22,665	28,726	327,963	352,740	350,628	381,466
Other General Revenues	1,256,271	685,434	-	-	1,256,271	685,434
Total Revenues	73,207,982	67,806,940	118,045,580	116,010,239	191,253,562	183,817,179
Expenses:						
Governmental Activities:						
General Government	6,945,580	7,400,014	-	-	6,945,580	7,400,014
Community Relations	702,163	744,539	-	-	702,163	744,539
Education	38,809,898	38,388,160	-	-	38,809,898	38,388,160
Parks and Recreation	3,847,114	3,931,765	-	-	3,847,114	3,931,765
Public Safety	11,568,506	10,973,581	-	-	11,568,506	10,973,581
Public Works	8,360,941	8,409,029	-	-	8,360,941	8,409,029
Interest on Long-Term Debt	1,617,402	969,560	-	-	1,617,402	969,560
Business-type Activities:						
Electric	-	-	92,454,981	86,196,336	92,454,981	86,196,336
Waterworks	-	-	7,422,890	7,702,123	7,422,890	7,702,123
Cable and Internet	-	-	6,738,347	11,281,780	6,738,347	11,281,780
Telephone	-	-	579,991	746,718	579,991	746,718
Demolition Landfill	-	-	-	463,975	-	463,975
Total Expenses	71,851,604	70,816,648	107,196,209	106,390,932	179,047,813	177,207,580
Increase in Net Position Before Transfers	1,356,378	(3,009,708)	10,849,371	9,619,307	12,205,749	6,609,599
Transfers	2,422,141	2,651,672	(2,422,141)	(2,651,672)	-	-
Increase in Net Position	3,778,519	(358,036)	8,427,230	6,967,635	12,205,749	6,609,599
Net Position - Beginning	128,768,238	129,126,274	150,302,714	143,335,079	279,070,952	272,461,353
Net Position - Ending	\$ 132,546,757	128,768,238	158,729,944	150,302,714	291,276,701	279,070,952

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Bristol's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. 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.

The City's governmental funds reported combined ending fund balances of \$28,530,340 for the year, an increase of \$1,109,447. The General Fund, Chapter 420 Fund, General Purpose School Fund, and Industrial Development Board Fund had current year changes in fund balance of (\$898,492), \$2,923,964, (\$1,135,196), and \$3,745, respectively. The change in fund balance also included activity in the non-major funds. Three of the non-major funds, Solid Waste Fund, State Street Aid Fund, and Capital Equipment Fund, experienced an increase in fund balance; while four of them, Drug Fund, School Nutrition Fund, Viking Hall Fund, and Capital Facilities Fund experienced a decrease in fund balance. The remaining non-major funds experienced no change.

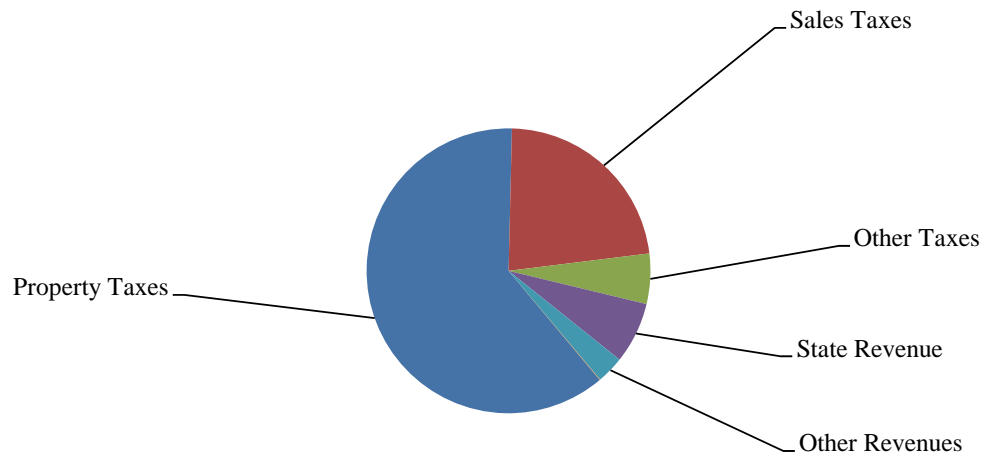
The General Fund is the chief operating fund of the City of Bristol, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,801,981 while total fund balance was reported to be \$12,296,307. Total Fund Balance decreased \$899,492 over the prior fiscal year. 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 and other financing uses. Unassigned fund balance and total fund balance represent approximately 38% and 40%, respectively, of total general fund expenditures and other financing uses.

The Industrial Development Board Fund is a blended component unit that is reflected in the City's financial statements as a major special revenue fund to account for economic development related activities of the Industrial Development Board of the City of Bristol, Tennessee. At the end of the current fiscal year, total fund balance was \$250,568, an increase of \$3,745 over the prior fiscal year. The entire fund balance amount is reflected in the financial statements as restricted for community and economic development. This fund is used to reflect capital outlay incurred related to the construction of the City's portions of The Pinnacle Project, such as grading, water and sewer lines, park facilities, etc. This project is being funded by transfers from the Chapter 420 Fund.

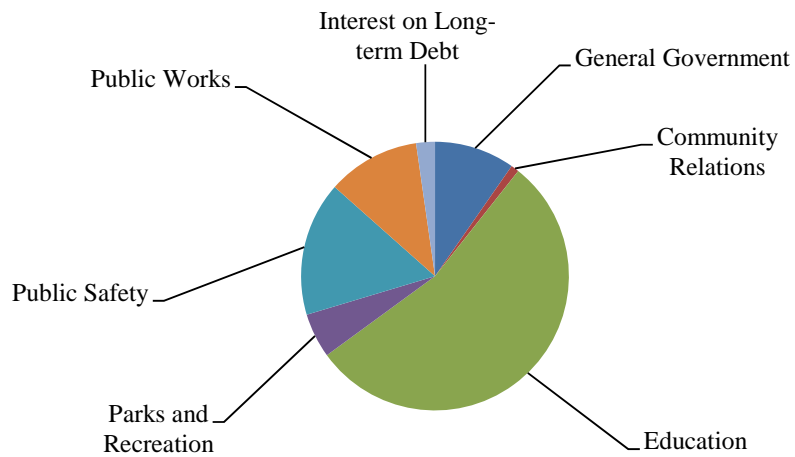
The Chapter 420 Fund is a special revenue fund used to account for all restricted revenues related to the Border Region Retail Development District. The State of Tennessee passed legislation which allowed certain areas in the State to be designated as border region retail development districts if next to a major interstate and part of a City that shared a border with another State. The area of Bristol off Exit 74 received this designation. As a result, retail development in this area is eligible for a portion of the state sales tax to assist with financing the development related costs. This fund will be used to account for all such revenue from the State, additional funding for this project, and related costs to provide accountability and enhanced reporting. During the 2014 year, the Series 2014 General Obligation Bonds were accounted for in this fund since the debt was issued by the City as the second bond issue to fund The Pinnacle Project. This fund transfers to the Industrial Development Board Fund the amount required to fund the City's construction costs for the project. The total fund balance of \$4,795, 619 at year end is comprised of \$3,456,629 restricted for community and economic development and \$1,338,990 restricted for debt service for the portion of the bond funds obtained to pay interest costs during the construction period.

The General Purpose School Fund is the chief operating fund of the Board of Education. At the end of the current fiscal year, total fund balance was \$8,807,445, a decrease of \$1,135,196 over the prior fiscal year. The amount assigned for education purposes was \$8,778,569. Less than one percent of total fund balance is restricted for specific purposes. This fund was originally budgeted to have a loss for the year of \$1,142,759. This fund receives a portion of Sullivan County, Tennessee property tax based upon the percentage of students in the County served by this school system. Approximately \$483,000 was received in additional revenue from the County during the year. Total expenditures exceeded the original amount budgeted by approximately \$46,000. Capital outlay costs increased due to additional building improvements projects and the equipment of laptops in the classrooms at Vance Middle School.

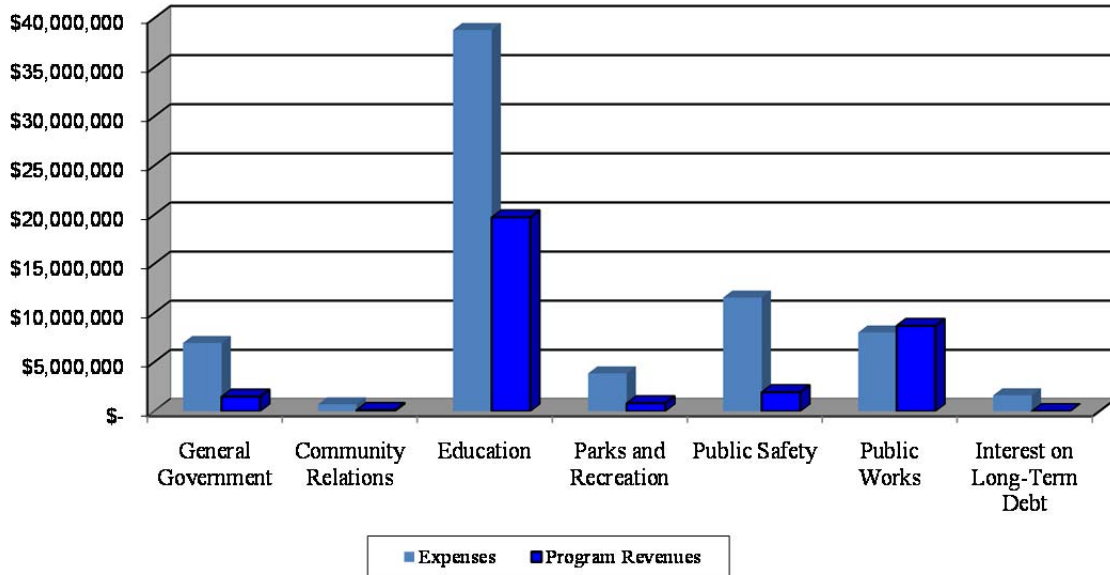
Governmental Activities General Revenues



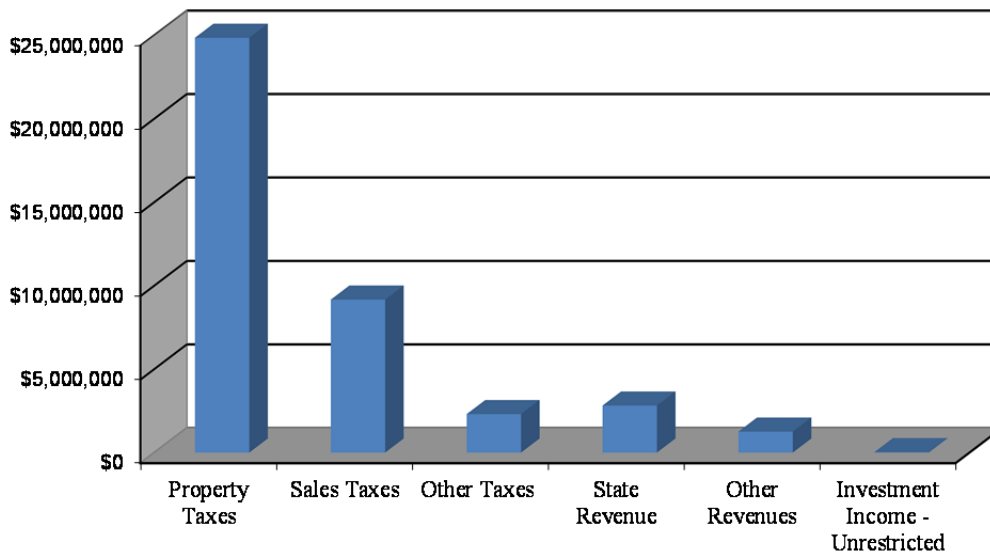
Governmental Activities Expenses



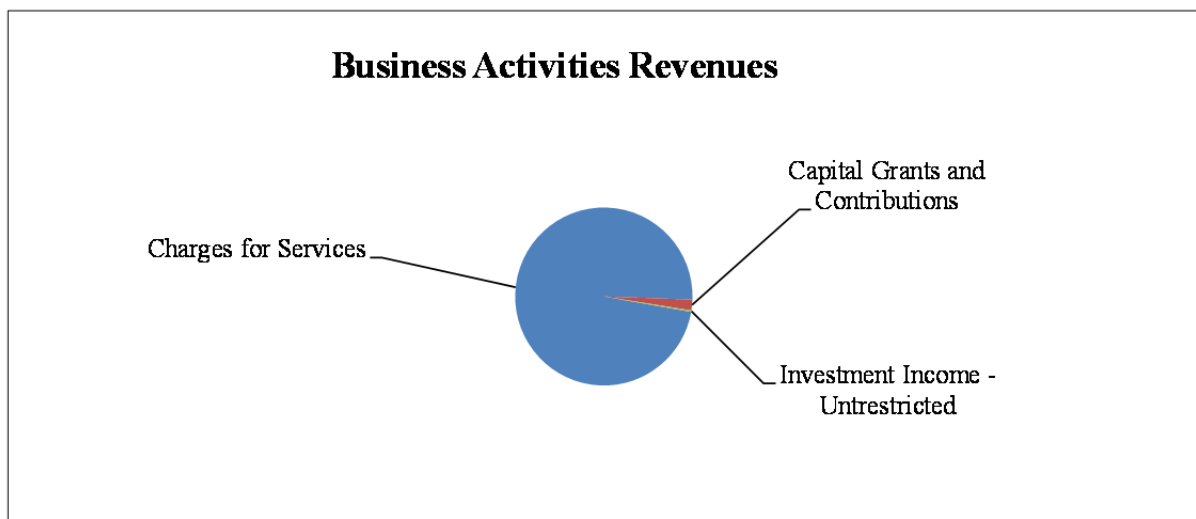
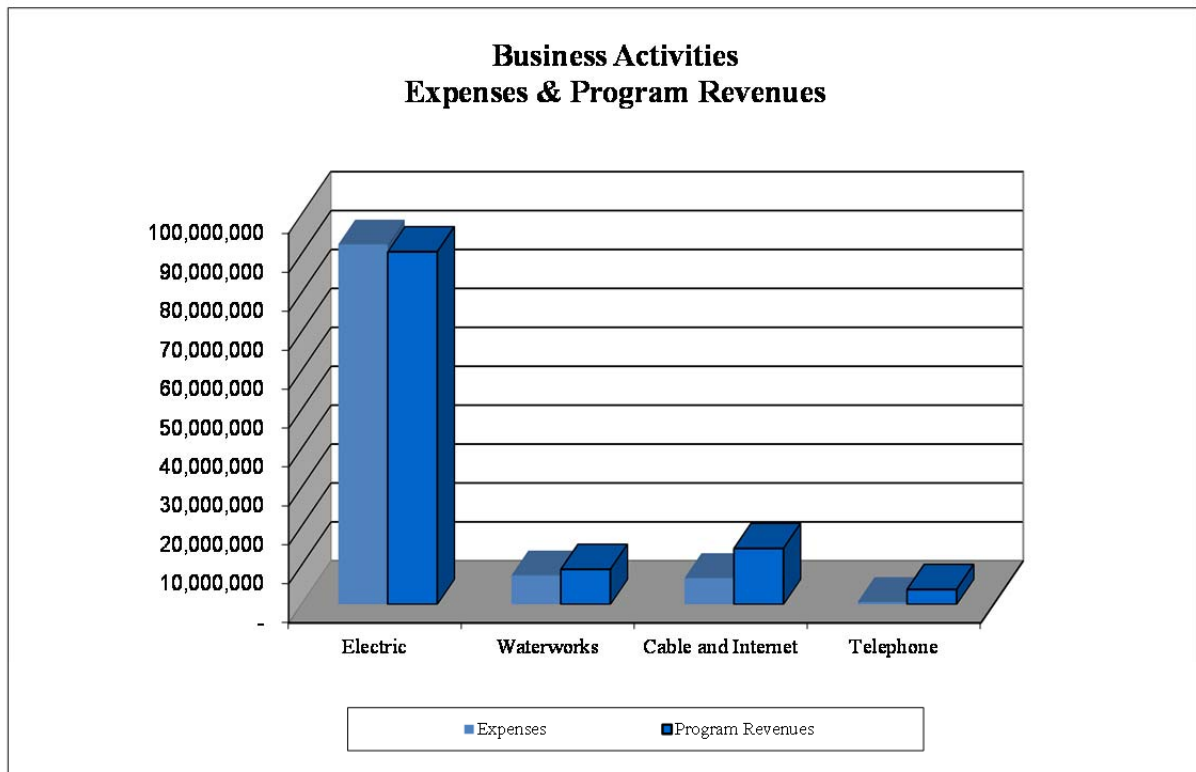
Governmental Activities Expenses & Program Revenues



Governmental Activities General Revenues



Proprietary Funds. The City of Bristol's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Electric Fund at the end of the year totaled \$55,582,451. The Waterworks Fund's unrestricted net position amount was \$13,088,032 at year end. The total change in net position was \$7,398,499 and \$1,048,199 for the Electric and Waterworks Funds, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.



General Fund and Budgetary Highlights

The General Fund budget was not amended during the fiscal year. During the current fiscal year, unassigned fund balance in the General Fund decreased to \$11,801,981. City Council budgeted an \$878,273 decrease for the 2014 budget year for the General Fund. Revenues were expected to increase 4.2%. The major areas of growth from the 2014 budgeted amounts included property tax (due to a rate increase), local sales tax, and the implementation of a Slater guest fee for nonresidential usage. Operating expenditures were budgeted 4.7% higher than prior year budgeted levels due to increased personnel costs, police equipment replacement program, and to reflect a change in accounting for TIF related disbursements as expenditures versus a reduction in property tax revenue.

The budget was passed based upon an expected tax increase of 12 cents per \$100 of assessed valuation. A county-wide reappraisal process occurs every four years and is historically when the City has altered the property tax rate. FY 2014 is the year when the reappraised values are reflected on the tax roll and the value of property declined overall in the City due to lower reinvestment in tangible personal property and decreasing home values in light of economic trends. As a result, the certified tax rate that needed to be implemented to sustain property tax revenue at the same level as the prior year was 6 cents, which would raise the City property tax rate from the pre-reappraisal rate of \$2.19 to \$2.25 per \$100 of assessed valuation. The certified rate did not reflect the 12 cents increase planned by Council in the approved budget document and related appropriation Ordinance. During the tax rate approval process, Council passed the certified rate only. Management revised the spending plan to eliminate approximately \$750,000 of capital outlay and street resurfacing to offset the planned tax revenue that could not be generated with the passage of the certified tax rate only. The change in the actual tax rate versus the original planned rate impacted property tax revenue which was approximately \$597,000 below the original budget amount.

Other revenues with significant variances included local sales tax. Local sales tax for the year was \$4,638,883 or \$686,117 below the amount budgeted for the year. The City has experienced declines in this revenue source over the past few years due to the state of the economy overall. The budget was overly optimistic in terms of the recovery of the economy and the actual amount received was close to the amount projected by staff and utilized throughout the year in Decisions based upon financial modeling techniques.

In response to declining revenues, expenditures were either held or reduced by staff to the greatest extent possible. Vacant positions were not filled or eliminated, capital outlay was not purchased, and operating practices were reviewed and altered if possible to save costs. The original budget for total expenditures was \$23,166,651. Total actual expenditures for the year were \$22,778,186 or \$388,465 below the original budget appropriation. The functions with significant savings versus budget were Public Safety and Public Works. Savings resulted from no one factor in particular, but rather, the savings resulted from a combination of factors including the decisions of management mentioned previously.

Capital Asset and Debt Administration

Capital Assets. The City of Bristol's net capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$274,294,714. This investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, machinery and equipment, other improvements, and construction in progress. The total increase in the City's investment in capital assets for the current year was 6.8% (a 13.17% increase for governmental activities and a 0.40% decrease for business-type activities).

City of Bristol, Tennessee Capital Assets
(Net of Depreciation)
June 30, 2014
(Presented in actual dollars)

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Net Capital Assets:						
Land	\$ 9,763,040	8,260,568	1,484,201	1,484,201	11,247,241	9,744,769
Land Improvements	3,266,653	3,235,389	-	-	3,266,653	3,235,389
Buildings and Improvements	45,586,206	44,920,121	3,929,917	3,531,423	49,516,123	48,451,544
Infrastructure	66,883,746	65,303,291	110,474,701	111,210,998	177,358,447	176,514,289
Machinery and Equipment	7,405,046	6,537,652	2,221,439	2,206,480	9,626,485	8,744,132
Other Improvements	1,109,857	1,060,124	-	-	1,109,857	1,060,124
Construction in Progress	19,201,602	6,067,028	2,968,306	3,129,075	22,169,908	9,196,103
Total Net Capital Assets	<u>\$ 153,216,150</u>	<u>135,384,173</u>	<u>121,078,564</u>	<u>121,562,177</u>	<u>274,294,714</u>	<u>256,946,350</u>

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

- An additional phase of the downtown lighting improvements was completed as part of the overall downtown redevelopment project. Several infrastructure projects were also initiated or furthered during the past year including the East Cedar Road project, construction of the Pinnacle Parkway, Safe Routes to Schools sidewalk construction, traffic enhancements on Volunteer Parkway, culvert improvements at Dynamic Recycling, and the Glenwood Road Bridge replacement. Facility improvements were also made for the soccer fields at Whitetop Creek Park, to renovate the lobby of the Finance Department, to reconstruct the press box at the Western Little League Field, and to construct a bio-filter for the parking lot at City Hall.
- The General Purpose School Fund invested over \$500,000 in laptop computers to be used for programmatic purposes at Vance Middle School.
- Electric system construction and equipment totaling \$6,322,262 was paid for during the 2014 year. During the year, the Electric Fund completed the cross-arm replacement on the 69 kV transmission lines. Installation of 20,000 feet of 1,000 mcm underground primary feeder cable, 15,000 feet of #2 concentric neutral underground distribution cable, over 9,000 feet of 1-1/2 inch conduit and over 10,000 feet of 144 count fiber optic cable occurred at The Pinnacle.
- The Waterworks Fund added \$1,187,894 of capital asset additions during the year. The largest projects involved improvements to water or sewer lines and the initiation of phase 2 of the implementation of an automated meter reading system for utility billing purposes. Assets additions related to these projects were \$792,711 and \$422,505, respectively. The water plant also incurred \$92,549 of costs to replace a flocculator. Also, \$241,418 of machinery and equipment was either significantly upgraded or replaced throughout the year.

Additional information on the City of Bristol, Tennessee's capital assets can be found in note IV. C. on pages 78 - 80 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Bristol had total bonded debt outstanding of \$74,130,000. Of this amount, 61% comprises debt backed by the full faith and credit of the government. The remaining 39% of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City had three bond issuances during the year. The Series 2013 Electric Revenue Refunding and Improvement Bonds were issued for \$28,505,000 to refund the Series 2005 Electric System Revenue Bonds of \$22,230,043 and to provide additional funding of \$7,000,649 for capital improvements in October 2013. The new debt obligation was issued at a premium of \$708,101. The debt refunding resulted in a net present value benefit to the City of \$134,532. The Series 2013 Electric Revenue Refunding and Improvement Bonds are payable over thirty years with fixed interest rates ranging from 3% to 5%. For FY 2014, the effective annual interest rate was 3.995%. The bonds are secured by the net power revenues of the Electric Fund.

The City issued Series 2013B General Obligation Refunding Bonds of \$8,585,000 to refund, in whole or in part, its outstanding Series 2005 General Obligation Bonds, Series 2007 General Obligation Bonds, and Series 2008 General Obligation Bonds with fixed rate bonds that have lower interest rates ranging from 2.25% to 4%. The new bonds mature June 1, 2023. The primary purpose of the refunding was to restructure the outstanding debt in order to reduce debt service requirements by taking advantage of lower interest rates. The bonds were issued at a premium of \$557,232. The net present value benefit of the transaction was \$254,988.

Series 2014 General Obligation Bonds were issued on May 1, 2014, to obtain funding for The Pinnacle Project, and the transaction is reflected in the Chapter 420 Fund. The bonds payables were issued for \$17,350,000 and are payable over twenty-four years with fixed rates ranging from 2.375% to 5%. The issuance also resulted in a bond premium of \$226,508.

The City of Bristol, Tennessee maintains a Moody's Aa2 rating for general obligation debt. The current ratio of net bonded debt to estimated actual taxable value of property is 1.96%. Bristol Tennessee Essential Services maintains a Standard & Poor's AA rating for revenue secured debt.

Additional information on the City of Bristol, Tennessee's long-term debt can be found in note IV. E. on pages 83 - 98 of this report.

City of Bristol, Tennessee's Outstanding Debt

General Obligation and Revenue Bonds

June 30, 2014

(Presented in actual dollars)

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Outstanding Bond Debt:						
General Obligation	\$ 41,770,000	26,335,000	3,855,000	4,320,000	45,625,000	30,655,000
Revenue Bonds	-	-	28,505,000	21,035,000	28,505,000	21,035,000
Total Outstanding Bond Debt	<u>\$ 41,770,000</u>	<u>26,335,000</u>	<u>32,360,000</u>	<u>25,355,000</u>	<u>74,130,000</u>	<u>51,690,000</u>

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Bristol at June 30, 2014, was 7.4%. This is a decrease from the 8.3% estimate listed in the prior year's audit, and the estimate is higher than the unemployment rate for the State of Tennessee of 6.6%. As of June 2014, the national unemployment rate was 6.1%. Therefore, Bristol's rate of 7.4% was higher than both the national and the State of Tennessee averages.
- Inflationary trends in the region are comparable to national indices.

All of these factors were considered in preparing the City of Bristol, Tennessee's budget for the 2015 fiscal year.

During the 2014 fiscal year, unassigned fund balance in the General Fund decreased to \$11,801,981. City Council approved a balanced budget with no change in fund balance for the 2015 budget year for the General Fund. Revenues are expected to decrease by 1.8%. Major areas of revenue changes over budgeted 2014 levels include decreases in real and personal property taxes of \$476,207, local sales of \$347,088, and wholesale beer taxes of \$120,000. Revenue projections for FY 2015 were altered to adjust for the prior budgeted tax increase that was not enacted and to reflect actual collections in FY 2014 adjusted for observable trends and known changes. Revenue was increased significantly in licenses and permits based upon projections of permit activity related to the Pinnacle Project and other expected development opportunities.

General Fund operating expenditures are higher by \$50,332 or 0.2% over budgeted 2014 levels. The major factors of increased costs are a modest general wage adjustment and benefit changes of \$227,409, the consolidation of Community Relations staff and costs of approximately \$115,000 from the Viking Hall Fund to the General Fund to reflect the new direction of the department, and the inclusion of an expenditure for the projected amount of the tax increment financing (TIF) payment due to the developers of the Pinnacle Project related to the 2014 tax year of \$150,000. Cost increases were offset in part by several budget changes that also reduced operating costs in the General Fund. A Stormwater Fund was established for FY 2015 that absorbed \$425,872 of costs. Also, demolition landfill activity of \$108,177 was transferred to the Solid Waste Fund. The two proposed changes transferred approximately \$535,000 of costs to other funds that can charge services as a funding source. The changes allow a reduction in the cost burden funded by general revenue sources.

During the 2014 fiscal year, assigned fund balance in the General Purpose School Fund decreased to \$8,778,569, or by \$1,087,506. City Council and the School Board approved a budgeted loss of \$2,285,654 for the 2015 budget year for the General Purpose School Fund. Revenues are expected to decrease by 1.5%. The major areas of change from the 2014 budgeted amounts include a decline in intergovernmental revenue and other revenue. Operating expenditures are 1.2% higher than 2014 budgeted levels. Costs are expected to increase due to wage adjustments for employees and additional capital outlay costs.

Waterworks Fund revenues are budgeted at \$8,836,113, a decrease of 3.1% from last year. A general reduction in purchases by large water users is the primary reason for lower sales. Neither the water nor sewer rates required an adjustment in Fiscal 2015. Both rates have remained unchanged since July 2010. Expenses are budgeted at \$8,410,432, a decrease of \$1,119,052 from fiscal 2014. This is a 11.7% decrease from last year. Operating expenses are lower by \$986,128 or 11.5%, and includes \$2,476,958 for water treatment and distribution, \$1,094,775 for sewer collection, \$1,548,399 for administration, \$1,530,822 for allocated costs of other activities, and \$923,000 of depreciation.

A new Stormwater Fund was established as a proprietary fund to account for management and maintenance of stormwater related activities. Previously, this activity had been included as part of the operating expenditures in the General Fund and funded by general revenues of the City instead of a dedicated charge. Management recommended the establishment of this fund to allow a separate charge to be created to directly fund this activity. Revenues are budgeted at \$562,000 in accordance with a \$2.00 per month residential fee and related equivalent rate unit (ERU) levels.

The Solid Waste Fund operating revenues are projected at \$1,932,479, an increase of \$143,645 from the prior budget year. Included in the revenue mix is a \$14.50 per household monthly fee (\$7.25 for each additional container per month) generating \$1,785,164 from residential collection services and \$117,315 from commercial customers. The monthly rate is \$1.00 higher for a single container and 50 cents higher for each additional container to offset program costs. As in the past, a reduced rate for Property Tax Relief Program homeowners will be offered. However, the rate has been changed from \$8.00 per month to \$9.00 per month with each additional container being billed at the same rate charged to other customers. The last program rate increase took place in July 2013. With the recommended changes, the rate structure will cover all costs of operations. The rate structure will also aid in establishing a fund balance reserve to assist with funding uncollected receivables and future capital outlays. Total expenditures is budgeted at \$1,787,947, an increase of \$77,922 or 4.6%, from the prior budget year. Refuse collection, brush and bulk, and landfill operations account for 49.9%, 44%, and 6% of total spending, respectively.

Requests for Information

This financial report is designed to provide a general overview of the City of Bristol, Tennessee'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 Director of Finance; City of Bristol, Tennessee; 801 Anderson Street, Room 203; Bristol, Tennessee 37620.

Separately issued financial statements for the Electric Fund may be obtained from:

Bristol Tennessee Essential Services
Post Office Box 549
2470 Volunteer Parkway
Bristol, Tennessee 37621-0549

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,700,011	15,830,216	26,530,227
Investments	11,241,229	29,221,196	40,462,425
Receivables, Net of Allowance	16,202,658	11,322,216	27,524,874
Notes Receivable	83,745	2,480,490	2,564,235
Other Receivables	1,152,222	1,215,359	2,367,581
Due from Joint Venture	-	220,526	220,526
Due from Other Governments	15,587,031	2,430	15,589,461
Due from Trust	62	-	62
Internal Balances	(1,823,318)	1,823,318	-
Inventories	196,712	4,065,150	4,261,862
Prepays and Prepaid Pension Cost	68,661	2,410,965	2,479,626
Investment in Joint Venture	-	6,953,284	6,953,284
Restricted Cash	7,853,241	95,948	7,949,189
Restricted Investments	799,979	999,964	1,799,943
Property Held for Resale	-	260,846	260,846
Capital Assets, Net of Accumulated Depreciation:			
Land	9,763,040	1,484,201	11,247,241
Land Improvements	3,266,653	-	3,266,653
Buildings and Building Improvements	45,586,206	3,929,917	49,516,123
Infrastructure	66,883,746	110,474,701	177,358,447
Machinery and Equipment	7,405,046	2,221,439	9,626,485
Other Improvements	1,109,857	-	1,109,857
Construction in Progress	19,201,602	2,968,306	22,169,908
Total Assets	215,278,383	197,980,472	413,258,855
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	444,445	1,252,069	1,696,514
Total Deferred Outflows of Resources	444,445	1,252,069	1,696,514
LIABILITIES			
Accounts Payable and Other Current Liabilities	2,968,591	3,450,997	6,419,588
Contracts Payable	3,432,220	-	3,432,220
Retainages Payable	867,445	-	867,445
Accrued Interest Payable	182,013	390,150	572,163
Due to Others and Deposits	93,895	1,793,128	1,887,023
Unearned Revenue	127,260	1,199,630	1,326,890
Noncurrent Liabilities:			
Due Within One Year	2,924,148	1,212,557	4,136,705
Due in More Than One Year	48,440,471	32,456,135	80,896,606
Total Liabilities	59,036,043	40,502,597	99,538,640
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue - Property Taxes	24,140,028	-	24,140,028
Total Deferred Inflows of Resources	24,140,028	-	24,140,028
NET POSITION			
Net Investment in Capital Assets	110,820,768	90,186,604	201,007,372
Restricted:			
Capital	317,685	-	317,685
Community and Economic Development	3,838,482	-	3,838,482
Debt Service	1,338,990	-	1,338,990
Education	28,876	-	28,876
Juvenile Court	3,745	-	3,745
Parks and Recreation	558	-	558
Police and Drug Control	110,386	-	110,386
School Nutrition	1,079,258	-	1,079,258
Solid Waste	263,202	-	263,202
Unrestricted	14,744,807	68,543,340	83,288,147
Total Net Position	\$ 132,546,757	\$ 158,729,944	\$ 291,276,701

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

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

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	6,945,580	162,672	1,239,321	84,264	(5,459,323)	-	(5,459,323)
Community Relations	702,163	111,841	10,000	-	(580,322)	-	(580,322)
Education	38,809,898	913,974	18,827,570	-	(19,068,354)	-	(19,068,354)
Parks and Recreation	3,847,114	683,982	131,009	120	(3,032,003)	-	(3,032,003)
Public Safety	11,568,506	1,279,337	659,673	-	(9,629,496)	-	(9,629,496)
Public Works	8,360,941	1,873,241	1,459,735	5,355,087	327,122	-	327,122
Interest and Related Charges for Long-term Debt	1,617,402	-	-	-	(1,617,402)	-	(1,617,402)
Total Governmental Activities	<u>71,851,604</u>	<u>5,025,047</u>	<u>22,327,308</u>	<u>5,439,471</u>	<u>(39,059,778)</u>	<u>-</u>	<u>(39,059,778)</u>
Business-type Activities:							
Electric	92,454,981	88,366,198	-	2,214,495	-	(1,874,288)	(1,874,288)
Waterworks	7,422,890	8,899,753	-	72,250	-	1,549,113	1,549,113
Cable and Internet	6,738,347	14,353,361	-	-	-	7,615,014	7,615,014
Telephone	579,991	3,811,560	-	-	-	3,231,569	3,231,569
Total Business-type Activities	<u>107,196,209</u>	<u>115,430,872</u>	<u>-</u>	<u>2,286,745</u>	<u>-</u>	<u>10,521,408</u>	<u>10,521,408</u>
Total Primary Government	<u>\$ 179,047,813</u>	<u>120,455,919</u>	<u>22,327,308</u>	<u>7,726,216</u>	<u>(39,059,778)</u>	<u>10,521,408</u>	<u>(28,538,370)</u>
General Revenues:							
Property Taxes					24,852,090	-	24,852,090
Payments in Lieu of Tax					66,781	-	66,781
Sales Taxes					9,163,261	-	9,163,261
Beer and Liquor Taxes					724,043	-	724,043
Business Tax					537,107	-	537,107
Cable Franchise Tax					348,852	-	348,852
Gas Franchise Tax					286,920	-	286,920
Hotel/Motel Taxes					341,129	-	341,129
State Revenue (Unrestricted)					2,817,037	-	2,817,037
Investment Income (Unrestricted)					22,665	327,963	350,628
Other General Revenue					1,256,271	-	1,256,271
Transfers					2,422,141	(2,422,141)	-
Total General Revenues and Transfers					<u>42,838,297</u>	<u>(2,094,178)</u>	<u>40,744,119</u>
Change in Net Position					3,778,519	8,427,230	12,205,749
Net Position, Beginning					<u>128,768,238</u>	<u>150,302,714</u>	<u>279,070,952</u>
Net Position, Ending					<u>\$ 132,546,757</u>	<u>158,729,944</u>	<u>291,276,701</u>

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

CITY OF BRISTOL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Chapter 420	General Purpose School	Industrial Development Board	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 6,358,760	-	2,882,575	155,555	1,303,121	10,700,011
Investments	6,286,032	-	4,302,970	100,000	74,072	10,763,074
Receivables, Net of Allowance	15,908,106	-	-	-	294,552	16,202,658
Notes Receivable	-	-	-	-	83,745	83,745
Other Receivables	567,044	-	527,857	-	15,453	1,110,354
Due from Other Funds	953,612	-	751,379	2,726,445	531,551	4,962,987
Due from Other Governments	2,004,816	-	11,022,075	-	2,560,140	15,587,031
Due from Trust	62	-	-	-	-	62
Inventory	160,743	-	-	-	35,969	196,712
Restricted Cash	-	7,126,919	-	708,634	17,688	7,853,241
Restricted Investments	-	499,982	-	-	299,997	799,979
Total Assets	<u>\$ 32,239,175</u>	<u>7,626,901</u>	<u>19,486,856</u>	<u>3,690,634</u>	<u>5,216,288</u>	<u>68,259,854</u>
LIABILITIES						
Accounts Payable	\$ 281,598	-	420,790	1,084	280,923	984,395
Contracts Payable	-	-	-	2,586,749	845,471	3,432,220
Retainages Payable	-	-	22,666	844,779	-	867,445
Accrued Payroll	626,850	-	124,444	-	50,902	802,196
Due to Other Funds	2,534,717	2,831,282	191	7,454	1,523,063	6,896,707
Due to Others	80,024	-	-	-	13,871	93,895
Unearned Revenue	21,521	-	-	-	105,739	127,260
Total Liabilities	<u>3,544,710</u>	<u>2,831,282</u>	<u>568,091</u>	<u>3,440,066</u>	<u>2,819,969</u>	<u>13,204,118</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned Revenue - Property Taxes	14,502,401	-	9,637,627	-	-	24,140,028
Unavailable Revenue - Property Taxes & Other	1,895,757	-	473,693	-	15,918	2,385,368
Total Deferred Inflows of Resources	<u>16,398,158</u>	<u>-</u>	<u>10,111,320</u>	<u>-</u>	<u>15,918</u>	<u>26,525,396</u>
FUND BALANCES (DEFICITS)						
Nonspendable:						
Inventory	160,743	-	-	-	35,969	196,712
Restricted:						
Capital Outlay	-	-	-	-	317,685	317,685
Community and Economic Development	-	3,456,629	-	250,568	131,285	3,838,482
Debt Service	-	1,338,990	-	-	-	1,338,990
Education	-	-	28,876	-	-	28,876
Juvenile Court	3,745	-	-	-	-	3,745
Parks and Recreation	558	-	-	-	-	558
Police and Drug Control	29,280	-	-	-	81,106	110,386
School Nutrition	-	-	-	-	1,079,258	1,079,258
Solid Waste	-	-	-	-	263,202	263,202
Assigned:						
Birthplace of Country Music	300,000	-	-	-	-	300,000
Capital Outlay	-	-	-	-	55,000	55,000
Debt Service	-	-	-	-	36,593	36,593
Education	-	-	8,778,569	-	-	8,778,569
State Street Aid	-	-	-	-	380,303	380,303
Unassigned	<u>11,801,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,801,981</u>
Total Fund Balances (Deficits)	<u>12,296,307</u>	<u>4,795,619</u>	<u>8,807,445</u>	<u>250,568</u>	<u>2,380,401</u>	<u>28,530,340</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 32,239,175</u>	<u>7,626,901</u>	<u>19,486,856</u>	<u>3,690,634</u>	<u>5,216,288</u>	<u>68,259,854</u>

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

CITY OF BRISTOL, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

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

Total Fund Balances - Governmental Funds (Page 34)	\$ 28,530,340
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	153,216,150
Prepays are expensed when disbursed in the governmental funds and are not recognized based upon economic benefit or recorded as assets in the funds.	68,661
Deferred outflows of resources, including deferred charges on debt refundings, relates to future periods and, therefore, are not reported in the funds.	444,445
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported unavailable in the funds.	2,385,368
An internal service fund is used by management to charge the costs of employee medical and dental premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	(551,575)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(51,546,632)</u>
Net Position of Governmental Activities	<u><u>\$ 132,546,757</u></u>

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

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

	General	Chapter 420	General Purpose School	Industrial Development Board	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 21,396,465	-	14,736,980	-	-	36,133,445
Licenses and Permits	291,726	-	2,125	-	-	293,851
Intergovernmental	3,504,822	-	15,203,342	-	7,976,816	26,684,980
Charges for Services	1,135,114	-	291,263	-	2,460,531	3,886,908
Revenues from Use of Facilities	402,983	-	6,872	-	94,499	504,354
Fines and Forfeitures	476,247	-	-	-	23,587	499,834
Investment Income	8,102	3,696	6,961	739	3,167	22,665
Other	138,478	-	650,966	-	195,300	984,744
Total Revenues	27,353,937	3,696	30,898,509	739	10,753,900	69,010,781
EXPENDITURES						
Current:						
General Government	5,087,221	-	-	45,665	1,493,990	6,626,876
Community Relations	478,865	-	-	-	219,397	698,262
Education	-	-	32,726,299	6,297	4,226,370	36,958,966
Parks and Recreation	3,447,142	-	-	-	120,053	3,567,195
Public Safety	10,773,735	-	-	-	201,499	10,975,234
Public Works	2,991,223	-	-	-	2,751,495	5,742,718
Capital Outlay	-	-	3,134,797	13,780,291	2,528,909	19,443,997
Debt Service:						
Principal Retirement	-	-	-	-	2,475,559	2,475,559
Interest	-	-	-	-	912,166	912,166
Bond Issuance Costs	-	508,253	-	-	105,530	613,783
Other Costs	-	-	-	-	2,750	2,750
Total Expenditures	22,778,186	508,253	35,861,096	13,832,253	15,037,718	88,017,506
Excess (Deficiency) of Revenues over Expenditures	4,575,751	(504,557)	(4,962,587)	(13,831,514)	(4,283,818)	(19,006,725)
OTHER FINANCING SOURCES (USES)						
Bonds Issued	-	17,350,000	-	-	8,065,000	25,415,000
Premium on Bonds Issued	-	226,508	-	-	499,580	726,088
Bonds Refunded	-	-	-	-	(8,455,612)	(8,455,612)
Insurance Recoveries	66,223	-	-	-	-	66,223
Sale of Capital Assets	8,373	-	8,511	-	-	16,884
Transfers In	2,513,796	-	4,596,602	13,835,259	4,559,551	25,505,208
Transfers Out	(7,995,703)	(14,147,987)	(777,722)	-	(161,655)	(23,083,067)
Total Other Financing Sources (Uses)	(5,407,311)	3,428,521	3,827,391	13,835,259	4,506,864	20,190,724
Net Change in Fund Balances	(831,560)	2,923,964	(1,135,196)	3,745	223,046	1,183,999
Fund Balance - Beginning	13,195,799	1,871,655	9,942,641	246,823	2,163,975	27,420,893
Purchase Method Inventory Adjustment	(67,932)	-	-	-	(6,620)	(74,552)
Fund Balance, Ending	\$ 12,296,307	4,795,619	8,807,445	250,568	2,380,401	28,530,340

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

CITY OF BRISTOL, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

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

Net Change in Fund Balance - Total Governmental Funds	\$ 1,183,999
Revenue which was not collected in the City's period of availability has not been reflected as revenue in the governmental funds since it was not "available". This revenue has been included in the statement of activities. The difference is the change between the prior year amount of \$2,135,520 and the current year amount of \$2,385,368.	249,848
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions in outlay of \$19,443,997 exceeded depreciation of \$5,399,289 in the current period.	14,044,708
The net effect of various miscellaneous transactions involving capital assets (e.g., sales and donations) is to increase net position.	3,787,269
Inventory for in the General Fund (salt only) and School Nutrition Fund is accounted for by the purchase method on the fund level. The government wide financial statements reflect inventory accounted for on the consumption method. This is the amount by which expenses were adjusted to comply with the consumption method.	(74,552)
Certain expenses have been reflected in the statement of activities for amounts that have economic benefits in future periods. The prepaid items have not been reflected in the governmental funds. This is the amount by which current year prepaid items of \$68,661 were exceeded by the prior year amount of \$49,696.	18,965
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	(15,091,731)
Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds. Compensated absences decreased by this amount during the year.	22,871
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.	(211,667)
An internal service fund is used by management to charge the costs of employee insurance to individual funds.	(151,191)
Change in Net Position of Governmental Activities	<u><u>\$ 3,778,519</u></u>

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

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes:			
Property Tax	\$ 14,781,455	14,147,112	(634,343)
Property Tax - Penalty and Interest	250,000	287,650	37,650
Payments in Lieu of Taxes	53,236	55,781	2,545
Local Sales Tax	5,325,000	4,638,883	(686,117)
Beer and Liquor Taxes	890,000	728,366	(161,634)
Business Tax	600,400	537,107	(63,293)
Gas Franchise Tax	280,000	272,920	(7,080)
Cable Television Franchise Tax	340,000	348,852	8,852
Hotel and Motel Taxes	375,000	341,129	(33,871)
State Litigation Tax	45,000	38,665	(6,335)
Total Taxes	<u>22,940,091</u>	<u>21,396,465</u>	<u>(1,543,626)</u>
Licenses and Permits	<u>352,035</u>	<u>291,726</u>	<u>(60,309)</u>
Intergovernmental:			
State Sales Tax	1,890,000	1,907,751	17,751
State Income Tax	385,000	420,749	35,749
State Highway Maintenance	125,000	114,079	(10,921)
Bank Excise Tax	38,000	41,151	3,151
Gas and Motor Fuel Tax	54,800	54,644	(156)
Beer and Mixed Drink	130,000	133,694	3,694
TVA Payments in Lieu	315,000	298,983	(16,017)
Telecommunications Tax	1,700	2,731	1,031
Federal Thru State and State Grants	73,200	70,200	(3,000)
Other Revenue	356,823	460,840	104,017
Total Intergovernmental	<u>3,369,523</u>	<u>3,504,822</u>	<u>135,299</u>
Charges for Services	<u>1,193,475</u>	<u>1,135,114</u>	<u>(58,361)</u>
Revenues from Use of Facilities	<u>518,477</u>	<u>402,983</u>	<u>(115,494)</u>
Fines and Forfeitures	<u>384,480</u>	<u>476,247</u>	<u>91,767</u>
Investment Income	<u>24,000</u>	<u>8,102</u>	<u>(15,898)</u>
Other	<u>39,700</u>	<u>138,478</u>	<u>98,778</u>
Total Revenues	<u>28,821,781</u>	<u>27,353,937</u>	<u>(1,467,844)</u>

(Continued)

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
EXPENDITURES			
General Government:			
General Administration:			
City Council	157,179	96,888	60,291
City Manager	209,134	166,672	42,462
Economic Development	660,093	555,564	104,529
Chapter 420 Administration	-	184,106	(184,106)
Information Technology	320,300	339,644	(19,344)
Legal	125,492	98,961	26,531
Finance	439,512	437,868	1,644
Municipal Court	58,643	52,273	6,370
Juvenile Court	298,609	295,186	3,423
Administration	270,211	295,868	(25,657)
Total General Administration	<u>2,539,173</u>	<u>2,523,030</u>	<u>16,143</u>
Other Administration:			
Council Programs	1,435,635	1,623,796	(188,161)
Natural Events	-	15,419	(15,419)
Special Events	394,952	350,955	43,997
School Property Insurance	100,000	101,410	(1,410)
Total Other Administration	<u>1,930,587</u>	<u>2,091,580</u>	<u>(160,993)</u>
Economic and Community Development			
Planning	263,397	243,921	19,476
Codes Enforcement	242,843	228,690	14,153
Total Economic and Community Development	<u>506,240</u>	<u>472,611</u>	<u>33,629</u>
Total General Government	<u>4,976,000</u>	<u>5,087,221</u>	<u>(111,221)</u>
Community Relations			
Administration	<u>460,025</u>	<u>478,865</u>	<u>(18,840)</u>
Total Community Relations	<u>460,025</u>	<u>478,865</u>	<u>(18,840)</u>
Parks and Recreation			
Administration	222,568	239,105	(16,537)
Recreation	514,272	471,278	42,994
Steele Creek Golf Course	222,802	203,860	18,942
Farmers' Market	25,405	15,715	9,690
Senior Citizens Programs	272,585	294,231	(21,646)
Slater Community Center	158,014	162,192	(4,178)
Parks and Facilities	1,708,801	1,656,803	51,998
Nature Center	119,044	111,478	7,566
City Hall and Annex	171,779	197,626	(25,847)
Haynesfield Pool	90,737	94,854	(4,117)
Total Parks and Recreation	<u>3,506,007</u>	<u>3,447,142</u>	<u>58,865</u>

(Continued)

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
EXPENDITURES (CONTINUED)			
Public Safety:			
Fire Department:			
Administration	266,630	258,967	7,663
Fire Suppression	3,508,816	3,423,982	84,834
Emergency Medical Services	135,950	142,946	(6,996)
Fire Stations	77,385	82,851	(5,466)
Fire Prevention	102,317	100,468	1,849
Total Fire Department	<u>4,091,098</u>	<u>4,009,214</u>	<u>81,884</u>
Police Department:			
Administration	531,679	498,494	33,185
Patrol	3,494,672	3,381,404	113,268
Investigations	1,058,183	935,672	122,511
Community Programs	637,958	575,310	62,648
Communications and Records	1,147,247	1,241,057	(93,810)
Animal Control	138,202	132,584	5,618
Total Police Department	<u>7,007,941</u>	<u>6,764,521</u>	<u>243,420</u>
Total Public Safety	<u>11,099,039</u>	<u>10,773,735</u>	<u>325,304</u>
Public Works:			
Administration	110,727	101,225	9,502
Engineering	188,160	110,385	77,775
Geographical Information Systems	131,825	127,953	3,872
Street Maintenance	1,593,203	1,549,392	43,811
Fleet Maintenance	501,485	501,901	(416)
Street Lighting and Traffic Control	485,000	485,349	(349)
Demolition Landfill	115,180	115,018	162
Total Public Works	<u>3,125,580</u>	<u>2,991,223</u>	<u>134,357</u>
Total Expenditures	<u>23,166,651</u>	<u>22,778,186</u>	<u>388,465</u>

(Continued)

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Excess (Deficiency) of Revenues over Expenditures	5,655,130	4,575,751	(1,856,309)
OTHER FINANCING SOURCES (USES)			
Insurance Recoveries	15,000	66,223	51,223
Sale of Capital Assets	20,000	8,373	(11,627)
Transfer from Electric	1,715,000	1,894,722	179,722
Transfer from Waterworks	540,000	527,419	(12,581)
Transfer from Transportation Grant	76,046	91,655	15,609
Transfer to General Purpose School	(4,596,602)	(4,596,602)	-
Transfer to Industrial Development Board	(50,000)	(52,468)	(2,468)
Transfer to Drug	(6,000)	(9,402)	(3,402)
Transfer to Grant	(53,121)	(21,654)	31,467
Transfer to State Street Aid	(247,296)	(125,624)	121,672
Transfer to Transportation Grant	(182,855)	(126,512)	56,343
Transfer to Viking Hall	(125,000)	(107,179)	17,821
Transfer to Debt Service	(2,412,250)	(2,244,116)	168,134
Transfer to Capital Equipment	(963,525)	(631,090)	332,435
Transfer to Capital Facilities	(262,800)	(81,056)	181,744
Total Other Financing Sources (Uses)	(6,533,403)	(5,407,311)	1,126,092
Net Change in Fund Balances	(878,273)	(831,560)	(730,217)
Fund Balance - Beginning	13,568,203	13,195,799	(372,404)
Purchase Method Inventory Adjustment	-	(67,932)	(67,932)
Fund Balance - Ending	\$ 12,689,930	12,296,307	(1,170,553)

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

CITY OF BRISTOL, TENNESSEE
CHAPTER 420 FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Investment Income	\$ 11,303	3,696	(7,607)
Total Revenues	<u>11,303</u>	<u>3,696</u>	<u>(7,607)</u>
EXPENDITURES			
Debt Service:			
Bond Issuance Costs	455,000	508,253	(53,253)
Total Expenditures	<u>455,000</u>	<u>508,253</u>	<u>(53,253)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(443,697)</u>	<u>(504,557)</u>	<u>(60,860)</u>
OTHER FINANCING SOURCES (USES)			
Bonds Issued	17,350,000	17,350,000	-
Premium on Bonds Issued	-	226,508	226,508
Transfer to Industrial Development Board	(16,000,000)	(13,782,791)	2,217,209
Transfer to Debt Service	(825,517)	(365,196)	460,321
Total Other Financing Sources (Uses)	<u>524,483</u>	<u>3,428,521</u>	<u>2,904,038</u>
Net Change in Fund Balances	80,786	2,923,964	2,843,178
Fund Balance - Beginning	<u>631,539</u>	<u>1,871,655</u>	<u>1,240,116</u>
Fund Balance - Ending	<u>\$ 712,325</u>	<u>4,795,619</u>	<u>4,083,294</u>

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

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes:				
County Property Tax	\$ 9,745,298	9,745,298	10,228,534	483,236
Local Sales Tax	4,546,086	4,546,086	4,508,446	(37,640)
Total Taxes	14,291,384	14,291,384	14,736,980	445,596
Licenses and Permits	2,000	2,000	2,125	125
Intergovernmental:				
Federal Thru State and State	15,404,955	15,404,955	15,191,363	(213,592)
Bank Excise Tax	10,000	10,000	9,681	(319)
Telecommunications Tax	3,000	3,000	2,298	(702)
Total Intergovernmental Revenues	15,417,955	15,417,955	15,203,342	(214,613)
Charges for Services	265,600	265,600	291,263	25,663
Revenues from Use of Facilities	2,400	2,400	6,872	4,472
Investment Income	12,000	12,000	6,961	(5,039)
Other	852,124	852,124	650,966	(201,158)
Total Revenues	30,843,463	30,843,463	30,898,509	55,046
EXPENDITURES				
Instruction:				
Regular Education	17,034,860	16,276,219	16,084,136	192,083
Alternate School	218,249	218,249	217,064	1,185
Special Education	2,119,798	2,119,798	2,092,598	27,200
Vocational Education	1,009,534	1,016,534	998,717	17,817
Student Body	5,000	5,000	11,634	(6,634)
Total Instruction	20,387,441	19,635,800	19,404,149	231,651
Support Services:				
Attendance	200,597	200,597	193,329	7,268
Health Services	300,901	299,501	283,920	15,581
Other Student Support	881,990	858,206	852,005	6,201
Regular Instruction	2,602,681	2,589,781	2,525,629	64,152
Special Education	168,832	168,832	164,226	4,606
Vocational Education	7,582	7,582	6,833	749

(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES (CONTINUED)				
Support Services (Continued):				
Board of Education	582,634	582,634	577,645	4,989
Director of Schools	337,463	339,788	333,769	6,019
Office of Principal	2,910,926	2,898,926	2,917,271	(18,345)
Fiscal Services	414,045	414,045	385,843	28,202
Human Resources	169,489	164,989	156,966	8,023
Operation of Plant	1,978,923	1,984,123	1,932,082	52,041
Maintenance of Plant	1,244,015	1,212,015	1,321,612	(109,597)
Student Transportation	905,825	893,495	865,238	28,257
Total Support Services	12,705,903	12,614,514	12,516,368	98,146
Non-Instructional Services				
School Nutrition	91,945	97,975	96,771	1,204
Community Service	234,558	234,558	223,421	11,137
Early Childhood	440,256	440,256	434,498	5,758
Total Non-Instructional Services	766,759	772,789	754,690	18,099
Noncapitalized Improvements	-	50,000	51,092	(1,092)
Capital Outlay	1,955,000	3,242,000	3,134,797	107,203
Total Expenditures	35,815,103	36,315,103	35,861,096	454,007
Excess (Deficiency) of Revenues over Expenditures	(4,971,640)	(5,471,640)	(4,962,587)	509,053
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	10,000	10,000	8,511	(1,489)
Transfer from General	4,596,602	4,596,602	4,596,602	-
Transfer to Debt Service	(777,721)	(777,721)	(777,722)	(1)
Total Other Financing Sources (Uses)	3,828,881	3,828,881	3,827,391	(1,490)
Net Change in Fund Balances	(1,142,759)	(1,642,759)	(1,135,196)	507,563
Fund Balance - Beginning	9,339,666	9,339,666	9,942,641	602,975
Fund Balance - Ending	\$ 8,196,907	7,696,907	8,807,445	1,110,538

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

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CITY OF BRISTOL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Electric	Waterworks	Total Enterprise Funds	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 15,830,216	-	15,830,216	-
Investments	26,400,000	2,821,196	29,221,196	478,155
Accounts Receivable, (Net)	10,168,607	1,153,609	11,322,216	-
Customer Notes Receivable (Net) - Current Portion	400,000	505	400,505	-
Other Receivables	1,209,704	5,655	1,215,359	41,868
Due from Joint Venture	-	212,098	212,098	-
Due from Other Funds	62,262	1,937,726	1,999,988	-
Due from Other Governments	-	2,430	2,430	-
Inventories	3,680,378	384,772	4,065,150	-
Prepays	2,410,965	-	2,410,965	-
Total Current Assets	60,162,132	6,517,991	66,680,123	520,023
Noncurrent Assets:				
Capital Assets:				
Capital Assets	145,757,338	73,117,132	218,874,470	-
Construction in Progress	2,396,812	571,494	2,968,306	-
Total Capital Assets	148,154,150	73,688,626	221,842,776	-
Less: Accumulated Depreciation	69,791,862	30,972,350	100,764,212	-
Net Capital Assets	78,362,288	42,716,276	121,078,564	-
Other Noncurrent Assets:				
Customer Notes Receivable, Less Current Portion	2,079,985	-	2,079,985	-
Investment in Joint Venture	-	6,953,284	6,953,284	-
Due from Joint Venture	-	8,428	8,428	-
Restricted Cash	-	95,948	95,948	-
Restricted Investments	-	999,964	999,964	-
Property Held for Resale	260,846	-	260,846	-
Total Other Noncurrent Assets	2,340,831	8,057,624	10,398,455	-
Total Noncurrent Assets	80,703,119	50,773,900	131,477,019	-
Total Assets	140,865,251	57,291,891	198,157,142	520,023
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	1,217,434	34,635	1,252,069	-
Total Deferred Outflow of Resources	1,217,434	34,635	1,252,069	-

(Continued)

CITY OF BRISTOL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental
			Total Enterprise	Activities-
	Electric	Waterworks	Funds	Internal
				Service Fund
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,769,419	135,910	1,905,329	-
Accrued Interest	382,209	7,941	390,150	-
Accrued Liabilities	1,481,824	-	1,481,824	1,182,000
Accrued Payroll	-	63,844	63,844	-
Deposits	1,764,317	5,000	1,769,317	-
Due to Others	-	23,811	23,811	-
Due to Other Funds	49,526	-	49,526	16,742
Unearned Revenue	1,199,630	-	1,199,630	-
Compensated Absences Payable	-	76,700	76,700	-
Bonds Payable	675,000	450,000	1,125,000	-
Notes Payable	-	10,857	10,857	-
Total Current Liabilities	<u>7,321,925</u>	<u>774,063</u>	<u>8,095,988</u>	<u>1,198,742</u>
Long-term Liabilities:				
Compensated Absences Payable	-	83,509	83,509	-
Bonds Payable, Net of Unamortized				
Premium	28,522,365	3,565,816	32,088,181	-
Notes Payable	-	10,858	10,858	-
OPEB Obligation Payable	<u>273,587</u>	<u>-</u>	<u>273,587</u>	<u>-</u>
Total Long-term Liabilities	<u>28,795,952</u>	<u>3,660,183</u>	<u>32,456,135</u>	<u>-</u>
Total Liabilities	<u>36,117,877</u>	<u>4,434,246</u>	<u>40,552,123</u>	<u>1,198,742</u>
NET POSITION				
Net Investment in Capital Assets	50,382,357	39,804,248	90,186,605	-
Unrestricted	<u>55,582,451</u>	<u>13,088,032</u>	<u>68,670,483</u>	<u>(678,719)</u>
Total Net Position	<u>\$ 105,964,808</u>	<u>52,892,280</u>	<u>158,857,088</u>	<u>(678,719)</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the Internal Service Fund and enterprise funds over time			<u>(127,144)</u>	
Net Position of Business-type Activities			<u>\$ 158,729,944</u>	

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

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

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Electric	Waterworks	Total Enterprise Funds	
OPERATING REVENUES				
Charges for Services (Net)	\$ 102,263,167	8,713,930	110,977,097	3,741,655
Other	4,267,952	185,823	4,453,775	20,900
Total Operating Revenues	106,531,119	8,899,753	115,430,872	3,762,555
OPERATING EXPENSES				
Maintenance and Administrative	7,199,055	1,536,006	8,735,061	670,337
Purchased Power	71,364,808	-	71,364,808	-
Electric Operations	12,642,278	-	12,642,278	-
Water Filtration Plant	-	1,398,624	1,398,624	-
Water Distribution	-	962,741	962,741	-
Sewer Collection	-	1,068,716	1,068,716	-
Medical Claims	-	-	-	3,263,376
Depreciation	4,951,756	683,854	5,635,610	-
Loss on Investment in Joint Venture	-	206,349	206,349	-
Other	-	1,451,785	1,451,785	-
Total Operating Expenses	96,157,897	7,308,075	103,465,972	3,933,713
Operating Income (Loss)	10,373,222	1,591,678	11,964,900	(171,158)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	320,926	7,037	327,963	499
Loss on Disposal of Capital Assets	-	(7,570)	(7,570)	-
Interest Expense	(1,320,917)	(79,942)	(1,400,859)	-
Fiscal Agent Fees	-	(696)	(696)	-
Other	(2,294,505)	(7,139)	(2,301,644)	-
Total Nonoperating Revenues (Expenses)	(3,294,496)	(88,310)	(3,382,806)	499
Income (Loss) Before Capital Contributions and Transfers	7,078,726	1,503,368	8,582,094	(170,659)
TRANSFERS				
Transfer to General	(1,894,722)	(527,419)	(2,422,141)	-
Total Transfers	(1,894,722)	(527,419)	(2,422,141)	-
CAPITAL CONTRIBUTIONS AND GRANTS	2,214,495	72,250	2,286,745	-
Change in Net Position	7,398,499	1,048,199	8,446,698	(170,659)
Net Position - Beginning	98,566,309	51,844,081		(508,060)
Net Position - Ending	\$ 105,964,808	52,892,280		(678,719)
Adjustment for the net effect of the current year activity between the Internal Service Fund and the enterprise funds.			(19,468)	
Change in Net Position of Business-type Activities			\$ 8,427,230	

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

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

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Electric	Waterworks	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 102,824,997	8,850,576	111,675,573	645,288
Receipts from Joint Venture	-	9,752	9,752	-
Receipts from Other	-	40,463	40,463	183,414
Receipts for Interfund Services Provided	2,636,648	112,624	2,749,272	3,096,367
Payments to Suppliers	(93,014,924)	(2,547,267)	(95,562,191)	(3,904,013)
Payments for Employees	(4,775,789)	(1,091,659)	(5,867,448)	-
Payments to Joint Venture	-	(1,718,336)	(1,718,336)	-
Payments for Interfund Services Used	-	(1,405,177)	(1,405,177)	-
Net Cash Provided by/(Used for) Operating Activities	7,670,932	2,250,976	9,921,908	21,056
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due From/To General Fund	-	(1,468,747)	(1,468,747)	(21,119)
State Income Tax	(80,010)	-	(80,010)	-
Transfers To Other Funds	(1,894,722)	(527,419)	(2,422,141)	-
Net Cash Provided by/(Used for) Noncapital Financing Activities	(1,974,732)	(1,996,166)	(3,970,898)	(21,119)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bonds Payable Issued	-	520,000	520,000	-
Premium on Bonds Payable	-	57,652	57,652	-
Bond Issuance Costs	-	(7,139)	(7,139)	-
Net Proceeds from Debt Issuance	7,000,648	-	7,000,648	-
Capital Contributions	2,214,495	72,250	2,286,745	-
Purchase of Capital Assets	(6,322,262)	(1,185,931)	(7,508,193)	-
Principal Paid on Capital Debt	(881,371)	(465,857)	(1,347,228)	-
Payment to Escrow Account	-	(570,513)	(570,513)	-
Interest Paid on Capital Debt	(997,600)	(102,424)	(1,100,024)	-
Fiscal Agent Fees Paid	-	(696)	(696)	-
Net Cash Provided by/(Used for) Capital and Related Financing Activities	1,013,910	(1,682,658)	(668,748)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of Investments	26,400,000	1,418,377	26,400,000	-
Purchase of Investments	(26,400,000)	-	(24,981,623)	(436)
Interest and Dividends Received	320,926	7,037	327,963	499
Proceeds from Disposal of Property Held for Resale	9,737	-	9,737	-
Net Cash Provided by/(Used for) Investing Activities	330,663	1,425,414	1,756,077	63
Net Increase (Decrease) in Cash and Cash Equivalents	7,040,773	(2,434)	7,038,339	-
Cash and Cash Equivalents - Beginning	8,789,443	98,382	8,887,825	-
Cash and Cash Equivalents - Ending	\$ 15,830,216	95,948	15,926,164	-

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

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Electric	Waterworks	Total Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY/(USED FOR)				
OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 10,373,222	1,591,678	11,964,900	(171,158)
Adjustments to Reconcile Operating Income (Loss)				
to Net Cash Provided by/(Used for) Operating Activities:				
Capital Contribution to Joint Venture	-	(250,000)	(250,000)	-
Depreciation Expense	4,951,756	683,854	5,635,610	-
Loss on Investment in Joint Venture	-	206,349	206,349	-
Provision for Losses on Accounts Receivable	131,701	68,882	200,583	-
(Increase) Decrease:				
Accounts Receivable	(1,525,508)	(119,404)	(1,644,912)	-
Other Receivables	-	40,463	40,463	162,514
Due from Joint Venture	-	9,752	9,752	-
Inventories	(2,447,352)	(16,232)	(2,463,584)	-
Prepays and Other	478,519	-	478,519	-
Customer Notes Receivable	51,185	(345)	50,840	-
Increase (Decrease):				
Accounts Payable	(4,066,740)	32,803	(4,033,937)	-
Accrued Liabilities	(358,699)	-	(358,699)	29,700
Accrued Payroll	-	(3,847)	(3,847)	-
Deposits	70,639	900	71,539	-
Due to Others	-	790	790	-
Unearned Revenue	12,209	-	12,209	-
Compensated Absences Payable	-	5,333	5,333	-
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 7,670,932</u>	<u>2,250,976</u>	<u>9,921,908</u>	<u>21,056</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Refunding of Debt	<u>\$ 21,981,922</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF BRISTOL, TENNESSEE
STATEMENT OF FIDUCIARY AND PLAN NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Other Post Employment Benefits Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 1,188	1,553,170
Investments	-	2,978,878
Investments Held in Trust, At Fair Value		
Mutual Funds	3,088,853	-
Other Receivables	3,683	-
	<hr/>	<hr/>
Total Assets	3,093,724	4,532,048
	<hr/>	<hr/>
LIABILITIES		
Accrued Liabilities	48,000	-
Due to General Fund	62	-
Due to Others	-	4,532,048
	<hr/>	<hr/>
Total Liabilities	48,062	4,532,048
	<hr/>	<hr/>
NET POSITION		
Net Position Held In Trust for OPEB Benefits	3,045,662	
	<hr/>	
Total Net Position	\$ 3,045,662	
	<hr/>	

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

CITY OF BRISTOL, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY AND PLAN NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Other Post Employment Benefits Trust Funds
ADDITIONS	
Employer Contributions	\$ 739,735
Retiree Contributions	91,520
Investment Earnings	80,087
Net Appreciation (Depreciation) in Value of Investments	325,228
Other Revenue	83,809
Total Additions	<u>1,320,379</u>
DEDUCTIONS	
Retiree Benefits	719,071
Administrative Expenses	19,646
Total Deductions	<u>738,717</u>
Change in Net Position	581,662
Net Position - Beginning	<u>2,464,000</u>
Net Position - Ending	<u><u>\$ 3,045,662</u></u>

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

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The City of Bristol, Tennessee, (the City) is a municipal corporation that was incorporated in 1856 and operates under a Council-Manager form of government that provides services as authorized by the City's Private Act Charter. Council is comprised of five governing members of whom two member are elected to serve each year as Mayor and Vice-Mayor. Along with two other comparably-sized cities within a twenty mile radius, the City is part of a twelve county area in northeast Tennessee and southwest Virginia known as the Tri-Cities Tennessee/Virginia region.

The accompanying financial statements present the government and a component unit, entity for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, the blended component unit is appropriately presented as a fund of the primary government.

Blended Component Unit. The Industrial Development Board of the City of Bristol, Tennessee was formed to promote industrial development and provide additional job opportunities in the City of Bristol, Tennessee, and surrounding areas, and to exercise the authority of and pursue the objectives of industrial development corporations as provided for in the Tennessee Code Annotated. The Board is comprised of seven members appointed by Council for six-year terms. All members are required to be City residents at the time of appointment and maintain City residency during the entire term of office. The financial statements of the Board are material to the City. The Board has separate corporate powers that would distinguish it as being legally separate from the City, such as the authority to issue industrial development bonds under state and federal statute. The entity cannot be included as part of another entity. The government's Council and the government is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from any other remedies. The entity also utilizes the services of City staff to operate the day-to-day functions that can be replaced by the City Manager/City Council. The Board is reported as a special revenue fund and does not issue separate financial statements.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Reporting Entity (Continued)

Related Organizations. Council is responsible for all board appointments of the Bristol Housing Authority Board (“Board”) and the Bristol Tennessee Emergency Communications District (“District”). However, the City has no further accountability for the organizations. Council cannot impose its will on the Board or District since it does not have the ability to modify or approve the budget or overrule or modify decisions of either entity. The organizations are fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, financial statements of the Board and District are not included in the City’s financial statements.

Joint Ventures. The Bristol Public Library, which provides services to most of Washington County, Virginia and Sullivan County, Tennessee, was established in 1930. The Library is jointly owned and operated by the City of Bristol, Tennessee and the City of Bristol, Virginia. The Board of Trustees of the Library is the level of responsibility that has oversight and control of the Library. The Board is comprised of eleven members with the Councils of both cities each appointing five members and the eleventh member being appointed by the Board of Trustees. The Library has two separate library branches, the Main Library Branch and the Avoca Library Branch. Additionally, the Library operates a literacy program. The capital assets used by the Library are owned equally by the two cities, except for the capital assets at the Avoca Library Branch that are property of the City of Bristol, Tennessee. The City’s capital assets are included in the government-wide financial statements. There is no equity ownership to either city due to a lack of ongoing financial interest.

The City is a participant in a joint venture with BVU Authority for the operation of the Joint Sewerage System. The Joint Sewerage System was established to build and maintain a waste water treatment plant (WWTP). Each city appoints three of the six members that serve on the committee to oversee operations. In accordance with the terms of the joint venture agreement, the owners on a pro-rata basis of 55% and 45% by the City of Bristol, Tennessee and BVU Authority respectively share the operation costs of the WWTP. Industrial monitoring costs are allocated 50% to each respective owner. The City has an ongoing financial interest in this joint venture and has recorded this as an investment in the Waterworks Fund.

The Tri-County Industrial Park is a joint venture between City of Bristol, Tennessee; City of Johnson City, Tennessee; and Sullivan County, Tennessee. The purpose is to promote regional economic development. The joint venture owns vacant parcels of land used for industrial and economic development. The City holds a 12.5% interest in the proceeds from all sales of vacant lots. During the year ended June 30, 2014, the City received \$2,468 in proceeds from vacant lot sales. Administrators retain only an ongoing financial responsibility for this venture and do not record any financial balances related to this organization in their financial statements. Financial statements are not prepared for the Tri-County Industrial Park.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Reporting Entity (Continued)

In June 2004, Sullivan County, Tennessee; City of Bluff City, Tennessee; City of Bristol, Tennessee; and the City of Kingsport, Tennessee entered into an intergovernmental cooperation agreement to create the Sullivan County Economic Development Commission d/b/a Networks - Sullivan Partnership. The purpose of the joint venture is to develop and implement an overall economic development strategic plan whose overall goals are to create value added jobs, expand and diversify the economic base, and generate increased local tax revenues for the local governments. The Board of Directors is comprised of twenty-four voting members, including the four mayors and a member appointed by each mayor. The other members are either representatives of the two principal power system providers or collectively appointed by the mayors. In accordance with terms of the agreement, funding shall be 51% from Sullivan County, 31% from City of Kingsport, 17% from City of Bristol, Tennessee, and 1% from Bluff City. The County's portion will remain fixed for the lifetime of the agreement and the shares of the cities shall be adjusted according to the Federal Census every ten years.

Complete financial statements for each of the individual joint ventures may be obtained at the administrative offices of:

Bristol Public Library	Joint Sewerage System	Networks – Sullivan Partnership
701 Goode Street	City of Bristol, Tennessee	P.O. Box 747
Bristol, VA 24201	801 Anderson Street	Blountville, TN 37617
	Room 203	
	Bristol, TN 37620	

Audited information as of June 30, 2014, is presented for the Joint Sewerage System. Information presented for Bristol Public Library and Networks – Sullivan Partnership is for the year ended June 30, 2013, since audited financial information has yet to be released for the 2014 year. Information for each joint venture is presented on the accrual basis.

	Bristol Public Library	Joint Sewerage System	Networks - Sullivan Partnership
Revenues	\$ 1,949,628	3,189,002	1,527,100
Expenses	<u>(1,948,711)</u>	<u>(3,101,700)</u>	<u>(1,058,264)</u>
Net Income (Loss) Transferred to Net Position	917	87,302	468,836
Net Position - Beginning	78,026	13,819,265	1,116,192
Net Position - Ending	<u>\$ 78,943</u>	<u>13,906,567</u>	<u>1,585,028</u>
Assets	\$ 250,975	14,560,954	8,827,246
Liabilities	172,032	654,387	7,242,218
Net Position	<u>\$ 78,943</u>	<u>13,906,567</u>	<u>1,585,028</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's electric, waterworks, cable and internet, telephone, and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund (i.e., general government, community development, community relations, fire, parks and recreation, police, public works, etc.).

The *Chapter 420 Fund* is a special revenue fund used to account for restricted funding and related activity related to the City's economic development project known as The Pinnacle, such as bonds payable and investment income. This project was established under new legislation of the State of Tennessee which allows a portion of the State's sales tax to be remitted back to the City to fund an economic development project located off of a major interstate and on the state line. Bonds payable issued to fund construction of the City's infrastructure development at The Pinnacle and related construction period interest costs are accounted for in this fund.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Basis of Presentation – Fund Financial Statements (Continued)

The *General Purpose School Fund* is a special revenue fund used as the operating fund of the City of Bristol, Tennessee Board of Education (BOE) and accounts for all general revenues and other receipts that are not allocated by law or contractual agreement to another BOE fund, such as property tax revenue from Sullivan County, Tennessee, Basic Education Program (BEP) funds, sales tax, etc. General operating expenditures and capital improvement costs that are not paid through other BOE funds are paid from the General Purpose School Fund.

The *Industrial Development Board Fund* is a special revenue fund used to account for activity of The Industrial Development Board of the City of Bristol, Tennessee which is a blended component unit. This fund account for all financial resources of the Board that are used for economic development purposes, such as contributions from the City, grant revenue, and investment income.

The City reports the following major enterprise funds:

The *Electric Fund* is used to account for the provision of electric, cable and internet, and telephone services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and billing and collection.

The *Waterworks Fund* is used to account for the provision of water and sewer services. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and financing.

Additionally, the City reports the following fund types:

The *Internal Service Fund* is used to account for contributions from operational funds and others to fund health and dental claims. In addition to contributions from the City, this fund receives employee, retiree dental, COBRA, and Bristol Housing Authority Board premiums to fund the payment of related claims.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Basis of Presentation – Fund Financial Statements (Continued)

Agency funds generally are used to account for assets that the City holds on behalf of others as their agent. The City currently has three agency funds. The *Joint Sewerage System Fund* is used to account for cash held by the City on behalf of the other entity. The *School Activities Fund* is used to account for cash held by the Board of Education on behalf of the school activity funds for all of the individual schools in the City. The *Youth Counselor Office Fund* accounts for the receipt and disposition of funds held on behalf of juveniles and Court related child support matters.

Pension (and other employment benefit) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of other postemployment benefit plans. The *Other Post Employment Benefits Trust Fund* and *BTES Other Post Employment Benefits Trust Fund* accumulate funds for the payment of post employment health and life insurance benefits for qualified employees as determined under City and BTES policies based on age and years of service at the time of retirement.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Measurement Focus and Basis of Accounting (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant revenue has a period of availability of one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and other long-term obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City. Certain revenues are required to be recognized as a receivable and either as revenue or unearned revenue, depending upon the revenue recognition policies of the entity. The amounts due for penalties, fines and forfeitures, and clerk's fees for business tax were determined to be immaterial; therefore, receivables were not recorded. Gross receipts tax, minimum business tax, and corporate (bank) excise taxes that were earned but not received by June 30, 2014, were not recorded as receivables because they were not estimable.

The proprietary and other postemployment benefit trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting their assets and liabilities.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Budgetary Information

Budgetary Basis of Accounting. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, special revenue funds, Debt Service Fund, and capital project funds. The appropriated budget ordinance is prepared by fund level. The budget document does provide detail by fund, function, and department. The City's department heads may authorize appropriations within a department's total budget for each fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. This type of accounting is only used by the General Purpose School Fund, School Federal Projects Fund, and the School Nutrition Fund. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations.

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

1. Cash and Cash Equivalents

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.

2. Investments

Investments for the City are reported at fair value (generally based upon quoted market prices) except for the position in the Local Government Investment Pool (LGIP). The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the Securities and Exchange Commission (SEC). Investments in the Industrial Development Board Fund and Electric Fund, consisting entirely of certificates of deposits, are stated at cost which approximates fair value.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

3. Inventories and Prepaid Items

Inventories for the proprietary funds, except the Electric Fund, and the gas inventory in the General Fund are valued, maintained, and issued using the weighted average cost method. The garage parts inventory in the General Fund is valued using the first-in, first-out method. Inventories in the Electric Fund are valued at the lower of cost or market, utilizing the moving average method of determining cost. The cost of such inventories is recorded as expenditures/expenses when consumed.

The food and supplies inventory reflected in the School Nutrition Fund is valued at cost using the first-in, first-out method. The salt inventory reflected in the General Fund is valued using the weighted average cost method. The government-wide financial statements reflect this inventory as an expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements and fund financial statements for the proprietary funds. The cost of prepaid items is recorded as an expense when consumed rather than when purchased. The payments are being recorded as expenditures on the fund level for the governmental funds.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost in excess of established thresholds and an estimated useful life in excess of two years. The bulk items threshold used for capitalization purposes is \$50,000. The individual cost thresholds utilized for capitalization purposes are as follows:

Land	All Capitalized
Land Improvements	\$ 10,000
Buildings and Building Improvements	\$ 10,000
Infrastructure	\$ 50,000
Machinery and Equipment	\$ 5,000
Other Improvements	\$ 10,000
Construction in Progress	Dependent upon Asset Type (\$10,000 or \$50,000)

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

4. Capital Assets (Continued)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of the amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The City has also collectively capitalized library books which are also recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and Construction in Progress are not depreciated. The capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements (Ground Work Related)	30
Land Improvements (Structure Related)	20
Buildings	30 - 60
Building Improvements	30 - 60
Infrastructure (Distribution Transformers, Etc.)	15 - 50
Infrastructure (Fiber Optic System, Etc.)	30 - 40
Infrastructure (Roads, Bridges, Etc.)	50
Infrastructure (Transmission Equipment, Etc.)	30 - 40
Infrastructure (Water & Sewer Lines, Etc.)	45 - 100
Machinery and Equipment	5 - 40
Other Improvements	20 - 60

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

5. 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. 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) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Statement of Net Position for government-wide and proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. One of these items arises only under a modified accrual basis of accounting and, accordingly, unavailable revenue is reported only in the Governmental Funds Balance Sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Governmental Funds Balance Sheet and the government wide Statement of Net Position will report deferred inflows of resources for unearned revenues. The City reports unearned revenues from transactions in which resources have been received before revenue recognition criteria are met.

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

7. Fund Balance Flow Assumptions (Continued)

It is the City's policy to consider investment earnings and then restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first and then followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, 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.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the City Manager and Finance Director for City-managed funds and the Director of Schools and Business Services Supervisor for BOE-managed funds to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Minimum Fund Balance Policy. The City will maintain an adequate, unassigned fund balance to accommodate unexpected expenditures, expenditures of a non-recurring nature, unanticipated revenue declines, or revenues for special opportunities. For the General Fund, the City will maintain, at a minimum, an unassigned fund balance equal to three months of total appropriated expenditures and transfers. The targeted unassigned fund balance is four months.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes receivable are recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in Tennessee and is referred to as the "lien date." Revenues from property taxes are recognized in the period for which the taxes are levied. The City's levy date is October 1, even though the receivable and deferred inflow of resources are recognized in the prior period when the enforceable legal claim arises. Tax notices are typically mailed in October following the levy date and the majority of collections are received during the remainder of the calendar year. The tax due date is January 5th of the following calendar year or the following business day if the 5th is on a weekend. Penalty and interest are applied to all accounts with an outstanding balance after the due date.

3. Compensated Absences

Vacation

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The proprietary fund financial statements reflect \$160,209 of long-term vacation benefits payable. The Electric Fund recognizes the cost of vacation pay as earned. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days. In general, accumulated vacation days are limited to thirty days.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Expenditures are recorded in the governmental funds when payments are made to employees upon their termination of employment for their accrued vacation time. At June 30, 2014, there are no amounts expected to be paid with current financial resources, thus no liability has been reported in the fund financial statements. Expected future demands of \$2,062,723 for vacation benefits have been reflected in the Statement of Net Position as compensated absences for the governmental activities.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Revenues and Expenditures/Expenses (Continued)

3. Compensated Absences (Continued)

Sick

Accumulated sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 Electric Fund, Waterworks Fund, and Internal Service Fund are charges to customers for sales and services. Operating expenses for enterprise funds and the Internal Service 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.

I. Other

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.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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

The Governmental Fund Balance Sheet includes a reconciliation between *fund balance - 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, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$(51,546,632) decrease are as follows:

Bonds and notes payable	\$ (46,222,093)
Add: Bond premium (net of amortization of \$76,055 recorded as interest expense)	(971,289)
Accrued interest payable	(182,013)
Compensated absences	(2,062,723)
Landfill closure costs	(239,979)
Other post employment benefit obligation	<u>(1,868,535)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ <u>(51,546,632)</u>

B. Explanation of Certain Differences Between the Governmental Fund 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 a 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 miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position”. The details of this \$3,787,269 increase are as follows:

Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.	\$ 3,864,246
The Statement of Activities reports 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>(76,977)</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>3,787,269</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities”. The details of this \$(15,091,731) decrease are as follows:

Debt issued or incurred:	
Bonds payable	\$ (25,415,000)
Premium on bonds payable	(726,088)
Debt refunded:	
Bonds payable refunded	7,970,000
Deferred charge on refunding	485,612
Landfill closure costs change in estimate	118,186
Principal repayments:	
General obligation debt	<u>2,475,559</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>(15,091,731)</u>

Another element of that reconciliation states that “compensated absences are measured by the amounts earned during the year in the Statement of Activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds.” The details of this \$22,871 decrease are as follows:

Compensated absences for the prior year	\$ 2,085,594
Compensated absences for the current year	<u>(2,062,723)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>22,871</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that “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”. The details of this \$(211,667) decrease are as follows:

Prior year accrued interest	\$ 90,305
Current year accrued interest	(182,013)
Prior year other post employment benefit obligation	1,745,570
Current year other post employment benefit obligation	(1,868,535)
Amortization of deferred charge on refunding	(73,049)
Amortization of bond premiums	<u>76,055</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><u>(211,667)</u></u>

The assets and liabilities of the Internal Service Fund were recorded at the government-wide level as part of the governmental activities. The Internal Service Fund’s current year change in net position was proportionately allocated to the governmental and business-type activities based upon an allocation of fund usage. The loss allocated to the governmental activities was \$151,191 and to the business-type activities was \$19,468. The allocation to the business-type activities was recorded at the government-wide level as an interfund receivable and payable between governmental activities and business-type activities.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

The following supplements were made to the original budget:

<u>Fund</u>	<u>Original Budget</u>	<u>Total Revisions</u>	<u>Revised Budget</u>
General Purpose School	\$ 35,815,103	500,000	36,315,103
Community Development Grant	468,398	200,000	668,398
Capital Projects Facilities	1,793,500	2,000,000	3,793,500

The Industrial Development Board Fund is a special revenue fund used to reflect activity for a blended component unit of the City. This entity is not required legally by the State of Tennessee to prepare or adopt a formal budget. Council is also not required to approve a budget for this entity as part of the budget ordinance. Therefore, amounts are not presented on the fund statement for the original and final budgeted amounts.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS:

A. Deposits and Investments

Deposits

Deposits include demand deposits, money market accounts, and certificates of deposit managed by an agent of the City in the City's name.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes impose various restrictions on the City's deposits and investments, including repurchase agreements. These restrictions are summarized for deposits as follows: all deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

At year end, the City had \$17,859 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$26,032,014 and the balance in financial institutions was \$28,606,285. Carrying amounts differ from financial institution balances primarily due to outstanding checks and deposits in transit. State statutes require collateral pledged by each financial institution to equal a certain percentage of the uninsured public deposits it holds. Members of the State of Tennessee Collateral Pool can be assessed if the collateral is inadequate to cover a loss. This is similar to depository insurance. The entire City's bank balance was covered by the State of Tennessee Collateral Pool, which is a multiple financial institution collateral pool, or by amounts insured by the Federal Deposit Insurance Corporation (FDIC), or with securities held by the pledging financial institution's trust department.

The City also manages cash for the agency funds maintained by the City. The City's carrying amount of deposits for the agency funds was \$1,553,170 and the balance in financial institutions was \$1,560,546. The deposits have not been reflected in the government-wide Statement of Net Position. The entire amount of the deposits was covered by the State of Tennessee Collateral Pool or FDIC Insurance.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and Investments (Continued)

Investments

At June 30, 2014, the City's investment balances were as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Investments:		
State of Tennessee Local Government Investment Pool	\$ 22,391,968	22,391,968
Bonds and Securities	1,799,943	1,799,943
Certificates of Deposit	<u>26,500,000</u>	<u>26,500,000</u>
Total Investments	\$ <u>50,691,911</u>	<u>50,691,911</u>

Investments in the State of TN LGIP are uncategorized in terms of credit risk because specific securities related to the City cannot be identified.

The City also manages investments for the agency funds maintained by the City in the State of Tennessee Local Government Investment Pool. The City's reported amount of investments for the agency funds was \$2,978,878 and the fair value was \$2,978,878. The investments have not been reflected in the government-wide Statement of Net Position.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The City does not have a formal policy for interest rate risk other than pledging securities for amounts in excess of FDIC coverage that are also not covered by the State of Tennessee Collateral Pool.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and Investments (Continued)

However, in an effort to manage exposure to interest rate risk, the City's agent has been directed to purchase a combination of shorter term and longer term investments and time maturities so that a portion of the investment portfolio for the bond related funds (securities) was maturing or coming close to maturity evenly over time to provide cash flow and liquidity needed for operations. All investments held by the City of Bristol had maturities of less than one year remaining as of June 30, 2014.

<u>Bonds and Securities - Investment Type</u>	<u>Par (Maturity < 1 Year)</u>	<u>Portfolio Percentage</u>
Treasury Securities	1,800,000	100.00 %

The following table represents the interest rate risk of the investment portfolio of individual fixed income securities. Using a simulation model, the portfolio was subjected to an immediate interest rate shock of +/- 300 bp. The results in weighted average total are presented below which details the average maturity, average market prices, total unrealized gain or loss and percentage price change from the current interest rate environment.

Total Portfolio Shock Table							
Securities Count: 3	Total Par: 1,800,000		Coupon: .				
Data Category	Dn300	Dn200	Dn100	BaseCase	Up100	Up200	Up300
Mkt Value	1,800,000	1,800,000	1,800,000	1,799,944	1,797,362	1,794,788	1,792,221
Pct Change	-	-	-	-	-.14	-.29	-.43
Mkt Price	100	100	100	99.9968	99.8534	99.7104	99.5678
Avg Life / Duration	.14 / .14	.14 / .14	.14 / .14	.14 / .14	.14 / .14	.14 / .14	.14 / .14
Mkt Yld	-	-	-	.02	1.02	2.02	3.02
Gain (Loss) \$	\$20	\$20	\$20	-\$36	-\$2,618	-\$5,192	-\$7,759

Source: RAYMOND JAMES eFolio® - Interactive Portfolio Management System

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is the measure by the assignment of a rating by a nationally recognized statistical rating organization. The City does not have a formal policy for credit risk other than pledging securities for amounts in excess of FDIC coverage that are also not covered by the State of Tennessee State Collateral Pool.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and Investments (Continued)

State statutes authorize the City to invest in bonds, notes, or treasury bills of the United States of America; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank, and the Federal Home Loan Mortgage Corporation; other obligations not listed above which are guaranteed as to principal and interest by the United States of America or any of its agencies; certificates of deposit and other evidences of deposit at state and federally chartered banks and savings and loan associations; obligations of the United States of America or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested, provided, that municipalities may invest in reverse purchase agreements only if the comptroller of the treasury or the comptroller's designee approves repurchase agreements as an authorized investment, and if such investments are made in accordance with procedures established by the state funding board; the State of Tennessee Local Government Investment Pool (TN LGIP); and obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

Specifically, the TN LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The TN LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the TN LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the TN LGIP is the same as the value of the TN LGIP shares. The pooled investments are not registered with the Securities and Exchange Commission (SEC) but are managed in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the investment in the TN LGIP has been determined based on the pool's share price as adjusted to market. The TN LGIP has not been rated by a nationally recognized statistical rating organization. At June 30, 2014, the LGIP had a weighted average maturity of 109 days. The LGIP is audited as part of the Comprehensive Annual Financial Report for the State of Tennessee. That report may be obtained by writing Tennessee Department of Finance and Administration, 312 Rosa L. Parks Avenue, 21st Floor Tennessee Tower, Nashville, TN 37243 or can be accessed at www.state.tn.us/finance/act/cafr.html.

During the fiscal year ended June 30, 2013, management began utilizing an outside agent to manage investing activities in an effort to achieve greater returns on investments in addition to investing in the TN LGIP. A combination of certificates of deposits, municipal bonds, and United States treasury bills were purchased to achieve this goal. All municipal securities in the City's investment portfolio were rated by either Moody's Investor Services or Standard & Poor's Rating Services at AA or above. Certificates of Deposit were not required to be rated as they are backed by either the State of Tennessee Collateral Pool or other depository insurance.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and Investments (Continued)

Custodial Credit Risk

In the case of investments, this is the risk that, the City will not be able to recover the value of the investments or collateral securities that are in possession of an outside party in the event of the failure of the custodian of the City's investments.

Concentration of Credit Risk

In an additional effort to minimize credit risk, the City avoids having a large percentage of its portfolio in one type of security or issuer of a security. The following individual investments represented more than 5% of the portfolio held by the City:

United States Treasury Securities (Par Amount \$1,800,000)	100.00%
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Reconciliation to Statement of Net Position

A reconciliation of deposits and investments to the amounts reflected on the Statement of Net Position is as follows:

	<u>Total</u>
<i>Total Deposits and Investments:</i>	
Cash on Hand	\$ 17,859
Carrying Amount of Deposits	26,032,014
Carrying Amount of Investments	<u>50,691,911</u>
Total Deposits and Investments	\$ <u>76,741,784</u>
 <i>Amounts per Statement of Net Position:</i>	
Cash and Cash Equivalents	\$ 26,530,227
Investments	40,462,425
Restricted Cash	7,949,189
Restricted Investments	<u>1,799,943</u>
Total per Statement of Net Position	\$ <u>76,741,784</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables

Receivables as of year end for the City's individual major funds, nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School	Electric	Waterworks	Nonmajor Governmental	Internal Service	Total
Receivables:							
Taxes	\$ 16,373,106	-	-	-	-	-	16,373,106
Accounts	-	-	11,080,401	1,653,609	396,552	-	13,130,562
Notes Receivable	-	-	2,479,985	505	83,745	-	2,564,235
Other Receivables	679,044	527,857	1,209,704	5,655	15,453	41,868	2,479,581
Due from Joint Ventures	-	-	-	220,526	-	-	220,526
Due from Other Governments:							
Federal Government	40,801	-	-	919	492,255	-	533,975
State of Tennessee and Federal Through the State	1,853,919	116,516	-	188	2,042,982	-	4,013,605
Other Governments and Agencies	110,096	10,905,559	-	1,323	24,903	-	11,041,881
Due from Trust	62	-	-	-	-	-	62
Gross Receivables	19,057,028	11,549,932	14,770,090	1,882,725	3,055,890	41,868	50,357,533
Less: Provision for Uncollectibles	(577,000)	-	(911,794)	(500,000)	(102,000)	-	(2,090,794)
Total Receivables	<u>\$ 18,480,028</u>	<u>11,549,932</u>	<u>13,858,296</u>	<u>1,382,725</u>	<u>2,953,890</u>	<u>41,868</u>	<u>48,266,739</u>

Governmental funds report deferred inflow 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 report unearned revenue in connection with resources that have been received but not yet earned and reflect these funds as unearned revenue in the financial statements.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables (Continued)

At the end of the current fiscal year, *unearned revenue* and *unavailable revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Payments received prior to meeting revenue recognition requirements:		
Community Development Grant Fund	\$ 60,700	\$ -
General Fund	21,521	-
HOME Consortium Fund	23,045	-
School Nutrition Fund	21,494	-
Viking Hall Fund	500	-
Property tax levied for ensuing fiscal year:		
General Fund	14,502,401	-
General Purpose School Fund	9,637,627	-
Receivables not received within period of availability:		
Property tax levied but not collected in period of availability	-	1,311,986
Sales tax	-	404,002
Other taxes	-	57,000
State revenue	-	196,200
Ambulance service charges	-	194,571
Gas franchise fee	-	136,000
Reimbursements and appropriations	-	85,609
	<u>\$ 24,267,288</u>	<u>2,385,368</u>

The Electric and Waterworks Funds record unbilled revenue based upon the proportionate number of days related to fiscal year 2014 in the billing cycle of subsequent customer billings. The City also provides loans to customers for heat pump and insulation costs under the Electric Fund's Residential Energy Efficiency Program. The majority of these loans bear interest at rates ranging from 8% to 10.25% and have maturities of up to 10 years. Satisfactory credit reports are required prior to loan approval. Additionally, these loans are secured by a deed of trust on the property. The City recorded interest income of approximately \$187,500 in 2014 related to these loans. These amounts offset operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position, since management believes this is an operating activity and the income should offset the additional expenses associated with maintaining this loan program.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital Assets

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

Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 8,260,568	1,502,472	-	-	9,763,040
Construction in Progress	6,067,028	15,812,049	(3,980)	(2,673,495)	19,201,602
Total Capital Assets, Not Being Depreciated	14,327,596	17,314,521	(3,980)	(2,673,495)	28,964,642
Capital Assets, Being Depreciated:					
Land Improvements	5,244,798	77,303	-	126,141	5,448,242
Building and Building Improvements	62,674,467	-	(69,516)	2,384,397	64,989,348
Infrastructure	111,240,625	3,782,451	-	60,547	115,083,623
Machinery and Equipment	19,595,991	2,133,968	(388,452)	-	21,341,507
Other Improvements	1,273,285	-	-	102,410	1,375,695
Total Capital Assets, Being Depreciated	200,029,166	5,993,722	(457,968)	2,673,495	208,238,415
Less Accumulated Depreciation For:					
Land Improvements	(2,009,409)	(172,180)	-	-	(2,181,589)
Building and Building Improvements	(17,754,346)	(1,681,711)	32,915	-	(19,403,142)
Infrastructure	(45,937,334)	(2,262,543)	-	-	(48,199,877)
Machinery and Equipment	(13,058,339)	(1,230,178)	352,056	-	(13,936,461)
Other Improvements	(213,161)	(52,677)	-	-	(265,838)
Total Accumulated Depreciation	(78,972,589)	(5,399,289)	384,971	-	(83,986,907)
Total Capital Assets, Being Depreciated, Net	121,056,577	594,433	(72,997)	2,673,495	124,251,508
Governmental Activities Capital Assets, Net	\$ 135,384,173	17,908,954	(76,977)	-	153,216,150

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital Assets (Continued)

Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 1,484,201	-	-	-	1,484,201
Construction in Progress	3,101,898	4,949,531	(31,386)	(5,051,737)	2,968,306
Total Capital Assets, Not Being Depreciated	4,586,099	4,949,531	(31,386)	(5,051,737)	4,452,507
Capital Assets, Being Depreciated:					
Building and Building Improvements	7,090,616	-	-	465,865	7,556,481
Infrastructure	199,000,586	256,179	(670,359)	4,491,850	203,078,256
Machinery and Equipment	6,420,093	241,417	-	94,022	6,755,532
Total Capital Assets, Being Depreciated	212,511,295	497,596	(670,359)	5,051,737	217,390,269
Less Accumulated Depreciation For:					
Building and Building Improvements	(3,559,193)	(67,371)	-	-	(3,626,564)
Infrastructure	(87,762,411)	(5,481,735)	640,591	-	(92,603,555)
Machinery and Equipment	(4,213,613)	(320,480)	-	-	(4,534,093)
Total Accumulated Depreciation	(95,535,217)	(5,869,586)	640,591	-	(100,764,212)
Total Capital Assets, Being Depreciated, Net	116,976,078	(5,371,990)	(29,768)	5,051,737	116,626,057
Business-type Activities Capital Assets, Net	\$ 121,562,177	(422,459)	(61,154)	-	121,078,564

During 2014, the Waterworks Fund capitalized \$5,264 in interest expense related to capital projects.

When retiring assets, the Electric Fund charges average cost, together with historical cost less salvage value to accumulated depreciation. No gain or loss is recognized. This method may result in accumulated depreciation exceeding historical cost when disposing of assets that are fully depreciated. When property is retired or otherwise disposed of in the Electric Fund, the average cost combined with the cost of removal less salvage is charged to accumulated depreciation; no gain or loss is recognized. This treatment may result in accumulated depreciation exceeding the original cost of the asset when a fully depreciated asset is removed. This is in accordance with the Federal Energy Regulatory Commission (FERC) regulations issued by the Department of Energy in Section 4.10.(2). The net effect of this treatment was \$22,198 in 2014.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital Assets (Continued)

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

Governmental Activities:		
General Government	\$	291,939
Community Relations		2,745
Education		1,715,011
Parks and Recreation		228,633
Public Safety		506,209
Public Works		<u>2,654,752</u>
Total Depreciation Expense – Governmental Activities	\$	<u>5,399,289</u>
Business-type Activities:		
Electric	\$	4,951,756
Waterworks		<u>683,854</u>
Total Depreciation Expense – Business-type Activities	\$	<u>5,635,610</u>

The provision for Electric Fund depreciation does not include depreciation on transportation equipment. The transportation equipment depreciation amount for the year ended June 30, 2014, totaled \$233,976 and is reflected as an expense for operations.

Construction Commitments

The City had active construction projects as of June 30, 2014, including the Chapter 420 Project referred to as the Pinnacle. At year-end, the City's commitment to fund the developer related to this project was as follows:

<u>Project</u>	<u>Incurred-to-Date</u>	<u>Remaining Commitment</u>
Chapter 420 Project "The Pinnacle"	\$ 21,543,371	3,456,629

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Chapter 420	\$ 107,305
	Industrial Development	
	Board	1,157
	General Purpose School	191
	Electric	49,526
	Internal Service	16,742
	Nonmajor Governmental	778,691
Industrial Development		
Board	Chapter 420	2,723,977
	General	2,468
General Purpose School	General	710
	Industrial Development	
	Board	6,297
	Nonmajor Governmental	744,372
Nonmajor Governmental	General	531,551
Electric	General	62,262
Waterworks	General	<u>1,937,726</u>
Total		\$ <u>6,962,975</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Interfund Receivables, Payables and Transfers

The bank accounts that are used as the operating accounts for the City are recorded in the General Fund. The other funds have either a due from/due to the General Fund that represents their portion of the operating cash account. In addition, the Drug Fund and Viking Hall Fund have additional bank accounts to be used for either depository or petty cash purposes. The Electric Fund, General Purpose School Fund, School Federal Projects Fund, and School Nutrition Fund maintain their own operating bank accounts.

At the government-wide level at June 30, 2014, the business-type activities owed the governmental activities \$127,144 for their portion of the Employee Insurance Fund.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 91,655
	Electric	1,894,722
	Waterworks	527,419
General Purpose School	General	4,596,602
Industrial Development Board	General	52,468
	Chapter 420	13,782,791
Nonmajor Governmental	General	3,346,633
	Chapter 420	365,196
	General Purpose School	777,722
	Nonmajor Governmental	<u>70,000</u>
Total		\$ <u>25,505,208</u>

Most transfers were either routine transfers between the governmental funds or transfers from the enterprise funds to the General Fund to compensate for public services received. Transfers were also made from the General Fund, Chapter 420 Fund, and General Purpose School Fund to the Debt Service Fund to provide funding for debt service payments.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt

Annual Debt Service Requirements – Governmental Activity Debt

The annual requirements to amortize all debt outstanding as of June 30, 2014, for the governmental activities are as follows:

<u>June 30</u>	<u>Principal</u>		<u>Interest</u>		<u>Governmental Activity Debt Service</u>
	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Bonds Payable</u>	<u>Notes Payable</u>	
2015	\$ 1,565,000	468,608	1,453,391	31,080	3,518,079
2016	1,710,000	471,680	1,357,686	28,008	3,567,374
2017	1,765,000	414,204	1,293,586	24,912	3,497,702
2018	1,870,000	417,312	1,228,736	21,804	3,537,852
2019	1,915,000	420,456	1,160,480	18,660	3,514,596
2020	1,995,000	423,624	1,091,517	15,492	3,525,633
2021	1,960,000	426,804	1,025,767	12,312	3,424,883
2022	2,015,000	430,020	957,817	9,096	3,411,933
2023	2,145,000	433,260	892,143	5,856	3,476,259
2024	1,545,000	436,524	822,193	2,592	2,806,309
2025	1,350,000	109,601	765,143	144	2,224,888
2026	1,385,000	-	724,643	-	2,109,643
2027	1,425,000	-	683,093	-	2,108,093
2028	1,460,000	-	640,343	-	2,100,343
2029	1,515,000	-	596,018	-	2,111,018
2030	1,560,000	-	550,018	-	2,110,018
2031	1,600,000	-	501,408	-	2,101,408
2032	1,640,000	-	449,120	-	2,089,120
2033	1,725,000	-	395,000	-	2,120,000
2034	1,775,000	-	337,250	-	2,112,250
2035	1,850,000	-	277,343	-	2,127,343
2036	1,925,000	-	212,594	-	2,137,594
2037	2,000,000	-	145,219	-	2,145,219
2038	2,075,000	-	75,218	-	2,150,218
	<u>\$ 41,770,000</u>	<u>4,452,093</u>	<u>17,635,726</u>	<u>169,956</u>	<u>64,027,775</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Governmental Activity Debt

	Governmental Activity Debt			Balance 6/30/14
	Balance 7/01/13	Additions	Retirements	
Series 2005 General Obligation Refunding Bonds Issue: \$3,085,000, Maturity 2015 Interest Rate: 3.00% - 3.50% Fixed, Partial Refunding of Series 1999 General Obligation Bonds	\$ 895,000	-	895,000	-
Series 2007 General Obligation Bonds Issue: \$7,750,000, Maturity 2023 Interest Rate: 4.00% - 4.125% Fixed, Funded School Projects	7,750,000	-	6,925,000	825,000
Series 2007 General Obligation Bonds Issue: \$550,000, Maturity 2014 Interest Rate: 4.00% Fixed, Funded Demolition Landfill Expansion	90,000	-	90,000	-
Series 2008 General Obligation Bonds Issue: \$5,150,000, Maturity 2020 Interest Rate: 3.00% Fixed, Funded School and Capital Projects	1,375,000	-	1,375,000	-
Energy Efficiency Capital Outlay Note Issue: \$500,000, Maturity 2016 Interest Rate: 0%, Energy Projects	181,715	-	60,571	121,144
Series 2009 General Obligation Refunding Bonds \$2,760,000, Maturity 2024 Interest Rate: 3.00% - 4.00% Fixed, Refunding of Series VI-D-4 Local Government Public Improvement Bonds	2,160,000	-	160,000	2,000,000
Series 2011 General Obligation Bonds \$4,450,000, Maturity 2023 Interest Rate: 3.00% - 4.00% Fixed, Funded School and Capital Projects	3,845,000	-	325,000	3,520,000

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Governmental Activity Debt (Continued)

	Governmental Activity Debt			Balance 6/30/14
	Balance 7/01/13	Additions	Retirements	
Energy Efficient Schools Initiative Loan \$5,000,000, Plus \$37,689 of Accrued Construction Interest, Interest Rate: 0.75%, Energy Projects	4,735,937	-	404,988	4,330,949
Series 2012 General Obligation Bonds \$420,000, Maturity 2018 Interest Rate: 2.00% Fixed, Funded Capital Projects	420,000	-	75,000	345,000
Series 2013A General Obligation Bonds \$9,800,000, Maturity 2038 Interest Rate: 2.00% - 4.00% Fixed, Funded Chapter 420 Project	9,800,000	-	-	9,800,000
Series 2013B General Obligation Bonds \$8,065,000, Maturity 2023 Interest Rate: 2.25% - 4.00% Fixed, Partial Refunding of Series 2007 General Obligation Bonds, Refunding of 2005 and 2008 Series General Obligation Bonds	-	8,065,000	135,000	7,930,000
Series 2014 General Obligation Bonds \$17,350,000, Maturity 2038 Interest Rate: 2.375% - 5.00% Fixed, Funded Chapter 420 Project	-	17,350,000	-	17,350,000
	<u>\$ 31,252,652</u>	<u>25,415,000</u>	<u>10,445,559</u>	<u>46,222,093</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Debt service requirements to maturity for governmental activity debt for the fiscal year ended June 30, 2014, are as follows:

Series 2007 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 175,000	33,000	208,000
2016	650,000	26,000	676,000
Total	\$ <u>825,000</u>	<u>59,000</u>	<u>884,000</u>

Energy Efficiency State Capital Outlay Note

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 60,572	-	60,572
2016	60,572	-	60,572
Total	\$ <u>121,144</u>	<u>-</u>	<u>121,144</u>

Series 2009 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 180,000	72,944	252,944
2016	180,000	67,544	247,544
2017	175,000	62,144	237,144
2018	195,000	56,894	251,894
2019	195,000	50,800	245,800
2020	190,000	43,000	233,000
2021	215,000	35,400	250,400
2022	210,000	26,800	236,800
2023	230,000	18,400	248,400
2024	230,000	9,200	239,200
Total	\$ <u>2,000,000</u>	<u>443,126</u>	<u>2,443,126</u>

The Series 2009 General Obligation Refunding Bonds were issued at a premium of \$65,911. The remaining unamortized amount of the premium as of June 30, 2014, was \$44,311.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Series 2011 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 335,000	120,500	455,500
2016	355,000	107,100	462,100
2017	365,000	92,900	457,900
2018	380,000	78,300	458,300
2019	395,000	63,100	458,100
2020	405,000	51,250	456,250
2021	420,000	39,100	459,100
2022	425,000	26,500	451,500
2023	<u>440,000</u>	<u>13,750</u>	<u>453,750</u>
Total	\$ <u>3,520,000</u>	<u>592,500</u>	<u>4,112,500</u>

The Series 2011 General Obligation Bonds were issued at a premium of \$215,254. The remaining unamortized amount of the premium as of June 30, 2014, was \$156,208.

Energy Efficient Schools Initiative Loan

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 408,036	31,080	439,116
2016	411,108	28,008	439,116
2017	414,204	24,912	439,116
2018	417,312	21,804	439,116
2019	420,456	18,660	439,116
2020	423,624	15,492	439,116
2021	426,804	12,312	439,116
2022	430,020	9,096	439,116
2023	433,260	5,856	439,116
2024	436,524	2,592	439,116
2025	<u>109,601</u>	<u>144</u>	<u>109,745</u>
Total	\$ <u>4,330,949</u>	<u>169,956</u>	<u>4,500,905</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Series 2012 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 75,000	6,900	81,900
2016	100,000	5,400	105,400
2017	100,000	3,400	103,400
2018	<u>70,000</u>	<u>1,400</u>	<u>71,400</u>
Total	\$ <u>345,000</u>	<u>17,100</u>	<u>362,100</u>

The Series 2012 General Obligation Bonds were issued at a premium of \$104,705. The remaining unamortized amount of the premium as of June 30, 2014, was \$88,597.

2013A General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 25,000	319,880	344,880
2016	25,000	319,380	344,380
2017	25,000	318,880	343,880
2018	50,000	318,380	368,380
2019	75,000	317,380	392,380
2020	125,000	315,880	440,880
2021	150,000	312,130	462,130
2022	175,000	306,130	481,130
2023	250,000	299,130	549,130
2024	475,000	291,630	766,630
2025	485,000	277,380	762,380
2026	500,000	262,830	762,830
2027	515,000	247,830	762,830
2028	525,000	232,380	757,380
2029	550,000	216,105	766,105
2030	560,000	199,055	759,055
2031	575,000	181,695	756,695
2032	590,000	162,720	752,720
2033	625,000	143,250	768,250
2034	650,000	122,625	772,625
2035	675,000	100,687	775,687
2036	700,000	77,063	777,063
2037	725,000	52,563	777,563
2038	<u>750,000</u>	<u>27,187</u>	<u>777,187</u>
Total	\$ <u>9,800,000</u>	<u>5,422,170</u>	<u>15,222,170</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

2013B General Obligation Bonds

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$	675,000	266,837	941,837
2016		300,000	251,650	551,650
2017		1,000,000	239,650	1,239,650
2018		1,025,000	199,650	1,224,650
2019		1,075,000	158,650	1,233,650
2020		1,075,000	115,650	1,190,650
2021		900,000	83,400	983,400
2022		930,000	56,400	986,400
2023		<u>950,000</u>	<u>28,500</u>	<u>978,500</u>
Total	\$	<u>7,930,000</u>	<u>1,400,387</u>	<u>9,330,387</u>

The Series 2013B General Obligation Bonds were issued at a premium of \$499,580. The remaining unamortized amount of the premium as of June 30, 2014, was \$457,228.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

2014 General Obligation Bonds

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$	100,000	633,330	733,330
2016		100,000	580,612	680,612
2017		100,000	576,612	676,612
2018		150,000	574,112	724,112
2019		175,000	570,550	745,550
2020		200,000	565,737	765,737
2021		275,000	555,737	830,737
2022		275,000	541,987	816,987
2023		275,000	532,363	807,363
2024		840,000	521,363	1,361,363
2025		865,000	487,763	1,352,763
2026		885,000	461,813	1,346,813
2027		910,000	435,263	1,345,263
2028		935,000	407,963	1,342,963
2029		965,000	379,913	1,344,913
2030		1,000,000	350,963	1,350,963
2031		1,025,000	319,713	1,344,713
2032		1,050,000	286,400	1,336,400
2033		1,100,000	251,750	1,351,750
2034		1,125,000	214,625	1,339,625
2035		1,175,000	176,656	1,351,656
2036		1,225,000	135,531	1,360,531
2037		1,275,000	92,656	1,367,656
2038		<u>1,325,000</u>	<u>48,031</u>	<u>1,373,031</u>
Total	\$	<u>17,350,000</u>	<u>9,701,443</u>	<u>27,051,443</u>

The Series 2014 General Obligation Bonds were issued at a premium of \$226,508. The remaining unamortized amount of the premium as of June 30, 2014, was \$224,945.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Annual Debt Service Requirements – Business-type Activity Debt

The annual requirements to amortize all debt outstanding as of June 30, 2014, for the business-type activities are as follows:

June 30	Principal			Interest			Business-type Activity Debt Service
	General Obligation Bonds Payable	Revenue Bonds Payable	Notes Payable	General Obligation Bonds Payable	Revenue Bonds Payable	Notes Payable	
2015	\$ 450,000	675,000	10,857	95,301	1,128,550	-	1,982,207
2016	465,000	700,000	10,858	83,188	1,107,925	-	1,990,383
2017	465,000	720,000	-	70,488	1,086,625	-	1,806,625
2018	465,000	740,000	-	57,788	1,064,725	-	1,804,725
2019	285,000	765,000	-	45,088	1,042,150	-	1,807,150
2020	200,000	785,000	-	36,188	1,018,900	-	1,803,900
2021	200,000	810,000	-	32,188	994,975	-	1,804,975
2022	200,000	835,000	-	28,188	970,300	-	1,805,300
2023	225,000	865,000	-	24,188	944,800	-	1,809,800
2024	225,000	890,000	-	19,688	918,475	-	1,808,475
2025	225,000	915,000	-	14,906	891,400	-	1,806,400
2026	225,000	945,000	-	10,125	862,319	-	1,807,319
2027	225,000	990,000	-	5,063	822,213	-	1,812,213
2028	-	1,040,000	-	-	771,463	-	1,811,463
2029	-	1,085,000	-	-	725,118	-	1,810,118
2030	-	1,130,000	-	-	680,762	-	1,810,762
2031	-	1,180,000	-	-	631,675	-	1,811,675
2032	-	1,230,000	-	-	580,463	-	1,810,463
2033	-	1,275,000	-	-	528,825	-	1,803,825
2034	-	1,325,000	-	-	476,825	-	1,801,825
2035	-	1,380,000	-	-	422,725	-	1,802,725
2036	-	1,440,000	-	-	364,525	-	1,804,525
2037	-	710,000	-	-	318,838	-	1,028,838
2038	-	745,000	-	-	285,125	-	1,030,125
2039	-	780,000	-	-	247,000	-	1,027,000
2040	-	820,000	-	-	207,000	-	1,027,000
2041	-	865,000	-	-	164,875	-	1,029,875
2042	-	910,000	-	-	120,500	-	1,030,500
2043	-	955,000	-	-	73,875	-	1,028,875
2044	-	1,000,000	-	-	25,000	-	1,025,000
	<u>\$ 3,855,000</u>	<u>28,505,000</u>	<u>21,715</u>	<u>522,387</u>	<u>19,477,951</u>	<u>-</u>	<u>48,344,066</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Business-type Activity Bonds and Notes Payable

	Date Issued	Amount Authorized and Issued	Maturity Dates	Interest Rates	Outstanding June 30, 2014	Electric Fund	Waterworks Fund
Bonds Payable							
General Obligation Bonds:							
Series 2007 General Obligation Bonds	2007	1,550,000	2010 - 2019	4% - 4.125%	\$ 320,000	-	320,000
Series 2012 General Obligation Bonds	2012	3,580,000	2013 - 2027	0.4% - 2.25%	3,025,000	-	3,025,000
Series 2013B General Obligation Bonds	2013	520,000	2014 - 2019	2.5% - 4%	510,000	-	510,000
Total General Obligation Bonds					<u>3,855,000</u>	<u>-</u>	<u>3,855,000</u>
Revenue Bonds:							
Series 2013 Electric System Revenue Bonds	2013	28,505,000	2015-2044	3% - 5%	<u>28,505,000</u>	<u>28,505,000</u>	<u>-</u>
Total Revenue Bonds					<u>28,505,000</u>	<u>28,505,000</u>	<u>-</u>
Total Bonds					<u>32,360,000</u>	<u>28,505,000</u>	<u>3,855,000</u>
Notes Payable							
Energy Efficiency State Capital Outlay Note			2016	0%	<u>21,715</u>	<u>-</u>	<u>21,715</u>
Total Notes Payable					<u>21,715</u>	<u>-</u>	<u>21,715</u>
Total Business-type Activity Bonds and Notes Payable					<u>\$ 32,381,715</u>	<u>28,505,000</u>	<u>3,876,715</u>

Debt service requirements to maturity for business-type activity debt for the fiscal year ended June 30, 2014, are as follows:

Series 2007 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 155,000	12,800	167,800
2016	<u>165,000</u>	<u>6,600</u>	<u>171,600</u>
Total	<u>\$ 320,000</u>	<u>19,400</u>	<u>339,400</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Series 2012 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 290,000	62,188	352,188
2016	295,000	56,388	351,388
2017	295,000	50,488	345,488
2018	295,000	44,588	339,588
2019	125,000	38,688	163,688
2020	200,000	36,188	236,188
2021	200,000	32,188	232,188
2022	200,000	28,188	228,188
2023	225,000	24,188	249,188
2024	225,000	19,688	244,688
2025	225,000	14,906	239,906
2026	225,000	10,125	235,125
2027	<u>225,000</u>	<u>5,063</u>	<u>230,063</u>
Total	\$ <u>3,025,000</u>	<u>422,874</u>	<u>3,447,874</u>

The Series 2012 General Obligation Bonds were issued at a premium of \$131,781. The remaining unamortized amount of the premium as of June 30, 2014, was \$111,529.

Energy Efficiency State Capital Outlay Note

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 10,857	-	10,857
2016	<u>10,858</u>	<u>-</u>	<u>10,858</u>
Total	\$ <u>21,715</u>	<u>-</u>	<u>21,715</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Series 2013 Electric System Revenue Refunding and Improvement Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 675,000	1,128,550	1,803,550
2016	700,000	1,107,925	1,807,925
2017	720,000	1,086,625	1,806,625
2018	740,000	1,064,725	1,804,725
2019	765,000	1,042,150	1,807,150
2020	785,000	1,018,900	1,803,900
2021	810,000	994,975	1,804,975
2022	835,000	970,300	1,805,300
2023	865,000	944,800	1,809,800
2024	890,000	918,475	1,808,475
2025	915,000	891,400	1,806,400
2026	945,000	862,319	1,807,319
2027	990,000	822,213	1,812,213
2028	1,040,000	771,463	1,811,463
2029	1,085,000	725,118	1,810,118
2030	1,130,000	680,762	1,810,762
2031	1,180,000	631,675	1,811,675
2032	1,230,000	580,463	1,810,463
2033	1,275,000	528,825	1,803,825
2034	1,325,000	476,825	1,801,825
2035	1,380,000	422,725	1,802,725
2036	1,440,000	364,525	1,804,525
2037	710,000	318,838	1,028,838
2038	745,000	285,125	1,030,125
2039	780,000	247,000	1,027,000
2040	820,000	207,000	1,027,000
2041	865,000	164,875	1,029,875
2042	910,000	120,500	1,030,500
2043	955,000	73,875	1,028,875
2044	<u>1,000,000</u>	<u>25,000</u>	<u>1,025,000</u>
Total	\$ <u>28,505,000</u>	<u>19,477,951</u>	<u>47,982,951</u>

The Series 2013 Electric System Revenue Refunding and Improvement Bonds were issued in 2013 at a premium of \$708,101. The remaining unamortized amount of the premium as of June 30, 2014, was \$692,365.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Series 2013B General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 5,000	20,313	25,313
2016	5,000	20,200	25,200
2017	170,000	20,000	190,000
2018	170,000	13,200	183,200
2019	<u>160,000</u>	<u>6,400</u>	<u>166,400</u>
Total	\$ <u>510,000</u>	<u>80,113</u>	<u>590,113</u>

The Series 2013B General Obligation Bonds were issued at a premium of \$57,652. The remaining unamortized amount of the premium as of June 30, 2014, was \$49,287.

Advance Debt Refunding

During 2009, the City refunded \$2,775,000 of its outstanding Series VI-D-4 Local Government Public Improvement Bonds that carried a variable interest rate with new Series 2009 General Obligation Refunding Bonds of \$2,760,000 that were issued at fixed rates ranging from 3% to 4%. The Series 2009 bonds payable mature June 1, 2024. The primary purpose of the refunding was to restructure the outstanding debt in order to reduce debt service requirements by taking advantage of lower interest rates and to reduce variable interest rate risk. The bonds were issued at a premium of \$65,911. As of June 30, 2014, the unamortized amount of the premium reported as an addition in the face amount of the bonds payable in the financial statements was \$44,311. The difference in debt service between the refunding debt and the refunded debt was \$362,155. The net present value benefit of the transaction was \$290,005. The outstanding amount of the Series 2009 General Obligation Refunding Bonds at June 30, 2014, was \$2,000,000.

During 2005, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments 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. On June 30, 2014, the following bonds outstanding were considered to be defeased:

<u>Date of Refunding</u>		<u>Amount</u>	<u>Issues Refunded</u>
2/17/05	General Obligation	\$2,775,000	Partial Refunding of 1999 Issue

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

The City refunded \$2,775,000 as a partial refunding of its outstanding Series 1999 General Obligation Bonds that carry a variable interest rate with new Series 2005 General Obligation Bonds of \$3,085,000 that were issued at a fixed rate of 5%. The new bonds mature April 1, 2015. The primary purpose of the refunding was to restructure the outstanding debt in order to reduce debt service requirements by taking advantage of lower interest rates. The bonds were issued at a premium of \$10,345 and as of June 30, 2014, no amount remained as the unamortized amount of the premium since this issue was included as part of the Series 2013B refunding. The new bonds were more than the debt defeased and related costs by \$196,207 which was being deferred over the life of the new bonds. The difference in debt service between the refunding debt and the refunded debt was \$99,405. The net present value benefit of the transaction was \$83,257.

The City closed the Series 2013 Electric Revenue Refunding and Improvement Bonds for \$28,505,000 to refund the Series 2005 Electric System Revenue Bonds of \$22,230,043 and to provide additional funding of \$7,000,649 for capital improvements in October 2013. The new debt obligation was issued at a premium of \$708,101. The refunding resulted in a defeasance of which the difference between the reacquisition price and the net carrying value resulted in a loss of approximately \$1,200,000 that is being reported as a deferred outflow of resources. The debt refunding resulted in a net present value benefit to the City of \$134,532. The Series 2013 Electric Revenue Refunding and Improvement Bonds are payable over thirty years with fixed interest rates ranging from 3% to 5%. For 2014, the effective annual interest rate was 3.995%. The bonds are secured by the net power revenues of the Electric Fund. The refunding resulted in the recognition of an accounting loss of approximately \$1,217,434 that is reported as a deferred outflow of resources. The amount is being amortized over the life of the old debt and recognized as a component of interest expense. The Electric Fund in effect reduced its aggregate debt service payments by approximately \$2,800,000 over the next 21 years and obtained an economic gain of approximately \$2,500,000.

The City issued Series 2013B General Obligation Refunding Bonds of \$8,585,000 to refund, in whole or in part, its outstanding Series 2005 General Obligation Bonds, Series 2007 General Obligation Bonds, and Series 2008 General Obligation Bonds with fixed rate bonds that have lower interest rates ranging from 2.25% to 4%. The new bonds mature June 1, 2023. The primary purpose of the refunding was to restructure the outstanding debt in order to reduce debt service requirements by taking advantage of lower interest rates. The bonds were issued at a premium of \$557,232. As of June 30, 2014, the unamortized amount of the premium reported as an addition in the face amount of the bonds payable in the financial statements was \$506,515. The difference in debt service between the refunding debt and the refunded debt was \$526,126. The net present value benefit of the transaction was \$254,988. The outstanding amount of the Series 2013 General Obligation Refunding Bonds at June 30, 2014, was \$8,440,000.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Current Debt Refunding

The City refunded \$1,100,000 of notes payable in the Waterworks Fund with a portion of the Series 2012 General Obligation bond proceeds. The new bonds were issued at a fixed rate of 2% and mature June 1, 2018. The primary purpose of the refunding was to restructure the outstanding debt in order to reduce debt service requirements by taking advantage of lower interest rates. The net present value benefit of the transaction was \$117,263.

Conduit Debt

The Industrial Development Board of Bristol, Tennessee entered into two debt related transactions related to the Chapter 420 Project, The Pinnacle, during the fiscal year. In September 2013, the Industrial Development Board of Bristol, Tennessee issued a Tennessee Tax Increment Revenue Note Payable in an amount not to exceed \$20,500,000. The notes are to be paid from the increase in tax revenue in the plan area. The developer shall pay on behalf of the Board, directly to the lender, an amount equal to the difference, if any, between the amount of debt service due with respect to the debt and the tax increment revenues available. However, the aggregate amount payable by the Developer shall not exceed \$10,000,000. The proceeds were used by Pinnacle Partners Tennessee, LLC to construct improvements related to the North Pad Area. As of June 30, 2014, the amount outstanding related to this note payable was \$18,446,316.

In August 2013, Revenue Bonds (Johnson Pinnacle Project) Series 2013 were issued by the Industrial Development Board for \$1,700,000. The proceeds were used by Johnson Pinnacle, LLC to finance the cost of constructing a commercial facility in the City as part of the Chapter 420 Project. The bonds are secured by the lease revenue from the constructed facility. As of June 30, 2014, principal payments had not been made and the amount outstanding related to these bonds payable were \$1,608,114.

Each of the debt obligations noted above is special debt of the Industrial Development Board which is payable solely from the revenues, receipts, and security pledged for such indebtedness. The parties mentioned above that utilized the debt proceeds for their purposes are responsible for all payments related to each respective debt obligation as previously discussed. The Industrial Development Board has no obligation to repay either of the debt obligations. As a result, the bonds payable and note payables are considered conduit debt of the Industrial Development Board and are not reported as liabilities of the City.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Long-term Debt (Continued)

Changes in Long-term Liabilities

The following is a summary of debt transactions of the City for the year ended June 30, 2014:

	Balance Beginning of Year	Additions	Retirements/ Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
General Obligation Bonds:	\$ 26,335,000	25,415,000	9,980,000	41,770,000	1,565,000
Less Deferred Amounts:					
For Issuance Premium	321,256	726,088	76,055	971,289	-
Total General Obligation Bonds	26,656,256	26,141,088	10,056,055	42,741,289	1,565,000
Notes Payable	4,917,652	-	465,559	4,452,093	468,608
Compensated Absences	2,085,594	972,529	995,400	2,062,723	890,540
Landfill Closure Costs	358,165	-	118,186	239,979	-
Net Other Post Employment Benefit Obligation	1,745,570	624,993	502,028	1,868,535	-
Governmental Activity Long-term Liabilities	35,763,237	27,738,610	12,137,228	51,364,619	2,924,148
Business-type Activities					
General Obligation Bonds:	4,320,000	520,000	985,000	3,855,000	450,000
Less Deferred Amounts:					
For Issuance Premium	125,174	57,652	22,010	160,816	-
Total General Obligation Bonds Payable	4,445,174	577,652	1,007,010	4,015,816	450,000
Revenue Bonds:	21,035,000	28,505,000	21,035,000	28,505,000	675,000
Less Deferred Amounts:					
For Issuance Premium	336,463	371,638	15,736	692,365	-
Total Revenue Bonds Payable	21,371,463	28,876,638	21,050,736	29,197,365	675,000
Notes Payable	32,572	-	10,857	21,715	10,857
Compensated Absences	154,876	82,001	76,668	160,209	76,700
Net Other Post Employment Benefit Obligation	578,722	491,363	796,498	273,587	-
Business-type Activity Long-term Liabilities	26,582,807	30,027,654	22,941,769	33,668,692	1,212,557
Total Changes in Long-term Debt	\$ 62,346,044	57,766,264	35,078,997	85,033,311	4,136,705

Other long-term liabilities have been liquidated through the use of the General, Waterworks, Solid Waste, and Viking Hall Funds. All of these funds have employees who receive wages and the payment of compensated absences is made from available resources in these funds.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB)

City of Bristol, Tennessee OPEB

Plan Description

The City of Bristol, Tennessee provides post-employment health, dental, and life insurance benefits for certain retirees and their dependents through a single-employer defined benefit plan. As discussed in Note V.J., the City is self-insured for employee group health benefits including the medical plan, prescription drug program, and dental plan. These benefits are offered to certain retired employees, although not required by any statutory, contractual or other authority. The City may change, add or delete health and dental insurance benefits as the City deems appropriate with Council approval. The Plan does not grant retirees vested health or dental coverage benefits. Life insurance is also provided to all retirees with 25 years of service.

The City established the Other Post Employment Benefits Trust for the exclusive benefit of retired employees and their dependents (who meet the eligibility requirements) to fund the post employment benefits provided through the Plan. Amounts contributed to the Trust are held in trust and are irrevocable. The contributions are for the sole and exclusive purpose of funding benefits established by the Plan and the cost of operating and administering the Trust.

As of June 30, 2014, the Plan did not issue a stand alone financial report because the Other Post Employment Benefits Trust Fund is included in the financial statements for the City of Bristol, Tennessee.

Benefits Provided

All health care and dental benefits are provided through the City's self insured health plan. Employees of the City who were covered under the City's group health insurance plan at the time of retirement and who are receiving retirement benefits from the Tennessee Consolidated Retirement System (TCRS) may continue to participate in the City's group health insurance plan after retirement. Full retirement eligibility for members of TCRS is age sixty with five years of TCRS service, or thirty years of TCRS service. Early retirement eligibility for members of TCRS is age fifty-five with five years of TCRS service, or 25 years of TCRS service. Participants hired after January 1, 2008, are required to have 20 years of City service to be eligible to continue in the City's group health insurance plan after retirement.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

Retirees and their spouses are eligible to continue medical coverage for life provided the eligibility requirements are met and applicable premiums are paid. A surviving spouse of a retired employee whose date of death is prior to January 1, 2007 is eligible until the surviving spouse's death provided that the eligibility requirements are met and applicable premiums are paid. A surviving spouse of a retired employee whose date of death is on or after January 1, 2007, will lose coverage upon the retired employee's death and will be eligible for COBRA continuation coverage for 36 months after the retiree's death.

Membership

The number of participants at June 30, 2014, was as follows:

Retiree Participants	77
Active Participants	<u>380</u>
Total	<u><u>457</u></u>

Funding Policy

In March 2009, the City implemented a Medicare Advantage Program for Medicare eligible employees. The City contributes 50% of the premiums as part of the program for these retired employees. The percentage contributed has increased from 35% since the last full valuation which was for the fiscal year ending June 30, 2012. This change increased the City's liabilities. Retired employees not Medicare eligible pay 100% of the calculated insurance premiums.

All eligible future retirees receive \$10,000 of life insurance coverage upon retirement. Current retirees have varying amounts of life insurance coverage ranging from \$5,000 to \$30,000 based upon previous provisions in effect at the time of their retirement.

Annual OPEB Cost and Net OPEB Obligation

	<u>2014</u>	<u>2013</u>
Annual Required Contribution	\$ 351,619	278,850
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	<u>-</u>	<u>-</u>
Annual OPEB Cost	351,619	278,850
Actual Contributions	<u>(351,619)</u>	<u>(278,850)</u>
Increase in Net OPEB Obligation	-	-
Net OPEB Obligation – Beginning of Fiscal Year	<u>-</u>	<u>-</u>
Net OPEB Obligation – End of Fiscal Year	\$ <u><u>-</u></u>	<u><u>-</u></u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

The City's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014, and the preceding two years are as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 351,619	351,619	100%	-
June 30, 2013	278,850	278,850	100%	-
June 30, 2012	272,102	272,102	100%	-

Funding Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/13	\$ 1,248,691	\$4,143,621	\$2,894,930	30.1%	\$13,012,069	22.2%

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 healthcare cost trends. 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

In the July 1, 2013, actuarial valuation for the plan, the actuarial asset valuation method was market value. The projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. Actuarial assumptions included a discount rate of 7.5%, an investment rate of return (net of administrative expenses) of 7.5%, an annual healthcare cost trend of 3.0%, an annual payroll growth rate of 5.0%, and projected salary increase rates from the TCRS PSPP plan. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a thirty year period. The remaining amortization period at June 30, 2014, is 23 years.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION
CITY OPEB TRUST FUND
JUNE 30, 2014

Assets

Investments Held in Trust, At Fair Value	
Mutual Funds	\$ 1,481,599
Other Receivables	<u>3,683</u>
Total Assets	<u>1,485,282</u>

Liabilities

Accrued Liabilities	48,000
Due to General Fund	<u>62</u>
Total Liabilities	<u>48,062</u>

Net Position

Net Position Held In Trust for OPEB Benefits	<u><u>\$ 1,437,220</u></u>
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CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CITY OPEB TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ADDITIONS

Employer Contributions	\$ 351,619
Retiree Contributions	91,520
Net Appreciation (Depreciation) in Value of Investments	208,154
Other Revenue	<u>83,809</u>
Total Additions	<u>735,102</u>

DEDUCTIONS

Retiree Benefits	446,919
Administrative Expenses	<u>15,356</u>
Total Deductions	<u>462,275</u>
Change in Net Position	272,827
Net Position - Beginning	<u>1,164,393</u>
Net Position - Ending	<u><u>\$ 1,437,220</u></u>

Electric Fund OPEB

Plan Description

Bristol Tennessee Essential Services (the Electric Fund) administers the Bristol Tennessee Essential Services Retiree Benefit Plan as a single-employer defined benefit Other Post Employment Benefit Plan (OPEB). As discussed in Note V.J., the Electric Fund is self-insured for employee group health benefits, with the medical plan administered by MCA Administrators and the prescription drug program administered by MEDCO. The Electric Fund also provides these benefits to certain retired employees, although not required by any statutory, contractual or other authority. Additionally, the Electric Fund is self-insured for certain life insurance benefits for retirees.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

Bristol Tennessee Essential Services Board established the Bristol Tennessee Essential Services Post Employment Benefits Trust for the exclusive benefit of retired employees and their dependents (who meet the eligibility requirements) to fund the post employment benefits provided through the plan. Amounts contributed to the Trust are held in trust and are irrevocable. The contributions are for the sole and exclusive purpose of funding benefits established by the Plan and the cost of operating and administering the Trust.

As of June 30, 2014, the Plan did not issue a stand alone financial report because the BTES Other Post Employment Benefits Trust Fund is included in the financial statements for the City of Bristol, Tennessee.

Benefits Provided

Employees with 30 years of service or age 60 with 20 years of service are eligible for health and prescription drug benefits under the plan. The Electric Fund pays full coverage for all retirees who meet these eligibility requirements.

Employees who retire with 30 years of service or age 60 with a minimum of 20 years of service receive \$5,000 in life insurance for annual salaries less than \$10,000 plus \$1,000 in life insurance for each additional \$5,000 of annual salary or fraction thereof.

Membership

There were 28 retirees eligible to receive benefits under the healthcare portion of the plan as of June 30, 2014. As of year-end, there were also 23 retirees eligible to receive life insurance benefits. There were 65 active employees eligible to participate in the plan as of year-end.

Funding Policy

The Electric Fund's annual contribution is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. 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 over a period not to exceed thirty years.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

	<u>2014</u>	<u>2013</u>
Annual Required Contribution	\$ 480,953	499,200
Interest on Net OPEB Obligation	40,511	27,715
Adjustment to Annual Required Contribution	<u>(39,966)</u>	<u>(25,117)</u>
Annual OPEB Cost	481,498	501,798
Actual Contributions	(388,116)	(319,005)
Retroactive Change in Estimate of OPEB	<u>(398,517)</u>	<u>-</u>
Increase / (Decrease) in Net OPEB Obligation	(305,135)	182,793
Net OPEB Obligation – Beginning of Fiscal Year	<u>578,722</u>	<u>395,929</u>
Net OPEB Obligation – End of Fiscal Year	\$ <u>273,587</u>	<u>578,722</u>

The Electric Fund's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014, and the preceding two years are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 481,498	81%	273,587
June 30, 2013	501,798	64%	578,722
June 30, 2012	645,518	88%	395,929

Funding Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/13	\$1,317,158	\$6,422,374	\$5,105,216	20.5%	\$3,971,482	128.5%

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 healthcare cost trends. 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.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the plan, the actuarial asset valuation method was market value. The projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used an investment rate of return (net of administrative expenses) of 7%, an annual healthcare cost trend of 7% initially, reduced by decrements to an ultimate rate of 5% after three years, an annual payroll growth rate of 2.5%, projected salary increases of 4%, and an inflation rate of 2.5%. The ultimate trend rate will be reached in 2015. The unfunded actuarial accrued liability is being amortized on a closed basis over a thirty year period. The remaining amortization period at June 30, 2014, is 22.54 years.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION
BTES OPEB TRUST FUND
JUNE 30, 2014

Assets

Cash and Cash Equivalents	\$ 1,188
Investments Held in Trust, At Fair Value	
Mutual Funds	<u>1,607,254</u>
Total Assets	<u>1,608,442</u>

Net Position

Net Position Held In Trust for OPEB Benefits	<u><u>\$ 1,608,442</u></u>
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CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
BTES OPEB TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ADDITIONS

Employer Contributions	\$ 388,116
Investment Income	80,087
Net Appreciation (Depreciation) in Value of Investments	<u>117,074</u>
Total Additions	<u>585,277</u>

DEDUCTIONS

Retiree Benefits	272,152
Administrative Expenses	<u>4,290</u>
Total Deductions	<u>276,442</u>
Change in Net Position	308,835
Net Position - Beginning	<u>1,299,607</u>
Net Position - Ending	<u><u>\$ 1,608,442</u></u>

School Funds OPEB

Plan Description

The Bristol Tennessee City School System (School Funds) will pay to all eligible retirees an annual contribution to be used toward health insurance premiums for the State Insurance Plan (SIP) or toward the purchase of a private medical insurance plan if ineligible to remain on SIP, not sponsored by the Schools.

Payments are made to retirees over sixty-five years of age as part of a Medicare Supplemental Plan. This plan is a single-employer defined benefit plan. The School Funds also participate in the state-administered Teacher Group Insurance Plan for healthcare benefits and makes payments to retirees under the age of sixty-five. For accounting purposes, this plan is an agent multiple-employer defined benefit OPEB plan.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Benefits Provided

A participant must meet certain criteria to be eligible for the \$1,800 annual Medicare Supplemental contribution upon retirement. Employees must have either 30 years of Tennessee Consolidated Retirement System (TCRS) service or attainment of age sixty and five years of TCRS service. Employees who retire on or after June 1, 1999, must also have at least eight years of continuous full-time employment with Bristol Tennessee City Schools. Retirees who retired before June 1, 1999, are eligible if they also had ten years of employment with the School System. The School System will pay the \$1,800 until the retiree becomes eligible for Medicare or for a maximum of fifteen years. The System will pay a maximum of \$500 per year toward the purchase of a Medicare supplement upon reaching Medicare age for individuals who were eligible for the \$1,800 prior to Medicare age.

Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201 for the Teacher Group Insurance Plan and TCA 8-27-701 for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan that plan does not include pharmacy.

Membership

For the fiscal year ended June 30, 2014, 217 retired employees were receiving benefits through either the Teacher Group Insurance Plan or the Medicare Supplemental Plan. There were 415 active employees eligible to participate in the plan as of year-end.

Funding Policy

The Schools currently fund postemployment health care benefits for both plans on a pay-as-you-go basis. Actual contributions were \$418,996 for the 2014 year. The Schools do not intend to establish a trust to pre-fund this liability. For the Teacher Group Insurance Plan, the premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2014, the following information is presented:

	<u>Teacher Group Plan</u>	<u>Medicare Supplemental Plan</u>	<u>Total</u>
Annual Required Contribution	\$ 428,000	112,808	540,808
Interest on Net OPEB Obligation	62,435	7,387	69,822
Adjustment to Annual Required Contribution	<u>(60,827)</u>	<u>(7,842)</u>	<u>(68,669)</u>
Annual OPEB Cost	429,608	112,353	541,961
Actual Contributions	<u>(340,150)</u>	<u>(78,846)</u>	<u>(418,996)</u>
Increase in Net OPEB Obligation	89,458	33,507	122,965
Net OPEB Obligation – Beginning of Fiscal Year	<u>1,560,883</u>	<u>184,687</u>	<u>1,745,570</u>
Net OPEB Obligation – End of Fiscal Year	\$ <u>1,650,341</u>	<u>218,194</u>	<u>1,868,535</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

For the fiscal year ended June 30, 2013, the following information is presented:

	<u>Teacher Group Plan</u>	<u>Medicare Supplemental Plan</u>	<u>Total</u>
Annual Required Contribution	\$ 646,000	112,012	758,012
Interest on Net OPEB Obligation	50,985	5,748	56,733
Adjustment to Annual Required Contribution	<u>(54,119)</u>	<u>(6,420)</u>	<u>(60,539)</u>
Annual OPEB Cost	642,866	111,340	754,206
Actual Contributions	<u>(356,598)</u>	<u>(70,353)</u>	<u>(426,951)</u>
Increase in Net OPEB Obligation	286,268	40,987	327,255
Net OPEB Obligation – Beginning of Fiscal Year	<u>1,274,615</u>	<u>143,700</u>	<u>1,418,315</u>
Net OPEB Obligation – End of Fiscal Year	\$ <u>1,560,883</u>	<u>184,687</u>	<u>1,745,570</u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014, and the preceding two years are as follows:

Fiscal Year Ending	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	Teacher Group Ins.	\$ 429,608	79.2%	1,650,341
June 30, 2014	Medicare Supplemental Plan	<u>112,353</u>	<u>70.2%</u>	<u>218,194</u>
	Total	<u>\$ 541,961</u>	<u>56.2%</u>	<u>1,868,535</u>
June 30, 2013	Teacher Group Ins.	\$ 642,866	55.5%	1,560,883
June 30, 2013	Medicare Supplemental Plan	<u>111,340</u>	<u>63.2%</u>	<u>184,687</u>
	Total	<u>\$ 754,206</u>	<u>57.2%</u>	<u>1,745,570</u>
June 30, 2012	Teacher Group Ins.	\$ 637,613	52.3%	1,274,615
June 30, 2012	Medicare Supplemental Plan	<u>108,175</u>	<u>64.3%</u>	<u>143,700</u>
	Total	<u>\$ 745,788</u>	<u>61.6%</u>	<u>1,418,315</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

Funding Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation was as follows:

Valuation Date of 7/1/13	Teacher Group Insurance <u>Plan</u>	Medicare Supplemental <u>Plan</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$ 4,135,000	1,647,394	5,782,394
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	4,135,000	1,647,394	5,782,394
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	0%
Covered Payroll (Active Plan Members)	20,864,946	20,864,946	20,864,946
UAAL as a Percentage of Covered Payroll	19.8%	7.9%	27.7%

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 healthcare cost trends. 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Post Employment Benefits Than Pensions (OPEB) (Continued)

Actuarial Methods and Assumptions

In the July 1, 2013, actuarial valuation for the Teacher Group Insurance Plan, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4.0% investment rate of return (net of administrative expenses), a 3.0% payroll growth rate, and an annual healthcare cost trend of 7.5% initially to an ultimate rate of 4.7% after thirty years. Both rates include a 2.5% inflation adjustment. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a thirty year period. The remaining amortization period at June 30, 2014, is 23 years.

In the July 1, 2013, actuarial valuation for the Medicare Supplemental Plan, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4.0% investment rate of return (net of administrative expenses), a 3.0% payroll growth rate, and an annual healthcare cost trend of 2.0% initially to an ultimate rate of 4.2% after thirty years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a thirty year period. The remaining amortization period at June 30, 2014, is 23 years.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE IV. DETAILED NOTES ON ALL FUNDS (CONTINUED):

G. Demolition Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to place a final cover on its demolition landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The City commissioned the preparation of closure and post-closure cost estimates based on the use of an outside contractor; however, the City intends to utilize City resources to the maximum extent possible. The City reported a liability for closure and post-closure care in the government-wide financial statements for governmental activities of \$239,979 that was estimated assuming that outside resources will be utilized in the closure process. The estimated total costs of closure and post closure care remaining to be recognized is \$477,461. These costs will be recognized over the future life of the landfill as capacity is used. Actual costs may be higher upon completion of the cost estimates, or due to inflation, change in technology, changes in regulations, or if the work is performed internally by City staff. Areas 1 and 4 are currently filled to 28.57% and 35.29% of capacity, respectively. Area 2 and Area 3 have been filled to capacity and have been closed. Areas 1 and 4 have estimated remaining lives at June 30, 2014, of 60 and 11 years, respectively.

During the 2013 fiscal year, Council decided to close the demolition landfill to outside customers as of the end of the fiscal year. The Demolition Landfill Fund had accepted waste from the public until that time and activity was accounted for in an enterprise fund. The remaining available space is being utilized by the Public Works Department for the disposal of solid waste as deemed necessary. Therefore, the enterprise fund was closed as of June 30, 2013, and the related assets and liabilities were transferred to governmental activities where the Public Works Department is now accounting for this activity as part of the General Fund.

NOTE V. OTHER INFORMATION:

A. Commitments

Beginning in 2005, Sullivan County Economic Development Commission d/b/a Networks Sullivan Partnership issued \$2,500,000 Revenue Bonds, Series 2005, of which the City is contingently liable for 17% or \$425,000. During May 2007, Networks issued an additional \$6,500,000 Revenue Bonds, of which the City is contingently liable for \$1,105,000. The 2005 Series was issued to finance the acquisition of considerable acreage near the Tri-Cities Regional Airport for the purpose of establishing a new industrial park. The 2007 Series was issued to finance the development of a 225 acre industrial park off State Route 394 in Bristol, referred to as Partnership Park II. Both bonds are secured by the assignment of the revenue from the industrial parks. The related liability is on the books of Sullivan County. Networks Sullivan Partnership is responsible for making the bond payments. In the event of default, the City would have to payoff the bonds if they wanted to retain the project. As of June 30, 2014, \$6,750,000 was outstanding in total for these bonds. The City's portion of the total outstanding debt at year end is \$1,147,500.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

A. Commitments (Continued)

In October 2013, Council entered into an amended and restated agreement that commits the City to pay \$500,000 for the Cultural Heritage Center. As approved, the City will pay \$100,000 per year over five years to help cover pre-opening expenses and build an operating reserve. The first payment was disbursed during FY 2013 and the last payment will be disbursed during FY 2017.

The Electric Fund has a power contract with the Tennessee Valley Authority (TVA) whereby the System purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. Either party may terminate this contract at any time upon not less than five years prior written notice.

B. Concentration of Credit Risk

The Electric Fund provides electric, cable, internet, and telephone services primarily to customers in northeastern Tennessee. Customers include residential, commercial, and industrial service. Residential and commercial customers are required to have satisfactory credit reports or place deposits that approximate two month's highest expected bill. Industrial customers are generally required to either place deposits that approximate two month's highest expected bill or obtain a letter of credit or surety bond as security. Interest accrues on any deposits at the passbook interest rate of the bank where the funds are deposited and totaled \$13,037 in 2014. Unearned revenue in the amount of \$1,199,630 is recorded, of which \$731,774 relates to cable, Internet, and telephone services in the ABS and \$467,856 relates to electronic services for customers participating in level monthly billing in the EBU. Service loans are also made to customers for heat pump and insulation costs. A subordinate deed of trust is obtained on the related property for these loans. Loss experience on accounts and notes receivable has historically not been significant to the Electric Fund's operations.

C. Contingent Liabilities

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired or a liability has been incurred, and (2) the amount of loss can be reasonably estimated. The City is involved in outstanding legal matters at year end. It is the position of legal counsel that material financial transactions will not result from any of these matters.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

C. Contingent Liabilities (Continued)

Sullivan County and the Sullivan County Board of Education filed litigation against the City in Chancery Court on May 30, 2014 regarding the distribution of liquor-by the drink taxes. The lawsuit seeks to recover certain liquor-by-the drink taxes that were distributed to the City by the Tennessee Department of Revenue annually since 1980. The plaintiffs claim that a portion of these revenues should have been redistributed by the City to Sullivan County for its public school system. Although the complaint does not specify the amount sought, documentation submitted by the plaintiffs suggests they contend the City owes \$834,041 to the Sullivan County Board of Education and that Sullivan County might owe the City \$75,802. The complaint also seeks prejudgment interest. There are multiple lawsuits of this nature pending throughout the state of Tennessee. The Tennessee Municipal League Risk Management Pool has assumed the defense of these cases, but the respective municipalities would be responsible for any adverse judgment that might be rendered. The outcome of this litigation is not known at this time.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans

City of Bristol, Tennessee Plan Description

Employees of the City of Bristol are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS>.

Funding Policy

The City had previously adopted a noncontributory retirement plan for its employees by assuming contributions up to 5.0% of annual covered payroll. As of October 1, 2011, the City elected to discontinue the noncontributory provision for all future hires. This requires all new hires to contribute 5.0% of earnable compensation. Employees who were employed prior to October 1, 2011, were still considered eligible for the noncontributory provision.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014, was 17.27% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Cost

For the year ending June 30, 2014, the City's annual pension cost of \$2,650,546 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2013, was six years. An actuarial valuation was performed as of July 1, 2013, which established contribution rates effective July 1, 2014.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 2,650,546	100.00%	0.00
June 30, 2013	2,719,413	100.00%	0.00
June 30, 2012	2,783,069	100.00%	0.00

Funding Status and Funding Process

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.37% funded. The actuarial accrued liability for benefits was \$70.88 million, and actuarial value of assets was \$63.35 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.53 million. The covered payroll (annual payroll of active employees covered by the plan) was \$15.46 million, and the ratio of the UAAL to the covered payroll was 48.72%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2013	\$63,348	70,881	7,532	89.37%	15,460	48.72%

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 and mortality. Amounts determined regarding the funded status of the plan 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Electric Fund Plan Description

Employees of Bristol Tennessee Essential Services (Electric Fund) are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the Electric Fund after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Electric Fund participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/ps>.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Policy

The Electric Fund requires employees to contribute 5% of earnable compensation. The Electric Fund is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014, was 13.01% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Electric Fund is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, the Electric Fund's annual pension cost was \$898,453 to TCRS. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a 10-year period. The Electric Fund's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2013, was 18 years. An actuarial valuation was performed July 1, 2013, which established contribution rates effective July 1, 2014.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Asset
June 30, 2014	\$ 898,453	68.07%	-
June 30, 2013	636,831	91.29%	286,906
June 30, 2012	574,901	90.35%	342,364

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 78.83% funded. The actuarial accrued liability for benefits was \$21.42 million, and the actuarial value of assets was \$15.89 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.54 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.24 million, and the ratio of the UAAL to the covered payroll was 107.11%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2013	\$ 15,888	21,424	4,536	78.83%	4,235	107.11%

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 and mortality. Amounts determined regarding the funded status of the plan 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Prepaid Pension Cost

Employers who contribute to a pension plan in excess of the annual pension cost are required to record an asset. The Electric Fund has previously contributed amounts in excess of the annual pension costs to the PSPP and recorded these amounts as a prepaid pension cost. Activity in the prepaid pension cost is as follows for the year ended June 30, 2014:

Balance at beginning of year	\$ 286,906
Annual pension cost:	
Annual required contribution	(898,453)
Interest on prepaid pension costs	-
Adjustment to required annual contribution	-
Total annual pension cost	(898,453)
Contributions made	<u>611,547</u>
Balance at end of year	\$ <u>-</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

School Funds Plan Description

The Bristol Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly.

Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than 0.5 %. The annual COLA is capped at 3.0%.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/Schools>.

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Bristol Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014, was 8.88% of annual covered payroll. The employer contribution requirement for Bristol Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013, and 2012 were \$1,617,296, \$1,567,247, and \$1,534,775, respectively, and equal to the required contributions for each year. Other employees of the Board are required to contribute 5% of payroll if hired after October 1, 2011, and the Board is responsible for the remaining contribution. The related contributions are included in the plan for the City of Bristol, Tennessee.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

401(k) Retirement Plan

Bristol Tennessee Essential Services (Electric Fund) administers a defined contribution plan in the form of a 401(k) plan (Bristol Tennessee Electric System 401(k) Retirement Plan) available to all employees who have completed six months of employment. The plan is managed by the Board of Directors for BTES who has the authority for establishing and amending the plan's provisions. During 2014, the amount of payroll covered by the plan was \$3,915,719 of total payroll of \$4,825,629. Under the plan terms, the System will match participant contributions up to 3% of the participant's salary. Participants are not required but may contribute up to a total of 15% of their pre-tax earnings, subject to IRS limitations. Additionally, participants may contribute up to 10% of their after tax earnings. Participants are 100% vested in the employer contributions when they are made. During 2014, the Electric Fund contributed \$119,612 to the plan, which represents 3.0% of the covered payroll and 100% of the required contribution for each year. The participants contributed \$416,188 which represents 10% of the covered payroll.

Deferred Compensation Plan

The City offers a deferred compensation plan to the employees of the primary government which excludes the Board of Education and the Electric Fund. The plan is in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are in custodial accounts and are not subject to the claims of the City's general creditors and are not reflected in the funds of the City.

E. Leases

Operating Leases

In July 2013, the School Board approved a contract renewal for the operations of school buses. The term is four years ending June 30, 2017, with an unstated number of renewal options of four-year periods. The base contract price is adjusted annually based upon the Consumer's Price Index as of the commencement of each school year. The annual contract price is paid in ten monthly installments over the school year. Total payments under the contract in the current year were \$714,999 with additional payments of \$3,173 for a total of \$718,172.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information

The Electric Fund operates three different business units or functions. The Fund accounts for the electric utility operations in the Electric Business Unit (EBU), the cable, Internet, and retail telephone operations in the Advanced Broadband Services Business Unit (ABS), and telephone switch operations in the Telephone Business Unit (TBU).

As required by Section 7-52-603 of the Tennessee Code Annotated ("TCA"), the EBU may not subsidize the other two units with revenue from the power operations. In addition, the ABS and TBU must maintain their own accounting records and any funds that are lent from the EBU must have a rate of interest, not less than the highest rate earned by the EBU on investment funds. The City received approval in 2006 from the Tennessee Regulatory Authority for authorization to provide telecommunication services pursuant to Section 7-52-401 of the TCA. The industries that the ABS and TBU are entering into are regulated by the Federal Communications Commission.

Direct costs are allocated to the specific business unit. Common costs (costs that cannot be directly assigned to a business unit) are allocated based upon a direct analysis of the origin of the costs, an indirect, cost-causative linkage to another category for which direct assignment or allocation is available, or based upon a general allocator. For inter-unit loans, the business unit charges the highest rate of interest earned on the invested funds. Depreciation, pole attachment fees, interest expense, and taxes are allocated based on a per service usage model.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

Financial information for each of the business units for the fiscal year is as follows (does not include inter-unit eliminations):

STATEMENT OF NET POSITION BY BUSINESS UNIT

	Electric Business Unit	Advanced Broadband Services Business Unit	Telephone Business Unit	Total Electric Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 10,729,140	2,665,797	2,435,279	15,830,216
Investments	26,400,000	-	-	26,400,000
Accounts Receivable, (Net)	8,782,568	1,386,039	-	10,168,607
Customer Notes Receivable (Net) - Current	400,000	-	-	400,000
Other Receivables	1,209,704	-	-	1,209,704
Due from Other Funds	62,262	-	-	62,262
Inventories	3,639,375	41,003	-	3,680,378
Prepays	2,275,828	128,688	6,449	2,410,965
Total Current Assets	<u>53,498,877</u>	<u>4,221,527</u>	<u>2,441,728</u>	<u>60,162,132</u>
Noncurrent Assets:				
Capital Assets:				
Capital Assets	129,728,248	14,793,353	1,235,737	145,757,338
Construction in Progress	2,396,812	-	-	2,396,812
Total Capital Assets	<u>132,125,060</u>	<u>14,793,353</u>	<u>1,235,737</u>	<u>148,154,150</u>
Less: Accumulated Depreciation	62,667,918	6,265,457	858,487	69,791,862
Net Capital Assets	<u>69,457,142</u>	<u>8,527,896</u>	<u>377,250</u>	<u>78,362,288</u>
Other Noncurrent Assets:				
Customer Notes Receivable - Less Current	2,079,985	-	-	2,079,985
Property Held For Resale	260,846	-	-	260,846
Total Other Noncurrent Assets	<u>2,340,831</u>	<u>-</u>	<u>-</u>	<u>2,340,831</u>
Total Noncurrent Assets	<u>71,797,973</u>	<u>8,527,896</u>	<u>377,250</u>	<u>80,703,119</u>
Total Assets	<u>125,296,850</u>	<u>12,749,423</u>	<u>2,818,978</u>	<u>140,865,251</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>1,217,434</u>	<u>-</u>	<u>-</u>	<u>1,217,434</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF NET POSITION BY BUSINESS UNIT (CONTINUED)

	Electric Business Unit	Advanced Broadband Services Business Unit	Telephone Business Unit	Total Electric Fund
LIABILITIES				
Current Liabilities:				
Accounts Payable	989,384	709,746	70,289	1,769,419
Accrued Interest	382,209	-	-	382,209
Accrued Liabilities	1,220,248	261,576	-	1,481,824
Deposits	1,764,317	-	-	1,764,317
Due to Other Funds	-	49,526	-	49,526
Unearned Revenue	467,856	731,774	-	1,199,630
Bonds Payable	675,000	-	-	675,000
Total Current Liabilities	<u>5,499,014</u>	<u>1,752,622</u>	<u>70,289</u>	<u>7,321,925</u>
Long-term Liabilities:				
Bonds Payable	28,522,365	-	-	28,522,365
OPEB Obligation Payable	273,587	-	-	273,587
Total Long-term Liabilities	<u>28,795,952</u>	<u>-</u>	<u>-</u>	<u>28,795,952</u>
Total Liabilities	<u>34,294,966</u>	<u>1,752,622</u>	<u>70,289</u>	<u>36,117,877</u>
NET POSITION				
Net Investment in Capital Assets	41,477,211	8,527,896	377,250	50,382,357
Unrestricted	50,742,107	2,468,905	2,371,439	55,582,451
Total Net Position	<u>\$ 92,219,318</u>	<u>10,996,801</u>	<u>2,748,689</u>	<u>105,964,808</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY BUSINESS UNIT

	Electric Business Unit	Advanced Broadband Services Business Unit	Telephone Business Unit	Total Electric Fund
OPERATING REVENUES				
Charges for Services (Net)	\$ 84,098,246	18,164,921	-	102,263,167
Interunit Revenue	3,826,095	-	965,995	4,792,090
Other Revenue	3,574,914	693,038	-	4,267,952
Total Operating Revenues	<u>91,499,255</u>	<u>18,857,959</u>	<u>965,995</u>	<u>111,323,209</u>
OPERATING EXPENSES				
Purchased Power	71,364,808	-	-	71,364,808
Operations	3,383,361	8,678,926	579,991	12,642,278
Maintenance and Administrative	5,843,966	1,194,904	160,185	7,199,055
Interunit Cost of Sales	-	4,792,090	-	4,792,090
Depreciation	3,510,295	1,319,369	122,092	4,951,756
Total Operating Expenses	<u>84,102,430</u>	<u>15,985,289</u>	<u>862,268</u>	<u>100,949,987</u>
Operating Income (Loss)	<u>7,396,825</u>	<u>2,872,670</u>	<u>103,727</u>	<u>10,373,222</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	319,051	-	1,875	320,926
Interest Expense	(1,319,042)	(1,875)	-	(1,320,917)
Other	(2,214,495)	(80,010)	-	(2,294,505)
Total Nonoperating Revenues (Expenses)	<u>(3,214,486)</u>	<u>(81,885)</u>	<u>1,875</u>	<u>(3,294,496)</u>
Income Before Capital Contributions and Transfers	<u>4,182,339</u>	<u>2,790,785</u>	<u>105,602</u>	<u>7,078,726</u>
TRANSFERS				
Transfer to General	(1,793,796)	(67,427)	(33,499)	(1,894,722)
Total Transfers	<u>(1,793,796)</u>	<u>(67,427)</u>	<u>(33,499)</u>	<u>(1,894,722)</u>
Capital Contributions and Grants	<u>2,214,495</u>	<u>-</u>	<u>-</u>	<u>2,214,495</u>
Change in Net Position	4,603,038	2,723,358	72,103	7,398,499
Net Position - Beginning	<u>87,616,280</u>	<u>8,273,443</u>	<u>2,676,586</u>	<u>98,566,309</u>
Net Position - Ending	<u>\$ 92,219,318</u>	<u>10,996,801</u>	<u>2,748,689</u>	<u>105,964,808</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF CASH FLOWS BY BUSINESS UNIT

	Electric Business Unit	Advanced Broadband Services Business Unit	Telephone Business Unit	Total Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 83,205,090	18,656,939	962,968	102,824,997
Receipts for Interfund Services Provided	2,575,035	61,613	-	2,636,648
Payments to Suppliers	(77,673,886)	(14,656,108)	(684,930)	(93,014,924)
Payments for Employees	(4,775,789)	-	-	(4,775,789)
Net Cash Provided by/(Used for) Operating Activities	3,330,450	4,062,444	278,038	7,670,932
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Income Tax	-	(80,010)	-	(80,010)
Transfers from/(to) Other Funds	(1,793,796)	(67,427)	(33,499)	(1,894,722)
Net Cash Provided by/(Used for) Noncapital Financing Activities	(1,793,796)	(147,437)	(33,499)	(1,974,732)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Bond Issuance	7,000,648	-	-	7,000,648
Purchase of Capital Assets	(3,446,379)	(649,217)	(12,171)	(4,107,767)
Principal Paid on Capital Debt	(881,371)	-	-	(881,371)
Interest Paid on Capital Debt	(997,600)	(1,875)	1,875	(997,600)
Net Cash Provided by/(Used for) Capital and Related Financing Activities	1,675,298	(651,092)	(10,296)	1,013,910
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of Investments	26,400,000	-	-	26,400,000
Purchases of Investments	(26,400,000)	-	-	(26,400,000)
Interest and Dividends Received	320,926	-	-	320,926
Sale of Property Held for Resale	9,737	-	-	9,737
Net Receipts from Interunit Loans	-	(1,223,297)	1,223,297	-
Net Cash Provided by/(Used for) Investing Activities	330,663	(1,223,297)	1,223,297	330,663
Net Increase (Decrease) in Cash and Cash Equivalents	3,542,615	2,040,618	1,457,540	7,040,773
Cash and Cash Equivalents - Beginning	7,186,525	625,179	977,739	8,789,443
Cash and Cash Equivalents - Ending	\$ 10,729,140	2,665,797	2,435,279	15,830,216

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF CASH FLOWS BY BUSINESS UNIT (CONTINUED)

	Electric Business Unit	Advanced Broadband Services Business Unit	Telephone Business Unit	Total Electric Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 7,396,825	2,872,670	103,727	10,373,222
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Depreciation Expense	3,510,295	1,319,369	122,092	4,951,756
Provision for Losses on Accounts Receivable	59,701	72,000	-	131,701
(Increase) Decrease:				
Accounts Receivable	(1,442,789)	(82,719)	-	(1,525,508)
Inventories	(2,440,163)	(7,189)	-	(2,447,352)
Prepays and Other	610,234	(128,688)	(3,027)	478,519
Customer Notes Receivable	51,185	-	-	51,185
Increase (Decrease):				
Accounts Payable	(3,978,307)	(143,679)	55,246	(4,066,740)
Accrued Liabilities	(519,379)	160,680	-	(358,699)
Deposits	70,639	-	-	70,639
Unearned Revenue	12,209	-	-	12,209
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 3,330,450</u>	<u>4,062,444</u>	<u>278,038</u>	<u>7,670,932</u>

SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES

Refunding of Debt	<u>\$ 21,981,922</u>
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CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

If a municipality provides several utility services (e.g., water/sewer combined) and accounts for all of those activities in a single fund, detailed schedules that provide information consistent with what would have been presented in fund financial statements should be included in the notes to the financial statements or in supplemental information for each division/department (i.e., assets, liabilities and net position; revenues, expenses, and changes in net position; and cash flows). The following information for the Waterworks Fund is necessary to demonstrate compliance with state laws regarding utility operations. The Fund is comprised of a Water Business Unit and Sewer Business Unit.

STATEMENT OF NET POSITION BY BUSINESS UNIT

	Water Business Unit	Sewer Business Unit	Total Waterworks Fund
ASSETS			
Current Assets:			
Investments	\$ 122,913	2,698,283	2,821,196
Accounts Receivable, (Net)	555,346	598,263	1,153,609
Customer Notes Receivable (Net) - Current	-	505	505
Other Receivables	15	5,640	5,655
Due from Joint Venture	-	212,098	212,098
Due from Other Funds	477,989	1,459,737	1,937,726
Due from Other Governments	918	1,512	2,430
Inventories	326,341	58,431	384,772
Total Current Assets	<u>1,483,522</u>	<u>5,034,469</u>	<u>6,517,991</u>
Noncurrent Assets:			
Capital Assets:			
Capital Assets	41,653,583	31,463,549	73,117,132
Construction in Progress	402,483	169,011	571,494
Total Capital Assets	<u>42,056,066</u>	<u>31,632,560</u>	<u>73,688,626</u>
Less: Accumulated Depreciation	21,606,179	9,366,171	30,972,350
Net Capital Assets	<u>20,449,887</u>	<u>22,266,389</u>	<u>42,716,276</u>
Other Noncurrent Assets:			
Investment in Joint Venture	-	6,953,284	6,953,284
Due from Joint Venture	-	8,428	8,428
Restricted Cash	95,948	-	95,948
Restricted Investments	874,964	125,000	999,964
Total Other Noncurrent Assets	<u>970,912</u>	<u>7,086,712</u>	<u>8,057,624</u>
Total Noncurrent Assets	<u>21,420,799</u>	<u>29,353,101</u>	<u>50,773,900</u>
Total Assets	<u>22,904,321</u>	<u>34,387,570</u>	<u>57,291,891</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF NET POSITION BY BUSINESS UNIT (CONTINUED)

	Water Business Unit	Sewer Business Unit	Total Waterworks Fund
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	34,635	-	34,635
Total Deferred Outflow of Resources	34,635	-	34,635
LIABILITIES			
Current Liabilities:			
Accounts Payable	97,963	37,947	135,910
Accrued Interest	6,289	1,652	7,941
Accrued Payroll	49,268	14,576	63,844
Deposits	2,550	2,450	5,000
Due to Others	23,811	-	23,811
Compensated Absences Payable	56,700	20,000	76,700
Bonds Payable	283,232	166,768	450,000
Notes Payable	2,429	8,428	10,857
Total Current Liabilities	522,242	251,821	774,063
Long-term Liabilities:			
Compensated Absences Payable	61,465	22,044	83,509
Bonds Payable, Net of Unamortized			
Deferred Amounts	2,720,279	845,537	3,565,816
Notes Payable	2,429	8,429	10,858
Total Long-term Liabilities	2,784,173	876,010	3,660,183
Total Liabilities	3,306,415	1,127,831	4,434,246
NET POSITION			
Net Investment in Capital Assets	18,442,021	21,362,227	39,804,248
Unrestricted	1,190,520	11,897,512	13,088,032
Total Net Position	\$ 19,632,541	33,259,739	52,892,280

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY BUSINESS UNIT

	Water Business Unit	Sewer Business Unit	Total Waterworks Fund
OPERATING REVENUES			
Charges for Services (Net)	\$ 4,113,738	4,600,192	8,713,930
Other Revenue	141,233	44,590	185,823
Total Operating Revenues	<u>4,254,971</u>	<u>4,644,782</u>	<u>8,899,753</u>
OPERATING EXPENSES			
Maintenance and Administrative	67,670	1,468,336	1,536,006
Water Filtration Plant	1,398,624	-	1,398,624
Water Distribution	962,741	-	962,741
Sewer Collection	-	1,068,716	1,068,716
Depreciation	374,812	309,042	683,854
Loss on Investment in Joint Venture	-	206,349	206,349
Other	706,363	745,422	1,451,785
Total Operating Expenses	<u>3,510,210</u>	<u>3,797,865</u>	<u>7,308,075</u>
Operating Income (Loss)	<u>744,761</u>	<u>846,917</u>	<u>1,591,678</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	3,412	3,625	7,037
Loss on Disposal of Capital Assets	(7,570)	-	(7,570)
Interest Expense	(64,583)	(15,359)	(79,942)
Fiscal Agent Fees	(696)	-	(696)
Other	(7,139)	-	(7,139)
Total Nonoperating Revenues (Expenses)	<u>(76,576)</u>	<u>(11,734)</u>	<u>(88,310)</u>
Income Before Capital Contributions and Transfers	<u>668,185</u>	<u>835,183</u>	<u>1,503,368</u>
TRANSFERS			
Transfer to General	(251,277)	(276,142)	(527,419)
Total Transfers	<u>(251,277)</u>	<u>(276,142)</u>	<u>(527,419)</u>
Capital Contributions and Grants	<u>32,750</u>	<u>39,500</u>	<u>72,250</u>
Change in Net Position	449,658	598,541	1,048,199
Net Position - Beginning	19,182,883	32,661,198	51,844,081
Net Position - Ending	<u><u>\$ 19,632,541</u></u>	<u><u>33,259,739</u></u>	<u><u>52,892,280</u></u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF CASH FLOWS BY BUSINESS UNIT

	Water Business Unit	Sewer Business Unit	Total Waterworks Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 4,210,994	4,639,582	8,850,576
Receipts from Joint Venture	-	9,752	9,752
Receipts from Others	17,740	22,723	40,463
Receipts for Interfund Services Provided	112,624	-	112,624
Payments to Suppliers	(1,745,455)	(801,812)	(2,547,267)
Payments for Employees	(784,865)	(306,794)	(1,091,659)
Payments to Joint Venture	-	(1,718,336)	(1,718,336)
Payments for Interfund Services Used	(706,363)	(698,814)	(1,405,177)
Net Cash Provided by/(Used for) Operating Activities	<u>1,104,675</u>	<u>1,146,301</u>	<u>2,250,976</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due From/To General Fund	(763,613)	(705,134)	(1,468,747)
Transfers from/(to) Other Funds	(251,277)	(276,142)	(527,419)
Net Cash Provided by/(Used for) Noncapital Financing Activities	<u>(1,014,890)</u>	<u>(981,276)</u>	<u>(1,996,166)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bonds Payable Issued	520,000	-	520,000
Premium on Bonds Payable	57,652	-	57,652
Bond Issuance Costs	(7,139)	-	(7,139)
Capital Contributions	32,750	39,500	72,250
Purchase of Capital Assets	(882,112)	(303,819)	(1,185,931)
Principal Paid on Capital Debt	(290,661)	(175,196)	(465,857)
Payment to Escrow Account	(570,513)	-	(570,513)
Interest Paid on Capital Debt	(79,259)	(23,165)	(102,424)
Fiscal Agent Fees Paid	(448)	(248)	(696)
Net Cash Provided by/(Used for) Capital and Related Financing Activities	<u>(1,219,730)</u>	<u>(462,928)</u>	<u>(1,682,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Investments	1,139,849	278,528	1,418,377
Interest and Dividends Received	3,412	3,625	7,037
Net Cash Provided by/(Used for) Investing Activities	<u>1,143,261</u>	<u>282,153</u>	<u>1,425,414</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,316	(15,750)	(2,434)
Cash and Cash Equivalents - Beginning	<u>82,632</u>	<u>15,750</u>	<u>98,382</u>
Cash and Cash Equivalents - Ending	<u>\$ 95,948</u>	<u>-</u>	<u>95,948</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF CASH FLOWS BY BUSINESS UNIT (CONTINUED)

	Water Business Unit	Sewer Business Unit	Total Waterworks Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 744,761	846,917	1,591,678
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Capital Contribution to Joint Venture	-	(250,000)	(250,000)
Depreciation Expense	374,812	309,042	683,854
Loss on Investment in Joint Venture	-	206,349	206,349
Provision for Losses on Accounts Receivable	32,488	36,394	68,882
(Increase) Decrease:			
Accounts Receivable	(78,005)	(41,399)	(119,404)
Other Receivables	17,740	22,723	40,463
Due from Joint Venture	-	9,752	9,752
Inventories	744	(16,976)	(16,232)
Customer Notes Receivable	-	(345)	(345)
Increase (Decrease):			
Accounts Payable	16,913	15,890	32,803
Accrued Payroll	(5,689)	1,842	(3,847)
Deposits	750	150	900
Due to Others	790	-	790
Compensated Absences Payable	(629)	5,962	5,333
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 1,104,675</u>	<u>1,146,301</u>	<u>2,250,976</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE V. OTHER INFORMATION (CONTINUED):

G. Revenues and Expenditures – Benefits Funded by the State of Tennessee

For fiscal year 2014, the State of Tennessee contributed payments on behalf of City employees of \$36,000 to Police Department staff and \$34,200 to Fire Department staff. The State also contributed \$235,444 to the General Purpose School Fund on behalf of employees of the Bristol Tennessee School System.

H. Pledged Revenue

The City has pledged a portion of future tax revenues in tax increment financing agreements for the Southgate and West Ridge Redevelopment Projects. In 2004, Council approved the Southgate Redevelopment Project for approximately \$4,779,451 of tax increment financing. This amount was 25% of the total project cost of \$18,730,000. During the approved fifteen-year tax increment financing period, the City agreed to forego taxes on the improvements projected at an average of \$242,289 annually. During the 2014 year, the City paid \$206,201 to the Bristol Housing Authority to pay debt service on the outstanding debt related to this project.

Also in 2004, Council approved the West Ridge Redevelopment Project for approximately \$1,148,672 of tax increment financing. This amount was 19% of the total project cost of \$6,000,000. During the approved fifteen-year tax increment financing period, the City agreed to forego taxes on the improvements projected at an average of \$52,205 annually. During the 2014 year, the City paid \$58,010 to the Bristol Housing Authority to pay debt service on the outstanding debt related to this project.

During 2013, the City issued \$28,505,000 in 2013 Electric System Revenue Bonds (the “Bonds”) on behalf of Bristol Tennessee Essential Services. The Bonds were issued for the purposes of refunding 2005 Electric System Revenue Bonds and providing funds to construct capital improvements. The Bonds are secured by the net power revenues of the Electric Fund. Annual principal and interest payments in 2014 of \$1,487,000 were 14% of the net revenue available for debt service of \$10,907,120.

Maturities of the bonds payable are detailed in Note IV.E.

I. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries of employees for which commercial insurance is purchased from independent third parties. The City purchases conventional insurance coverage through TML for certain policies. Even though the TML policies contain an assessment clause, no assessment has been levied during the years the City has participated in this program. There has been no significant reduction in insurance coverage from the prior year. The City had one settlement during the fiscal year that was not covered by insurance. There were no settlements in the prior fiscal year that were not covered by insurance.

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NOTE V. OTHER INFORMATION (CONTINUED):

I. Risk Management (Continued)

Litigation was filed against the City questioning the time keeping practices for compensation time owed to employees in the Communication Division of the Police Department. Since the litigation dealt with the Fair Standards Labor Act, the matter was outside the scope of liability insurance coverage and the City incurred the costs of all attorney fees. Two lawsuits were filed, one of which was a class action suit. Ultimately, a decision was made to settle the matters rather than incur the excessive cost of continued litigation. The individual lawsuit was settled with the plaintiff receiving \$3,798 and the plaintiff's attorney receiving \$33,682 for a total of \$37,480. The U.S. District Court issued the judgment on December 11, 2013, settling this matter. The class action suit was settled on May 1, 2014, in the U. S. District Court issuing a judgment with the claimants receiving \$23,006 and the plaintiffs' attorney receiving \$24,500 for a total of \$47,506. The total litigation costs incurred by the City for both lawsuits including attorney fees totaled \$152,830.

J. Self-Insurance Plans

The City is self-insured for employee group health and dental benefits, other than the school funds. A liability has been established for those claims incurred but not paid prior to year-end, both reported and unreported, based on prior experience and claims reported subsequent to year-end. Changes in estimates for claims incurred but not reported are recorded in the year that the estimates are revised. The City has purchased specific stop-loss insurance with an independent third party for the City in the amount of \$183,000 per person covered for the first claim and \$105,000 per person covered for each additional claim. The City accounts for these benefits in the Internal Service Fund. The Electric Fund's risk is \$75,000 per covered employee up to an annual maximum of \$991,099. An insurance company has insured all claims exceeding the annual maximum.

Activity in the estimated liability for claims incurred but not paid were as follows for the years ended June 30, 2014, and 2013:

	<u>2014</u>	<u>2013</u>
Balance at Beginning of Year	\$ 423,119	506,427
Claims Incurred	3,457,939	3,370,045
Claims Paid	<u>(3,529,421)</u>	<u>(3,453,353)</u>
Balance at End of Year	\$ <u>388,167</u>	<u>423,119</u>

Copies of the complete financial statements of the City for the current Fiscal Year are available at http://www.comptroller.tn.gov/RA_MA_Financial/Default.aspx