

OFFICIAL STATEMENT

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 Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$4,000,000

CITY OF BRISTOL, TENNESSEE General Obligation Bonds, Series 2017

Dated: April 13, 2017

Due: June 1 (as indicated below)

The \$4,000,000 General Obligation Bonds, Series 2017 (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, 2017 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 designated 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, 2024 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2023.

Maturity					Interest				
<u>(June 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIPS No.</u>	<u>(June 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIPS No.</u>
2018	\$ 100,000	3.00%	1.05%	110205 N31	2021	\$ 130,000	3.00%	1.45%	11205 N64
2019	100,000	3.00	1.15	110205 N49	2022	130,000	3.00	1.70	11205 N72
2020	125,000	3.00	1.30	110205 N56					
	\$265,000	2.00%	Term Bond Due	June 1, 2024	@ 1.90% c	110205 N98			
	\$280,000	2.50%	Term Bond Due	June 1, 2026	@ 2.00% c	110205 P39			
	\$295,000	2.50%	Term Bond Due	June 1, 2028	@ 2.15% c	110205 P54			
	\$310,000	3.00%	Term Bond Due	June 1, 2030	@ 2.30% c	110205 P70			
	\$325,000	3.00%	Term Bond Due	June 1, 2032	@ 2.50% c	110205 P96			
	\$345,000	3.25%	Term Bond Due	June 1, 2034	@ 2.85% c	110205 Q38			
	\$365,000	3.25%	Term Bond Due	June 1, 2036	@ 3.05% c	110205 Q53			
	\$585,000	3.50%	Term Bond Due	June 1, 2039	@ 3.10% c	110205 Q87			
	\$645,000	3.375%	Term Bond Due	June 1, 2042	@ 3.495%	110205 R37			

c = Yield to call on June 1, 2023.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire 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 Danielle S. Kiser, Esquire, City Attorney. It is expected that the Bonds, will be available for delivery through the facilities of DTC, New York, New York, on or about April 13, 2017.

Cumberland Securities Company, Inc.
Financial Advisor

March 27, 2017

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

This 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 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 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 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 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 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 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 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 McGraw-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

Chad Keen, Mayor
Jack Young, Vice Mayor
Margaret Feierabend
Lea Powers
Michelle Reuning

CITY OFFICIALS

William L. Sorah
City Manager

Tara Musick
City Recorder / Finance Director

Danielle S. Kiser
City Attorney

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, 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 *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

Issuer	City of Bristol, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds.....	\$4,000,000 General Obligation Bonds, Series 2017 (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.
Purpose	The Bonds are being issued for the purpose of financing in whole or in part, (i) improvements, renovations and equipping to public buildings, including but not be limited to fire stations and other public safety buildings; (ii) the acquisition of vehicles and equipment, including but not be limited to public works vehicles, public safety vehicles and equipment to include, but not limited to, fire truck(s) and emergency medical response vehicles, computer hardware and software and other technological equipment; (iii) the acquisition of land for preservation of open space, parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads, and public buildings; (iv) the construction, improvement and equipping of parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads and public buildings; (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (vi) reimbursement to the Municipality for funds previously expended for any of the foregoing; (vii) interest on the bonds referenced herein during the construction of the projects referenced herein and for up to six (6) months thereafter; and (viii) payment of the costs related to the issuance and sale of the Bonds.
Optional Redemption	The Bonds maturing on or after June 1, 2024 are subject to optional redemption prior to maturity on or after June 1, 2023, 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 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.
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.....FTN Financial Capital Markets, Memphis, Tennessee.

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”.

GeneralThe 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.

DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (the “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 OFFICIAL STATEMENT is deemed “final” within the meaning of Rule 15c2-12 the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City, or the 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., Telephone: (865) 988-2663.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Beginning Fund Balance	\$13,961,665	\$14,281,951	\$13,195,799	\$12,296,307	\$13,943,508
Revenues	27,692,211	26,985,222	27,353,937	28,895,304	30,560,128
Expenditures	21,850,833	22,274,889	22,778,186	22,696,530	23,997,672
Excess (Deficiency) of Revenues Over Expenditures	5,841,378	4,710,333	4,575,751	6,198,774	6,562,456
Transfers In	2,355,115	2,741,735	2,513,796	2,551,188	2,746,886
Transfers Out	(8,165,113)	(8,555,444)	(7,995,703)	(7,212,489)	(8,340,033)
Ending Fund Balance	<u>\$14,281,951</u>	<u>\$13,195,799</u>	<u>\$12,296,307</u>	<u>\$13,943,508</u>	<u>\$14,991,497</u>

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

\$4,000,000
CITY OF BRISTOL, TENNESSEE
General Obligation Bonds, Series 2017

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This 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 \$4,000,000 General Obligation Bonds, Series 2017 (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 October 4, 2016.

The Bonds are being issued for the purpose of financing, in whole or in part, (i) improvements, renovations and equipping to public buildings, including but not be limited to fire stations and other public safety buildings; (ii) the acquisition of vehicles and equipment, including but not be limited to public works vehicles, public safety vehicles and equipment to include, but not limited to, fire truck(s) and emergency medical response vehicles, computer hardware and software and other technological equipment; (iii) the acquisition of land for preservation of open space, parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads, and public buildings; (iv) the construction, improvement and equipping of parks, parking facilities, recreation facilities, rights-of-way, highways, streets and roads and public buildings; (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (vi) reimbursement to the Municipality for funds previously expended for any of the foregoing; (vii) interest on the bonds referenced herein during the construction of the projects referenced herein and for up to six (6) months thereafter; and (viii) payment of the costs related to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance April 13, 2017. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2017. 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.

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 City. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

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 direct appropriations from the General Fund of the City or other funds 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, 2024, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2023 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

Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 2024, June 1, 2026, June 1, 2028, June 1, 2030, June 1, 2032, June 1, 2034, June 1, 2036, June 1, 2039 and June 1, 2042 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>
June 1, 2024	June 1, 2023	\$130,000
	June 1, 2024*	\$135,000
June 1, 2026	June 1, 2025	\$140,000
	June 1, 2026*	\$140,000
June 1, 2028	June 1, 2027	\$145,000
	June 1, 2028*	\$150,000
June 1, 2030	June 1, 2029	\$155,000
	June 1, 2030*	\$155,000
June 1, 2032	June 1, 2031	\$160,000
	June 1, 2032*	\$165,000
June 1, 2034	June 1, 2033	\$170,000
	June 1, 2034*	\$175,000
June 1, 2036	June 1, 2035	\$180,000
	June 1, 2036*	\$185,000
June 1, 2039	June 1, 2037	\$190,000
	June 1, 2038	\$195,000
	June 1, 2039*	\$200,000
June 1, 2042	June 1, 2040	\$210,000
	June 1, 2041	\$215,000
	June 1, 2042*	\$220,000

*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 City 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 City 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 City pursuant to written instructions from an authorized representative of the City (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 City 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.

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 2017 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the City. The City 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 the Resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be paid to the City Recorder 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 City in such investments as shall be permitted by applicable law. Earnings from such investments in the Construction Fund shall be deposited in the City'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 the section "CHANGES IN FEDERAL AND STATE TAX LAW".

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) 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 (b) 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 amendment 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) an incumbency certificate, signed by the Mayor and City Recorder acting in their official capacity 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 rating 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 rating 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 were offered for sale at competitive public bidding on March 27, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated March 20, 2017.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (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 \$4,026,281.70 (consisting of the par amount of the Bonds, plus a net reoffering premium of \$77,697.70 and less an underwriter's discount of \$51,416.00) or 100.657% 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, 2017 (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. Because any such filings were not material as they related to widely disseminated public information, 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 shown 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 shown on page B-18;
5. Information about the Bonded Debt Service Requirements – Stormwater Fund as of the end of such fiscal year as shown on page B-19;
6. Information about the Bonded Debt Service Requirements – Electric System Fund as of the end of such fiscal year as shown 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-28;
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-28; and
11. The ten largest taxpayers as shown on page B-29.

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 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 OFFICIAL STATEMENT as “final” as of its date within the meaning of 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/ William Sorah
City Manager

ATTEST:

/s/ Tara Musick
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 \$4,000,000 General Obligation Bonds, Series 2017 (the "Bonds") dated April 13, 2017. 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 City Council 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 its 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.

4. 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, for purposes of computing the alternative minimum tax imposed on certain corporations, 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 the 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) 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 (b) 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 lies 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 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 2015 enrollment was 4,161 students with 269 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 2015 enrollment of 10,220 and 723 teachers.

Source: Tennessee Department of Education.

King University is a private, Presbyterian affiliated comprehensive college located in Bristol, Tennessee. The 135-acre campus is just 2 minutes from downtown Bristol, the twin city of Bristol, Virginia. The University was founded 1867 and offers more than 90 majors, minors, and concentrations. The fall full-time enrollment for 2016 was 2,897 students. In 2016 King University was recognized as a "Best Regional Universities" in the South by *U.S. News and World Report*; marking the university's 27th consecutive appearance in the annual publication. Other recent accolades include recognition for the past 13 years as a "Best College in the Southeast" by the Princeton Review, and as a "Military Friendly School" for the eighth year by G.I. Jobs.

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 2016 full-time enrollment of 3,382 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, Kingsport and Bristol.

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 2014 enrollment was 807 students.

Source: Tennessee Technology Centers, 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; *The Appalachia College of Pharmacy* in Oakwood, Virginia; *Appalachian School of Law* in Grundy, Virginia; and *Southwest Virginia Higher Education Center* in Abingdon, Virginia.

HEALTHCARE

The Tri-Cities area has ten acute-care hospitals and many other healthcare facilities. Mountain States Health Alliance (the "MSHA") is based in 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 the James H. Quillen College of Medicine that brings specialties to the area normally not available in a community of this size.

Wellmont Health System (“Wellmont”). Wellmont is headquartered in Kingsport and is a leading healthcare provider in the Tri-Cities region of Northeast Tennessee and Southwest Virginia. Formed in 1996 with the merger of Holston Valley Medical Center in Kingsport and Bristol Regional Medical Center in Bristol, Tennessee, Wellmont is a not-for-profit, integrated health system. Wellmont is composed of one critical and five acute care wholly owned hospitals totaling more than 750 available beds, an integrated physician network and several ambulatory sites. Wellmont hospitals offer a variety of services ranging from acute care to specialized tertiary services including two trauma centers, comprehensive heart and cancer care. Acute care hospitals include Holston Valley Medical Center in Kingsport, Bristol Regional Medical Center (Bristol, TN), Mountain View Regional Medical Center (Norton, VA), Lonesome Pine Hospital (Big Stone Gap, VA) and Hawkins County Memorial Hospital (Rogersville, TN). See “RECENT DEVELOPMENTS” for more information.

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 312 beds and over 270 board-certified or board-eligible physicians. The admissions for 2016 was 12,874 with a 193 average daily census. 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 and the Business Journal.

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

Boone Dam and Reservoir. TVA's Boone Reservoir is located on the South Fork Holston River, partially in Sullivan. Construction of the dam was begun in 1950 and was completed in 1952. Boone Dam is 160 feet high and stretches 1,697 feet across the South Fork Holston River. Boone Dam is currently

undergoing repairs, but under normal conditions, Boone reservoir has a flood-storage capacity of 75,800 acre-feet. Boone Dam is a hydroelectric facility. It has three generating units with a capacity of 89 megawatts. Boone Dam is located in Kingsport, Tennessee.

Source: Tennessee Valley Authority.

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. TVA's 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.

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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	1,806
Pinnacle Retail Center (collectively)	Bristol, TN	Retail	1,200
Teleperformance	Bristol, TN	Telecommunications	852
Agero**	Bristol, TN	Telecommunications	600
Bristol School System	Bristol, TN	Education	529
City of Bristol	Bristol, TN	Government	332
Bristol Metals	Bristol, TN	Metal Fabricating	310
Wal-Mart	Bristol, TN	Retail	260
UPM Pharmaceuticals, Inc.	Bristol, TN	Pharmaceuticals	225
Robinette Company	Bristol, TN	Printed Roll Stock	189
Tri-Cities Extrusion	Bristol, TN	Metal Extrusions	185
Royal Building Products (USA) Inc.	Bristol, TN	Molded products	125
Lowe's	Bristol, TN	Retail	122

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

** Based on Estimates of full hiring capacity.

Source: Business Journal of the Tri-Cities, City of Bristol Audit - 2016.

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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, Rogersville, 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 Tri-Cities Area

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Mountain States Health Alliance*	Johnson City	Healthcare	8,415
Eastman Chemical Company	Kingsport	Chemicals, Fibers, Plastics	6,800
Wellmont Health Systems*	Kingsport	Healthcare	6,577
Veterans Administration Hospital	Johnson City	Healthcare	2,250
East Tennessee State University	Johnson City	Education	2,236
Citigroup	Gray	Credit Card Programs	1,840
Sullivan County Schools	Blountville	Education	1,755
Brock	Kingsport	Service Contractor	1,641
Hawkins County Schools	Rogersville	Education	1,500
Advance Call Center Tech	Johnson City	Communications	1,300
Pals Sudden Service	Kingsport	Restaurant	1,287
Washington County School System	Johnson City	Education	1,200
Pinnacle Retail Center (collectively)	Bristol, TN	Retail	1,200
AO Smith (American Water Heater Group)	Johnson City	Water Heaters	1,115
Kingsport City Schools	Kingsport	Education	1,073
Frontier Health ²	Gray	Rehabilitative Healthcare	1,028
Johnson City School System	Johnson City	Education	947
DTR Tennessee	Midway	Manufacturing	850
City of Johnson City	Johnson City	Government	850
Holston Medical Group	Kingsport	Healthcare	823
Teleperformance	Bristol, TN	Telecommunications	852
City of Kingsport	Kingsport	Government	749
Wal-Mart	Kingsport	Retail	725
Bristol Compressors	Bristol, VA	Manufacturing	700
BAE Systems	Kingsport	Chemicals & Explosives	700
Jacobs Engineering	Kingsport	Engineering	650
Kelly Services	Johnson City	Personnel Supply Services	650
Barrette Outdoor Living	Bulls Gap	Wood & Vinyl Fencing	600
Federal Pacific Transformer Co	Bristol, VA	Transformers	600
Line Power Federal Pacific	Bristol, VA	Manufacturing	600
Agero**	Bristol, TN	Telecommunications	600
State of Franklin Healthcare	Johnson City	Healthcare	599
Universal Fibers	Bristol, VA	Manufacturing	530
Bristol School System	Bristol, TN	Education	529
TEC (Tennessee Electric Co.)	Kingsport	Maintenance Construction	515
Eastman Credit Union	Kingsport	Banking	468

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
TPI Corporation	Gray	Electric Heating Equip	434
TRW Automotive	Rogersville	Steering Components	431
Office Max	Bristol, VA	Retail	386
Copper Standard Automotive	Surgoinsville	Automotive Tubing	379
HSN	Piney Flats	Distribution	363
Shearer Foods	Bristol, VA	Food Manufacturing	340
City of Bristol	Bristol, TN	Government	332
Domtar	Kingsport	Paper	330
Bristol Metals	Bristol, TN	Metal Fabricating	310
Bell Helicopter	Piney Flats	Aircraft Outfitting	300
Wal-Mart	Bristol, TN	Retail	260
Bank of Tennessee	Kingsport	Bank	251
Mullican Flooring	Johnson City	Flooring	250
Kennametal, Inc.	Johnson City	Carbide Alloys	250
Siemens Industry	Johnson City	Automation	240
Baldor Dodge Reliance	Rogersville	Ball Bearings	240
UPM Pharmaceuticals, Inc.	Bristol, TN	Pharmaceuticals	225
Modern Forge	Piney Flats	Manufacturing	220
Dentsply Tulsa Dental Products	Johnson City	Manufacturing	202
Powell Companies	Johnson City	Steel Erection	200
Silgan Plastic Closure Solutions	Kingsport	Plastic Closures	200
Strongwell Corporation	Bristol, VA	Manufacturing	200
Manitowoc Walk-Ins (Kysor)	Piney Flats	Walk-In Coolers	200
General Shale	Johnson City	Manufacturing	190
Robinette Company	Bristol, TN	Printed Roll Stock	189
Tri-Cities Extrusion	Bristol, TN	Metal Extrusion	185
Same Dong, Inc.	Rogersville	Wire Magnetic Products	180
QEP Company & Harris Wood, LLC	Johnson City	Wood Flooring	170
Kingsport Times-News	Kingsport	Newspaper	165
First Tennessee Bank	Johnson City	Bank	164
Pepsi Beverage Co	Johnson City	Pepsi Products	152
Alemite LLC	Johnson City	Lubrication Systems	150
Holiston LLC	Church Hill	Hard Cloth	150
Walker Forge	Surgoinsville	Engines Components	150
Regions Financial Corp.	Kingsport	Bank	149
Microporous (Daramic LLC)	Piney Flats	Battery Separators	128
Royal Building Products (USA) Inc.	Bristol, TN	Molded products	125
Lowe's	Bristol, TN	Retail	122
Ceradyne (formerly MINCO)	Midway	Fused Silica Products	115

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

** Based on full hiring capacity.

Source: Business Journal of the Tri-Cities, Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee, Johnson City / Washington County Economic Development Board - 2016.

EMPLOYMENT INFORMATION

As of December 2016, the unemployment rate of Bristol stood at 5.7%, representing 11,040 persons employed out of a workforce of 11,710. As of December 2016, the unemployment rate in the County stood at 5.5%, representing 66,240 persons employed out of a workforce of 70,070.

The unemployment rate for December 2016 in the Kingsport-Bristol MSA stood at 5.2%, representing 131,180 persons employed out of a workforce of 138,330. The unemployment rate for December 2016 in the Tri-Cities CSA stood at 5.3%, representing 216,940 persons employed out of a workforce of 229,130.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
Bristol	8.0%	6.6%	7.4%	7.0%	6.0%
Index vs. National	89	81	100	113	113
Index vs. State	87	83	90	104	103
Sullivan County	7.7%	7.0%	7.5%	6.7%	5.9%
Index vs. National	87	86	101	108	111
Index vs. State	84	88	91	100	102
Kingsport-Bristol MSA	8.1%	7.3%	7.5%	6.5%	5.7%
Index vs. National	91	90	101	105	108
Index vs. State	88	91	91	97	98
Tri-Cities CSA	8.2%	7.3%	7.6%	6.7%	6.0%
Index vs. National	92	90	103	108	113
Index vs. State	89	91	93	100	103

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

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ECONOMIC DATA

Per Capita Personal Income

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	\$42,453	\$44,267	\$44,462	\$46,414	\$48,112
Tennessee	\$37,452	\$38,771	\$38,806	\$40,233	\$42,094
Sullivan County	\$36,171	\$37,352	\$37,044	\$37,571	\$38,799
Index vs. National	85	84	83	81	81
Index vs. State	97	96	95	93	92
Kingsport-Bristol MSA	\$34,661	\$36,133	\$35,496	\$36,210	\$37,322
Index vs. National	82	82	80	78	78
Index vs. State	93	93	91	90	89
Tri-Cities CSA	\$34,238	\$35,460	\$35,014	\$35,813	\$37,002
Index vs. National	81	80	79	77	77
Index vs. State	91	91	90	89	88

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	\$178,600	\$142,100	\$124,900	\$106,800
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	85.5%	83.5%
% Persons with Income Below Poverty Level	13.50%	16.70%	16.4%	16.3%
Median Household Income	\$53,889	\$45,219	\$40,346	\$38,551

Source: U.S. Census Bureau State & County QuickFacts - 2015.

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.

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. The Birthplace of Country Music Museum (BCM) opened in August 2014. The museum tells the story of the 1927 Bristol Sessions recordings, explores how evolving sound technology shaped their success, and highlights how this rich musical heritage lives on in today’s music. Through text and artifacts, multiple theater experiences and interactive displays- along with a variety of educational programs, musical performances and community events- the exciting story of these recordings sessions and their far-reaching influences comes alive. There are rotating exhibitions from guest curators and other institution, including the Smithsonian of which the BCM is an affiliate member. 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 State 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 complement the scheduled acts, echoing the spirit of the original 1927 sessions.

Source: Bristol, Tennessee.

Auto Racing

Twice a year 160,000 - plus race fans flock to the *Bristol Motor Speedway* to enjoy the Monster Energy NASCAR Cup Series and NASCAR XFINITY Races.

In April, the Speedway hosts the Food City 500 and the Fitzgerald Glider Kits 300. In August, fans pack the into “The World’s Fastest Half Mile Track” for the Bass Pro Shops NRA Night Race and the Food City 300. The Speedway rivals the Daytona 500 and the Brickyard 400 in terms of prestige among fans and competitors. The August 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 "Speedway 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 a 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

Healthcare Merger. Mountain States Health Alliance and Wellmont Health System have started the process to merge and form Ballad Health. As many rural hospitals faced a declining patient population, the health care systems announced a merger proposal in April 2015. Seeking federal antitrust refuge through state approval, Mountain States and Wellmont submitted detailed applications to the Tennessee Department of Health and the Southwest Virginia Health Authority. As of January 2017, the merger has yet to be approved but is still in consideration.

The Pinnacle. The Pinnacle development was built in 2014 and has over 1,000,000 square feet of retail, dining and entertainment businesses, about 69 businesses in all. CarMax built a facility within the development and opened in 2016. The Marquee Cinemas Pinnacle 12 opened in 2015 that features a state-of-the-art theater with 12 stadium seating auditoriums with DLP Digital Projection, electric luxury reclining seats and two large format Marquee Extreme Cinemas. The Villas at Island Road, which began construction in 2015, is a new 153-unit luxury apartment complex that will complement the new businesses at The Pinnacle. In 2016 construction was largely completed on the Crescent and Tower Shops, which is a \$30 million retail center with over 122,000 square feet.

The Pinnacle tenants represent a total of \$150 million in private investment and more than \$200 million a year in total sales as of 2015. There have been over 2,000 construction jobs created as of 2015 and over 1,500 full- and part-time jobs. The development lies within Bristol, TN, with additional development slated to occur in Bristol, VA, featuring athletic fields and entertainment options.

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. Teleperformance is the surviving entity, and in July, 2016 it was announced an expansion of its Bristol facility, including the addition of 500 new jobs over the next five years.

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, 2016 OUTSTANDING
\$ 2,760,000	General Obligation Refunding Bonds, Series 2009	June 2024	Fixed	\$ 1,640,000
5,037,689	General Obligation Loan, Series 821-001 (EESI)	2024	Fixed	3,511,805
4,450,000	General Obligation Bonds, Series 2011	June 2023	Fixed	2,830,000
4,000,000	(3) General Obligation Bonds, Series 2012	June 2027	Fixed	2,610,000
9,800,000	General Obligation Bonds, Series 2013A	June 2038	Fixed	9,750,000
8,585,000	(4) General Obligation Refunding Bonds, Series 2013B	June 2023	Fixed	7,455,000
17,350,000	General Obligation Bonds, Series 2014	June 2038	Fixed	17,150,000
4,200,000	(5) General Obligation Bonds, Series 2015	June 2045	Fixed	4,200,000
28,505,000	(2) Electric System Revenue Ref. and Impr. Bonds, Series 2013	Sept 2043	Fixed	27,130,000
\$ 84,687,689	TOTAL BONDED DEBT			\$ 76,276,805
\$ 4,000,000	General Obligation Bonds, Series 2017	June 2042	Fixed	\$ 4,000,000
(4,760,000)	Less: Revenue Supported Debt			(3,865,000)
(28,505,000)	Less: Electric Revenue Only Debt			(27,130,000)
\$ 55,422,689	NET BONDED DEBT			\$ 49,281,805

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) \$2,440,000 Supported by Revenues of the Water and Sewer System.
- (4) \$500,000 Supported by Revenues of the Water and Sewer System.
- (5) \$925,000 Supported by Revenues of the Stormwater 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$ 22,714,038	\$ 31,162,652	\$ 46,222,093	\$ 47,463,486	\$ 45,281,805	\$ 49,281,805
Revenue Supported Bonds	2,648,625	4,442,568	3,876,715	4,340,858	3,865,000	4,712,306
TOTAL TAX SUPPORTED	\$ 25,362,663	\$ 35,605,220	\$ 50,098,808	\$ 51,804,344	\$ 49,146,805	\$ 53,994,111
Electric Revenue Only Bonds	\$ 21,555,000	\$ 21,035,000	\$ 28,505,000	\$ 27,830,000	\$ 27,130,000	\$ 27,130,000
TOTAL DEBT	\$ 46,917,663	\$ 56,640,220	\$ 78,603,808	\$ 79,634,344	\$ 76,276,805	\$ 81,124,111
Less: Revenue Supported Debt	\$ (2,648,625)	\$ (4,442,568)	\$ (3,876,715)	\$ (4,340,858)	\$ (3,865,000)	\$ (4,712,306)
Less: Electric Revenue Only Debt	\$ (21,555,000)	\$ (21,035,000)	\$ (28,505,000)	\$ (27,830,000)	\$ (27,130,000)	\$ (27,130,000)
Less: Debt Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET DIRECT DEBT	\$ 22,714,038	\$ 31,162,652	\$ 46,222,093	\$ 47,463,486	\$ 45,281,805	\$ 49,281,805
PROPERTY TAX BASE						
Estimated Actual Value	\$ 2,280,764,243	\$ 2,233,328,937	\$ 2,063,630,022	\$ 2,093,180,471	\$ 1,987,902,576	\$ 1,987,902,576
Appraised Value	2,146,655,306	2,102,009,196	2,063,630,022	2,093,180,471	1,918,524,776	1,918,524,776
Assessed Value	662,668,099	647,681,144	634,106,967	644,319,453	616,000,204	616,000,204

DEBT RATIOS	Fiscal Year Ended June 30					After
	2012	2013	2014	2015	2016	Issuance 2017
TOTAL DEBT to Estimated Actual Value	1.11%	1.59%	2.43%	2.47%	2.47%	2.72%
TOTAL DEBT to Appraised Value	1.18%	1.69%	2.43%	2.47%	2.56%	2.81%
TOTAL DEBT to Assessed Value	3.83%	5.50%	7.90%	8.04%	7.98%	8.77%
NET DIRECT DEBT to Estimated Actual Value	1.00%	1.40%	2.24%	2.27%	2.28%	2.48%
NET DIRECT DEBT to Appraised Value	1.06%	1.48%	2.24%	2.27%	2.36%	2.57%
NET DIRECT DEBT to Assessed Value	3.43%	4.81%	7.29%	7.37%	7.35%	8.00%
PER CAPITA RATIOS						
POPULATION (1)	26,675	26,675	26,729	26,666	26,666	26,666
PER CAPITA PERSONAL INCOME (2)	\$37,352	\$37,044	\$37,571	\$38,799	\$38,799	\$38,799
Estimated Actual Value to POPULATION	85,502	83,724	77,206	78,496	74,548	74,548
Assessed Value to POPULATION	24,842	24,280	23,724	24,163	23,101	23,101
Total Debt to POPULATION	1,759	2,123	2,941	2,986	2,860	3,042
Net Direct Debt to POPULATION	852	1,168	1,729	1,780	1,698	1,848
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.55%	3.60%	4.99%	5.01%	4.75%	5.22%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.28%	3.15%	4.60%	4.59%	4.38%	4.76%

(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, 2016			General Obligation Bonds, Series 2017			Series 2017		Total Bonded Debt Service Requirements (1)			% Total Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal Repaid	%	Principal	Interest	TOTAL	
2017	\$ 2,254,204	\$ 1,417,164	\$ 3,671,368	\$ -	\$ -	\$ -	\$ -	0.00%	\$ 2,254,204	\$ 1,417,164	\$ 3,671,368	4.57%
2018	2,362,312	1,347,696	3,710,008	100,000	137,806	237,806			2,462,312	1,485,503	3,947,815	
2019	2,415,456	1,274,799	3,690,255	100,000	118,594	218,594			2,515,456	1,393,393	3,908,849	
2020	2,498,624	1,201,073	3,699,697	120,000	115,594	235,594			2,618,624	1,316,666	3,935,290	
2021	2,466,804	1,130,534	3,597,338	120,000	111,844	231,844		11.00%	2,586,804	1,242,378	3,829,182	25.24%
2022	2,530,020	1,057,772	3,587,792	125,000	107,944	232,944			2,655,020	1,165,716	3,820,736	
2023	2,663,260	987,161	3,650,421	125,000	104,044	229,044			2,788,260	1,091,205	3,879,465	
2024	2,071,524	912,250	2,983,774	130,000	101,444	231,444			2,201,524	1,013,694	3,215,218	
2025	1,549,601	850,492	2,400,093	130,000	98,744	228,744			1,679,601	949,236	2,628,837	
2026	1,480,000	807,605	2,287,605	135,000	95,244	230,244		27.13%	1,615,000	902,849	2,517,849	47.43%
2027	1,520,000	763,680	2,283,680	140,000	91,744	231,744			1,660,000	855,424	2,515,424	
2028	1,555,000	718,555	2,273,555	145,000	88,119	233,119			1,700,000	806,674	2,506,674	
2029	1,615,000	671,380	2,286,380	145,000	84,369	229,369			1,760,000	755,749	2,515,749	
2030	1,665,000	622,380	2,287,380	150,000	79,719	229,719			1,815,000	702,099	2,517,099	
2031	1,705,000	570,620	2,275,620	160,000	75,069	235,069		45.63%	1,865,000	645,689	2,510,689	65.29%
2032	1,750,000	515,183	2,265,183	165,000	70,269	235,269			1,915,000	585,451	2,500,451	
2033	1,840,000	457,488	2,297,488	170,000	65,319	235,319			2,010,000	522,806	2,532,806	
2034	1,890,000	396,000	2,286,000	175,000	59,794	234,794			2,065,000	455,794	2,520,794	
2035	1,970,000	332,356	2,302,356	180,000	54,106	234,106			2,150,000	386,463	2,536,463	
2036	2,050,000	263,706	2,313,706	190,000	48,256	238,256		67.63%	2,240,000	311,963	2,551,963	86.35%
2037	2,130,000	191,956	2,321,956	195,000	42,244	237,244			2,325,000	234,200	2,559,200	
2038	2,210,000	117,406	2,327,406	205,000	35,594	240,594			2,415,000	153,000	2,568,000	
2039	140,000	37,800	177,800	210,000	28,769	238,769			350,000	66,569	416,569	
2040	145,000	33,250	178,250	220,000	21,769	241,769		88.38%	365,000	55,019	420,019	97.42%
2041	150,000	28,175	178,175	230,000	14,681	244,681			380,000	42,856	422,856	
2042	155,000	22,925	177,925	235,000	7,425	242,425		100.00%	390,000	30,350	420,350	
2043	165,000	17,500	182,500	-	-	-			165,000	17,500	182,500	
2044	165,000	11,725	176,725	-	-	-			165,000	11,725	176,725	
2045	170,000	5,950	175,950	-	-	-			170,000	5,950	175,950	100.00%
	<u>\$ 45,281,805</u>	<u>\$ 16,764,582</u>	<u>\$ 62,046,387</u>	<u>\$ 4,000,000</u>	<u>\$ 1,858,500</u>	<u>\$ 5,858,500</u>			<u>\$ 49,281,805</u>	<u>\$ 18,623,082</u>	<u>\$ 67,904,887</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) Average Coupon 3.1819%.

CITY OF BRISTOL, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer
As of June 30, 2016

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% Total Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2017	\$ 465,000	\$ 70,488	\$ 535,488	15.82%
2018	465,000	57,788	522,788	
2019	285,000	45,088	330,088	
2020	200,000	36,188	236,188	
2021	200,000	32,188	232,188	54.93%
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	92.35%
2027	225,000	5,063	230,063	100.00%
	<u>\$ 2,940,000</u>	<u>\$ 343,894</u>	<u>\$ 3,283,894</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.

CITY OF BRISTOL, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Stormwater Fund
As of June 30, 2016

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% Total Principal Repaid
	Principal	Interest	TOTAL	
2017	\$ 25,000	\$ 27,638	\$ 52,638	2.70%
2018	25,000	27,138	52,138	
2019	25,000	26,638	51,638	
2020	25,000	26,138	51,138	
2021	25,000	25,638	50,638	13.51%
2022	25,000	25,138	50,138	
2023	25,000	24,638	49,638	
2024	25,000	24,138	49,138	
2025	25,000	23,513	48,513	
2026	25,000	22,888	47,888	27.03%
2027	25,000	22,263	47,263	
2028	30,000	21,638	51,638	
2029	30,000	20,738	50,738	
2030	30,000	19,838	49,838	
2031	30,000	18,938	48,938	42.70%
2032	30,000	18,038	48,038	
2033	30,000	17,063	47,063	
2034	35,000	16,088	51,088	
2035	35,000	14,950	49,950	
2036	35,000	13,813	48,813	60.54%
2037	35,000	12,588	47,588	
2038	35,000	11,363	46,363	
2039	40,000	10,225	50,225	
2040	40,000	8,925	48,925	76.76%
2041	40,000	7,525	47,525	
2042	40,000	6,125	46,125	
2043	40,000	4,725	44,725	
2044	45,000	3,325	48,325	
2045	50,000	1,750	51,750	100.00%
	<u>\$ 925,000</u>	<u>\$ 503,413</u>	<u>\$ 1,428,413</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.

CITY OF BRISTOL, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Electric System
As of June 30, 2016

F.Y. Ended	Total Bonded Debt Service Requirements (1)			% Total Principal Repaid
6/30	Principal	Interest	TOTAL	
2017	\$ 720,000	\$ 1,086,625	\$ 1,806,625	2.65%
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	14.08%
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	30.48%
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	
2030	1,130,000	680,763	1,810,763	
2031	1,180,000	631,675	1,811,675	50.48%
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	74.99%
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	89.44%
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	100.00%
	<u>\$ 27,130,000</u>	<u>\$ 17,241,475</u>	<u>\$ 44,371,475</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<i>Governmental Funds:</i>					
General	\$14,281,951	\$13,195,799	\$12,296,307	\$13,943,508	\$14,991,497
Chapter 420	-	1,871,655	4,795,619	585,387	6,140
General Purpose					
School Fund	10,524,362	9,942,641	8,807,445	9,071,482	11,716,308
Other	<u>1,612,936</u>	<u>2,163,975</u>	<u>2,630,969</u>	<u>4,985,312</u>	<u>4,559,193</u>
Total	<u>\$26,419,249</u>	<u>\$27,174,070</u>	<u>\$28,530,340</u>	<u>\$28,585,689</u>	<u>\$31,273,138</u>
<i>Proprietary Net Assets:</i>					
Enterprise Funds	\$144,439,115	\$150,410,390	\$158,857,088	\$164,557,334	\$176,907,227

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Taxes	\$ 22,072,969	\$ 21,525,248	\$ 21,396,465	\$ 22,390,395	\$ 23,756,461
Licenses, Permits, Fines	320,985	167,955	291,726	256,463	354,502
Intergovernmental	3,399,733	3,386,212	3,504,822	3,843,090	4,145,800
Service Charges	1,123,964	1,126,380	1,135,114	1,272,289	1,644,463
Revenue from Use of Facilities	353,519	320,375	402,983	508,188	-
Fines and forfeitures	402,478	389,171	476,247	522,266	511,682
Interest	11,408	11,306	8,102	15,699	30,600
Other	7,155	58,575	138,478	86,914	116,620
Total Revenues	<u>\$ 27,692,211</u>	<u>\$ 26,985,222</u>	<u>\$ 27,353,937</u>	<u>\$ 28,895,304</u>	<u>\$ 30,560,128</u>
Expenditures:					
Current					
Administration & General Gov't	\$ 4,741,601	\$ 4,918,403	\$ 5,087,221	\$ 4,907,832	\$ 4,818,701
Community Relations	406,918	433,572	478,865	423,723	3,238,884
Leisure Services	3,333,298	3,493,585	3,447,142	3,354,165	1,111,883
Public Safety	10,414,660	10,364,105	10,773,735	11,148,217	11,619,115
Public Works	2,954,356	3,065,224	2,991,223	2,862,593	3,209,089
Capital Outlay	-	-	-	-	-
Other Services	-	-	-	-	-
Debt Service	-	-	-	-	-
Total Expenditures	<u>\$ 21,850,833</u>	<u>\$ 22,274,889</u>	<u>\$ 22,778,186</u>	<u>\$ 22,696,530</u>	<u>\$ 23,997,672</u>
Excess of Revenues Over (Under) Expenditures	\$ 5,841,378	\$ 4,710,333	\$ 4,575,751	\$ 6,198,774	\$ 6,562,456
Other Financing Sources (Uses):					
Proceeds from Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Notes/Bonds	-	-	-	-	-
Insurance Recoveries	273,766	14,345	66,223	4,508	20,210
Sale of Equipment	15,140	13,211	8,373	12,338	30,127
Transfers In	2,355,115	2,741,735	2,513,796	2,551,188	2,746,886
Transfers Out	(8,165,113)	(8,555,444)	(7,995,703)	(7,212,489)	(8,340,033)
Total	<u>\$ (5,521,092)</u>	<u>\$ (5,786,153)</u>	<u>\$ (5,407,311)</u>	<u>\$ (4,644,455)</u>	<u>\$ (5,542,810)</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 320,286	\$ (1,075,820)	\$ (831,560)	\$ 1,554,319	\$ 1,019,646
Fund Balance July 1	\$ 13,961,665	\$ 14,281,951	\$ 13,195,799	\$ 12,296,307	\$ 13,943,508
Adjustments	<u>-</u>	<u>(10,332)</u>	<u>(67,932)</u>	<u>92,882</u>	<u>28,343</u>
Fund Balance June 30	<u>\$ 14,281,951</u>	<u>\$ 13,195,799</u>	<u>\$ 12,296,307</u>	<u>\$ 13,943,508</u>	<u>\$ 14,991,497</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.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible

Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are

required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following

completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

City property taxes are due and payable the first day of October of each year. City taxes are delinquent after January 5 of the following year.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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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 0.9651. The following table shows pertinent data for tax year 2015¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities	\$ 15,058,966	55%	\$ 34,499,349
Commercial and Industrial	296,340,920	40%	740,852,300
Personal Tangible Property	8,775,518	30%	29,251,727
Residential and Farm	<u>295,824,800</u>	25%	<u>1,183,299,200</u>
Total	<u>\$616,000,204</u>		<u>\$1,987,902,576</u>

The estimated assessed value of property in the City for the fiscal year ending June 30, 2016 (tax year 2015) is \$616,000,204 compared to \$644,319,453 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is \$1,987,902,576 as compared to \$2,093,180,471 for tax year 2014.

Source: 2015 Tennessee Tax Aggregate Report and the City.

Property Tax Rates and Collections. The table on the following page shows the property tax rates and collections of the City for tax years 2012 through 2016 as well as the aggregate uncollected balances for each fiscal year as of June 30, 2016.

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, 2016 Amount	Pct
2012	\$647,681,144	\$2.19	\$14,187,921	\$13,432,991	94.7%	\$161,877	1.1%
2013	634,106,967	2.25	14,309,646	13,532,181	94.6%	364,348	2.5%
2014	644,319,453	2.25	14,549,265	13,678,253	94.0%	625,560	4.3%
2015	616,000,204	2.25	14,764,941	14,071,203	95.3%	688,631	4.7%
2016	664,768,044*	2.25	14,957,281*	IN PROCESS			

*Estimated

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

¹ The tax year coincides with the calendar year, therefore, tax year 2016 is actually fiscal year 2016-2017.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the City were as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessed Valuation</u>	<u>% Total Assessed Value</u>
1. Bristol Motor Speedway, Inc.	Auto Racing	\$44,531,394	6.79%
2. Pinnacle North LLC	Retail	14,563,760	2.22%
3. Godsey Leasing	Leasing Company	12,483,455	1.90%
4. Bristol Metals, LP	Metal Fabricating	10,232,531	1.56%
5. Royal Mouldings Ltd. (now Royal Building Products (USA), Inc.)	Manufacturing	10,188,799	1.55%
6. Exide Technologies	Batteries	8,226,442	1.25%
7. Wellmont Health System	Healthcare	8,012,349	1.22%
8. Dr. Reddy's Laboratories	Pharmaceuticals	7,858,449	1.20%
9. United Telephone Southeast	Telecommunications	7,474,900	1.14%
10. Pinnacle Partners TN LLC	Retail	<u>5,826,390</u>	<u>0.89%</u>
TOTAL		<u>\$129,398,469</u>	<u>19.73%</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.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF BRISTOL, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



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

January 31, 2017

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, at the close of each fiscal year, a complete set of audited financial statements within a stipulated time period. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

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, has issued an unmodified ("clean") opinion on the City of Bristol, Tennessee's financial statements for the year ended June 30, 2016. 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 26,705. 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 discrete 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. Tri-Cities 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 Agero, Bristol Metals L.P., Bristol Regional Medical Center, Century Link, DLH Industries, Dr. Reddy's Laboratories, Robinette Company, Royal Mouldings, Seaman Corporation, 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 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 has conducted "Red Carpet Tours" hosting 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 provides 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 is currently taking advantage of this special designation. The project has made significant progress during the prior year with the successful opening of the 130,278 square foot Belk retail store and the “life-style” center shops. The Pinnacle community has over 450,000 square feet of retail space open with additional space under construction. The remainder of the regional retail center opened in the subsequent months with full build out anticipated by the end of 2018. Additionally, the development of the new retail center has spurred ancillary growth in the vicinity. A new hotel opened adjacent to the interstate exit and additional retail and service growth is anticipated. In addition, the City is experiencing an unprecedented expansion of existing industries as well as the recruitment of new businesses that is generating over 1,000 jobs during the next three to five years.

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 fall of 2014. The City committed a total of \$500,000, to the construction and operation of the museum. The funding was contributed in annual installments of \$100,000, with the fourth installment having been made during Fiscal 2016.

LONG-TERM FINANCIAL PLANNING

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.

Sullivan County, Tennessee recently approved a resolution to issue \$140,000,000 in school capital improvement bonds. The City of Bristol, Tennessee will receive approximately \$27,500,000 of the proceeds from the bond sale for its pro-rata share. City Council anticipates the design of the Vance Middle School Project to commence in Fiscal 2018 with this available funding source. 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 for several years.

In addition, several utility projects are anticipated in the next five years to promote growth and development and to upgrade service to existing customers.

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), Bristol Tennessee City Schools, and the Industrial Development Board of Bristol, Tennessee as investment instruments.

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 specific objectives/performance standards, were included in the plan.

The budget for the 2016 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 an 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, and additional downtown lighting continued during the year.

Technological advancements were a major initiative during the fiscal year. In partnership with Sullivan County and Kingsport, the county-wide public safety radio communication system was completed to replace a mission-critical system that was at the end of its service life. The City is also in the process of implementing a City-wide Enterprise Resource Planning (ERP) System. Current software programs utilized by Administration, Economic and Community Development, Finance, Parks and Recreation, and Public Works will be replaced through implementation of the system. Document imaging will also be a part of this project to assist with record retention and security issues for all departments. The first phase, consisting of the general ledger, accounts payable, and accounts receivable went live in February 2016.

A partnership with the private sector and the City and Board of Education funded construction of the Ida Stone Jones Tennis Center. This was a successful community effort to construct a facility that could serve recreational needs of various parties.

The City has also continued its aggressive replacement of aging utility infrastructure. Substantial quantities of aged galvanized water main were replaced as part of the City's on-going street resurfacing program.

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, 2015. This was the thirteenth 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 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**

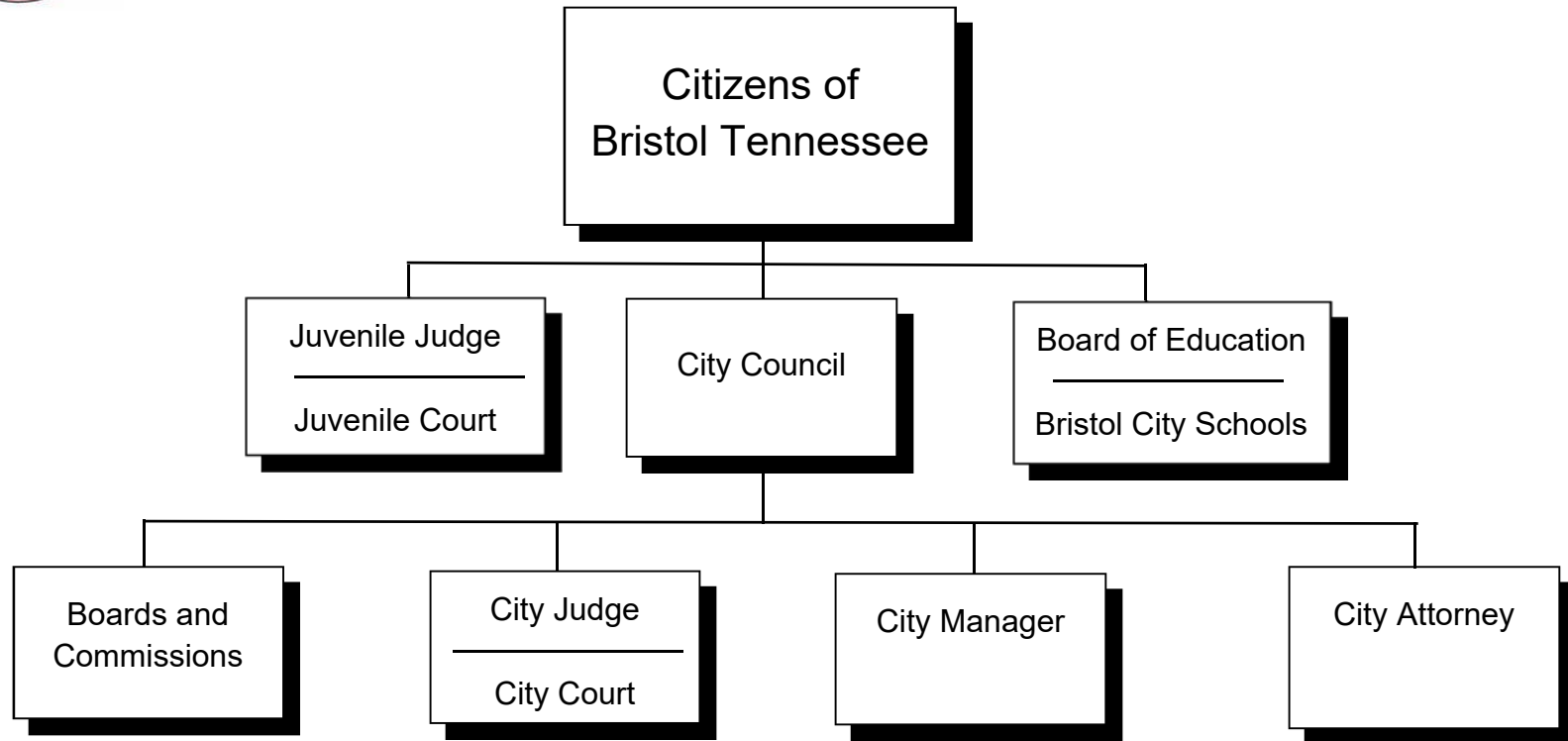
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

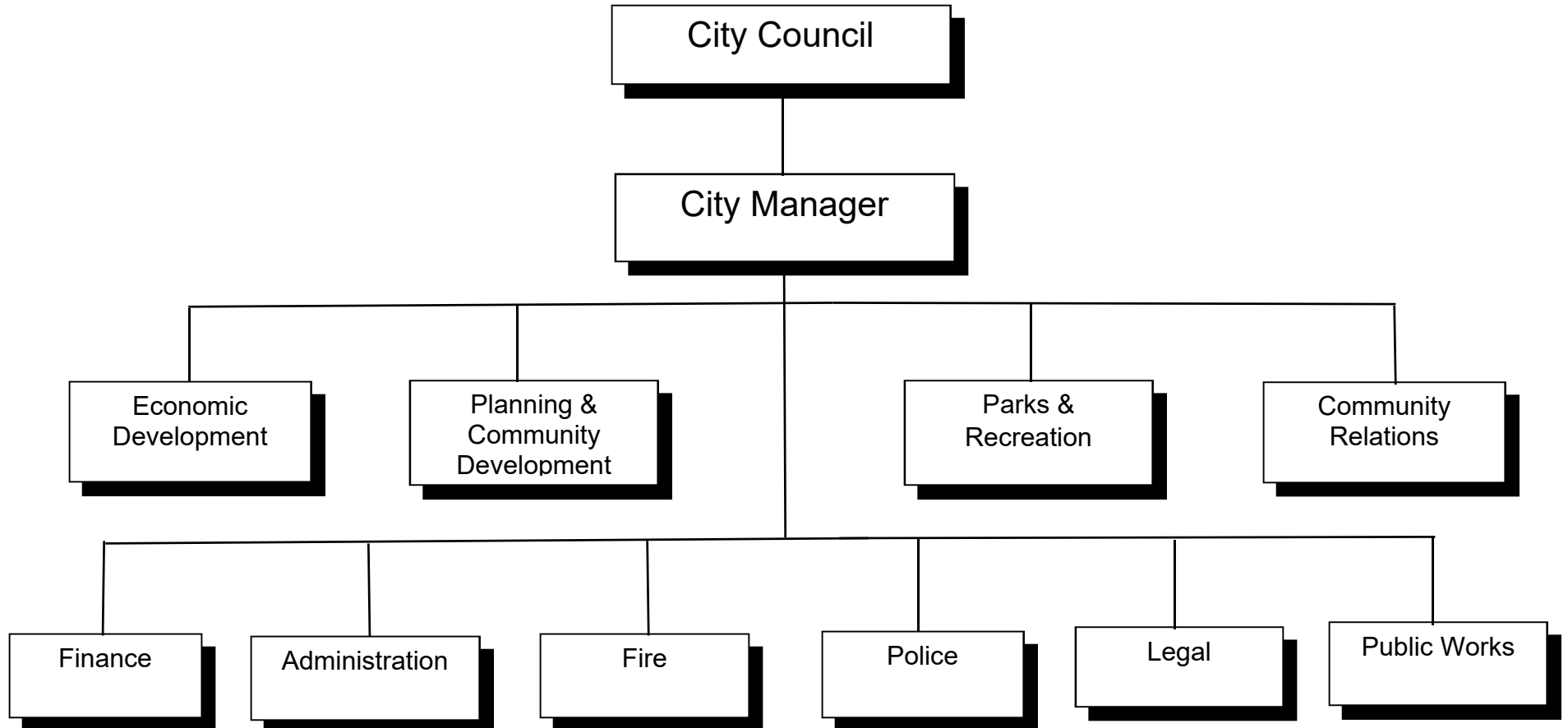


CITY OF BRISTOL TENNESSEE ORGANIZATIONAL CHART





City of Bristol Tennessee Organizational Chart



CITY OF BRISTOL, TENNESSEE
LIST OF PRINCIPAL OFFICERS

City Council

Chad Keen
Jack Young
Margaret Feierabend
Lea Powers
Michelle Reuning

City Manager

William L. Sorah

Department Directors

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

Mary Lee Williams
Brian Rose
Terrie Talbert
Tom Anderson
Tara Musick
Bob Barnes
Danielle Kiser
Terry Napier
Blaine Wade
Tim Beavers

City Attorney

Danielle Kiser

**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, the discretely presented component unit, 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, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 9%, 16%, and 2% 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bristol, Tennessee as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, 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 13 through 29) and schedules of pension and other post-employment benefit information (on pages 156-164) as listed in the table of contents 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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 13 through 29) and schedules of pension and other post-employment benefit information (on pages 156-164) as listed in the table of contents 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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 January 31, 2017, 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.

Mauldin & Jenkins, LLC

Chattanooga, TN
January 31, 2017

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, 2016. Management's Discussion and Analysis should be read in conjunction with the City's financial statements for the fiscal year ending June 30, 2016, 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 2016 fiscal year by \$304,340,913 (*total net position*). Of this amount, \$101,409,936 (*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 \$21,892,894 due to current year activity. For governmental activities, the \$9,447,735 increase resulted from the increase in the fund balances of the General Fund and the General Purpose School Fund which were \$1,019,646 and \$2,644,826, respectively and increased revenues from various sources related to The Pinnacle Development, such as increased local option sales tax and revenue from the State of Tennessee. For business-type activities, the \$12,445,159 increase resulted from positive changes in net position for all three of the proprietary funds.
- As of the close of the current fiscal year, the City's governmental activities reported an unrestricted net position of \$23,143,860 for a \$9,835,040 decrease from the previous year. The net investment in capital assets amount for governmental activities increased by \$2,184,681 throughout the course of the fiscal year due to the cumulative impact of the usage of bond proceeds to fund capital projects, current year additions, and recorded depreciation.
- At the end of the current fiscal year, fund balance for the General Fund was \$14,991,497 which is an increase of \$1,047,989 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 2016 fiscal year was planned as part of the original budget to have a zero change in fund balance. Actual results are higher than planned results due to higher revenues from sales tax, income tax, and Chapter 420 funds than originally budgeted. Expenditures were also less than budgeted due to reduced staffing costs due to salary slippage and the timing of several project costs.
- The City's total liabilities decreased by \$1,430,668 during the fiscal year. Accounts payable and other current liabilities increased by \$2,804,693. Noncurrent liabilities decreased by \$4,235,361 from the prior year due to repayments on debt obligations and the current year change in the net pension liability.

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 development, culture and recreation, economic development, education, public safety, and public works. The business-type activities of the City include the provision of electric, waterworks, stormwater, cable and internet, and telephone services.

The government-wide financial statements include entities the City is financially accountable for including the City of Bristol, Tennessee itself (known as the *primary government*), and one legally separate entity. The separate component unit is an industrial development board. Financial information for the Board is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 30 - 32 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 sixteen 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, 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 33 - 43 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, stormwater, 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, Waterworks, and Stormwater operations. 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 44 - 48 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 49 - 50 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 51 - 157 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 158 - 167 of this report. The combining statements referred to earlier in connection with non-major 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 170 - 191 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 \$304,340,913 at the close of the most recent fiscal year. By far the largest portion of the City of Bristol's net position (66%) reflects its net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position 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.

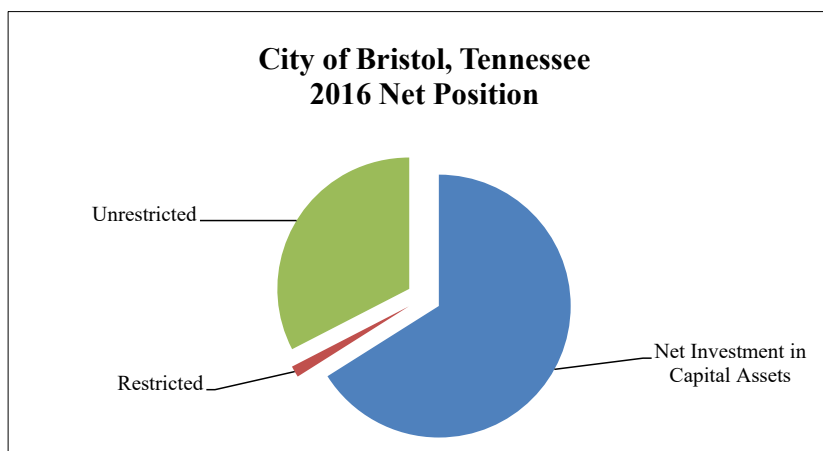
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of Bristol, Tennessee Net Position

June 30, 2016

(Presented in Actual Dollars)

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and Other Assets	\$ 70,332,237	62,535,645	88,473,335	76,675,783	158,805,572	139,211,428
Capital Assets,						
Net of Accumulated						
Depreciation	144,046,169	145,945,528	131,479,442	132,140,243	275,525,611	278,085,771
Total Assets	<u>214,378,406</u>	<u>208,481,173</u>	<u>219,952,777</u>	<u>208,816,026</u>	<u>434,331,183</u>	<u>417,297,199</u>
DEFERRED OUTFLOWS						
OF RESOURCES						
Deferred Charge on Refunding	345,661	395,062	1,129,820	1,193,470	1,475,481	1,588,532
Deferred Outflows Related						
to Pensions	4,171,717	4,312,089	1,259,923	1,265,672	5,431,640	5,577,761
Total Deferred Outflows of Resources	<u>4,517,378</u>	<u>4,707,151</u>	<u>2,389,743</u>	<u>2,459,142</u>	<u>6,907,121</u>	<u>7,166,293</u>
LIABILITIES						
Current Liabilities	6,089,820	4,167,961	8,185,830	7,302,996	14,275,650	11,470,957
Noncurrent Liabilities	51,916,721	54,608,329	36,371,149	37,914,902	88,287,870	92,523,231
Total Liabilities	<u>58,006,541</u>	<u>58,776,290</u>	<u>44,556,979</u>	<u>45,217,898</u>	<u>102,563,520</u>	<u>103,994,188</u>
DEFERRED INFLOWS						
OF RESOURCES						
Unearned Revenue - Prop. Tax	26,174,446	25,516,879	-	-	26,174,446	25,516,879
Deferred Inflows Related						
to Pensions	7,259,122	10,795,215	900,303	1,617,191	8,159,425	12,412,406
Total Deferred Inflows of Resources	<u>33,433,568</u>	<u>36,312,094</u>	<u>900,303</u>	<u>1,617,191</u>	<u>34,333,871</u>	<u>37,929,285</u>
NET POSITION						
Net Investment in Capital Assets	100,097,754	97,913,073	100,824,573	101,500,493	200,922,327	199,413,566
Restricted	4,214,061	6,786,047	-	-	4,214,061	6,786,047
Unrestricted	23,143,860	13,308,820	76,060,665	62,939,586	99,204,525	76,248,406
Total Net Position	<u>\$ 127,455,675</u>	<u>118,007,940</u>	<u>176,885,238</u>	<u>164,440,079</u>	<u>304,340,913</u>	<u>282,448,019</u>



The City's net position increased by \$21,891,894 during the fiscal year. The majority of this increase resulted from the business-type activities and increased revenues related to The Pinnacle development in the Border Region Retail Development District.

Governmental Activities. Governmental activities increased the City's net position by \$9,447,735 relating to current year activity. This increase accounts for 43% of the total current year change in net position.

Key elements of this increase are as follows:

- The City received donated assets during the year which are being included in the Statement of Activities. 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 \$69,646 of various assets at the two locations.
- The City received lower total governmental activities program revenues in FY 2016 versus the amount received in the prior year. The total amount received in FY 2016 was \$25,618,701. However, \$15,664,514 of the prior year amount was for the capital contributions related to construction of the general infrastructure at The Pinnacle development site and library assets which were nonrecurring revenues. Total governmental activities program revenues were \$27,583,697 in FY 2015 exclusive of the capital contributions. The current revenue is comparable to the average per year amount for the preceding five years to FY 2015. One of the biggest declines from the prior year was revenues from operating grants and contributions. Grant funding has declined in several areas and less funds were spent during FY 2016 on Community Development related projects.
- While the City experienced a decrease in program revenues, expenses of the governmental activities decreased due to lower costs of grant related programs and the impact of staff vacancies or salary slippage. The economic development function declined approximately \$631,000 due to a decrease in funds paid to the Industrial Development Board of Bristol, Tennessee. In the previous few fiscal years, proceeds from two bond issues were transferred to the IDB as economic development costs to fund infrastructure construction at The Pinnacle which resulted in higher functional total spending. Public Works also declined approximately \$500,000 which resulted from changes in Solid Waste operating practices which resulted in a reduction in operating costs and savings from lower fuel prices.
- General revenues of the governmental activities increased in total by \$5,267,431 from the prior year. The increase is attributable to property tax revenue that experienced a growth of approximately \$1,195,000 from last year. Also, the City experienced an increase in sales tax revenue of \$2,895,584 and state revenues of \$775,991 primarily due to increased revenues from The Pinnacle, as previously discussed.
- For eight 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 2016 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 \$12,445,159 relating to current year activity. This increase accounts for 57% 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 winter months of fiscal year 2016 was mild with only 3,545 heating degree days compared to 4,374 heating degree days for fiscal year 2015. Revenues from cable, Internet, and telephone collectively increased 6% in fiscal year 2016 as the subscriber base continues to grow. Operation expenses continue to increase as a result of additional services being provided to an increased number of customers and enhancements to the water heater program. Maintenance expense increased as a result of a substation automation project, a pole inspection project, and upgrades to the service center.
- The service rates for the Waterworks Fund remained the same during the 2016 year for the Sewer Segment. However, rates in the Water Segment were increased by 3.5% across all rates not otherwise contractually established. The rate increase was required to help offset the decline in water sold to the large water customers. See schedules of rates on pages 235 - 236 for additional information. The Waterworks Fund recorded \$336,328 in capital grants and contributions during the fiscal year.
- The Stormwater Fund is a proprietary fund that began operation in FY 2015 to account for the maintenance and operations of the stormwater system. This activity had previously been accounted for in the General Fund. The stormwater rate was set at \$2.00 per equivalent residential unit (ERU) originally and has remained unchanged. Capital assets related to stormwater were transferred last year from the governmental activities to this fund since they were being used for stormwater purposes. During the fiscal year, Series 2015 General Obligation Bonds funds were used to fund a capital projects related to the downtown flood study improvements along Beaver Creek. Remaining bond proceeds will be used to improve drainage on Cypress Street. The Stormwater Fund recorded \$392,208 in capital grants and contributions during the fiscal year.

City of Bristol, Tennessee Changes in Net Position
For the Fiscal Year Ended June 30, 2016
(Presented in Actual Dollars)

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$ 5,362,736	5,812,831	112,941,617	116,663,842	118,304,353	122,476,673
Operating Grants	20,255,965	21,770,866	-	-	20,255,965	21,770,866
Capital Grants	2,319,050	16,862,028	1,033,534	3,823,239	3,352,584	20,685,267
General Revenues:						
Property Taxes	26,522,440	25,327,257	-	-	26,522,440	25,327,257
Payments in Lieu of Tax	56,947	53,134	-	-	56,947	53,134
Sales Taxes	13,255,190	10,359,606	-	-	13,255,190	10,359,606
Beer and Liquor Taxes	705,036	721,250	-	-	705,036	721,250
Business Tax	752,204	548,480	-	-	752,204	548,480
Cable Franchise Tax	337,725	347,315	-	-	337,725	347,315
Gas Franchise Tax	268,670	309,589	-	-	268,670	309,589
Hotel/Motel Taxes	437,696	357,052	-	-	437,696	357,052
State Revenue (Unrestricted)	5,746,841	4,970,850	-	-	5,746,841	4,970,850
Investment Income (Unrestricted)	60,589	27,049	459,108	341,334	519,697	368,383
Other General Revenues	927,223	781,548	6,516,252	-	7,443,475	781,548
Total Revenues	<u>77,008,312</u>	<u>88,248,855</u>	<u>120,950,511</u>	<u>120,828,415</u>	<u>197,958,823</u>	<u>209,077,270</u>
Expenses:						
Governmental Activities:						
General Government	4,936,988	5,207,412	-	-	4,936,988	5,207,412
Community Development	1,188,506	1,031,931	-	-	1,188,506	1,031,931
Culture and Recreation	3,537,905	3,627,795	-	-	3,537,905	3,627,795
Economic Development	2,694,007	3,325,737	-	-	2,694,007	3,325,737
Education	36,811,278	36,747,290	-	-	36,811,278	36,747,290
Public Safety	11,057,221	11,013,053	-	-	11,057,221	11,013,053
Public Works	8,565,442	9,066,286	-	-	8,565,442	9,066,286
Interest on Long-Term Debt	1,436,502	1,460,539	-	-	1,436,502	1,460,539
Business-type Activities:						
Electric	-	-	82,913,319	86,381,665	82,913,319	86,381,665
Waterworks	-	-	7,235,728	7,417,824	7,235,728	7,417,824
Stormwater	-	-	484,315	500,159	484,315	500,159
Cable and Internet	-	-	14,335,991	12,801,982	14,335,991	12,801,982
Telephone	-	-	868,727	796,252	868,727	796,252
Total Expenses	<u>70,227,849</u>	<u>71,480,043</u>	<u>105,838,080</u>	<u>107,897,882</u>	<u>176,065,929</u>	<u>179,377,925</u>
Increase in Net Position Before Transfers	6,780,463	16,768,812	15,112,431	12,930,533	21,892,894	29,699,345
Transfers	<u>2,667,272</u>	<u>2,129,132</u>	<u>(2,667,272)</u>	<u>(2,129,132)</u>	<u>-</u>	<u>-</u>
Increase in Net Position	9,447,735	18,897,944	12,445,159	10,801,401	21,892,894	29,699,345
Net Position - Beginning	118,007,940	132,546,757	164,440,079	158,729,944	282,448,019	291,276,701
Prior Period Adjustments	<u>-</u>	<u>(33,436,761)</u>	<u>-</u>	<u>(5,091,266)</u>	<u>-</u>	<u>(38,528,027)</u>
Net Position - Ending	<u>\$ 127,455,675</u>	<u>118,007,940</u>	<u>176,885,238</u>	<u>164,440,079</u>	<u>304,340,913</u>	<u>282,448,019</u>

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.

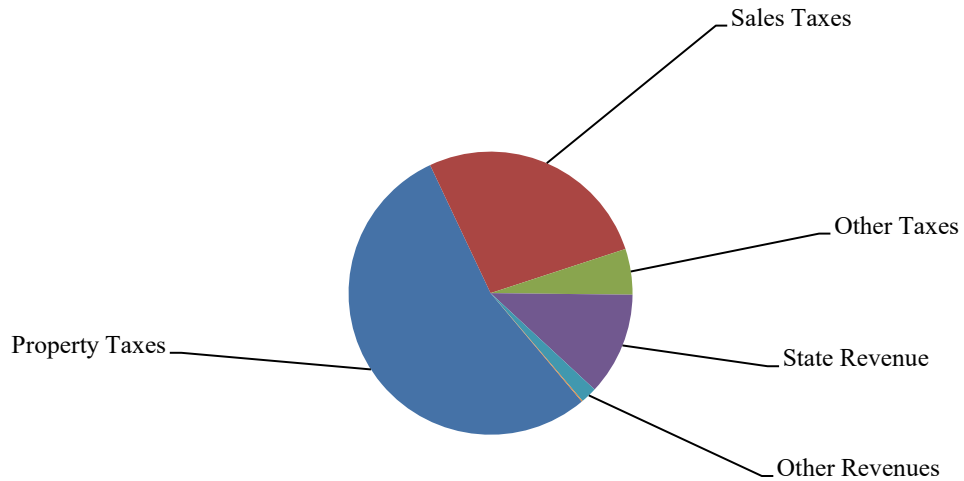
The City's governmental funds reported combined ending fund balances of \$31,273,138 for the year, an increase of \$2,657,888. The General Fund, Chapter 420 Fund, and General Purpose School Fund had current year changes in fund balance of \$1,019,646, (\$579,247), and \$2,644,826, respectively. The change in fund balance also included activity in the non-major funds. Five of the non-major funds, Community Development Fund, Electronic Citation Fee Fund, Debt Service Fund, Capital Equipment Fund, and Capital Facilities Fund experienced a decrease in fund balance; while four of them, Drug Fund, School Nutrition Fund, Solid Waste Fund, and State Street Aid Fund experienced an increase 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 \$14,515,683 while total fund balance was reported to be \$14,991,497. Total Fund Balance increased \$1,019,646 over the prior fiscal year due to current year activity. 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 45% and 46%, respectively, of total general fund expenditures and other financing uses.

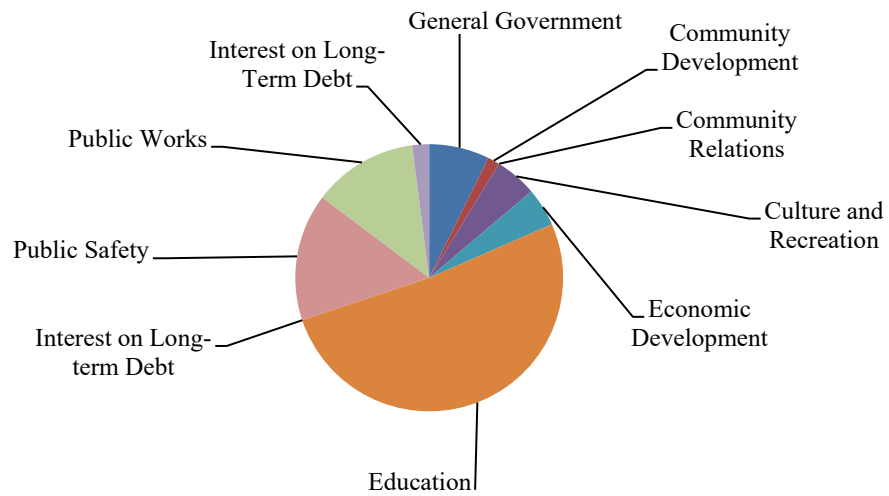
The Chapter 420 Fund is a special revenue fund used to account for all restricted revenues related to the Border Region Retail Development District. The State of Tennessee passed legislation which allowed certain areas in the State to be designated as border region retail development districts if next 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 is 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 2016 year, the majority of the activity was reimbursements from the State of Tennessee and related disbursements and transfers of bond funds to the Debt Service Fund to pay for capital related interest.

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 \$11,716,308, an increase of \$2,644,826 over the prior fiscal year. The amount assigned for education purposes was \$11,700,552. 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 \$265,000. 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. Property tax revenue exceeded budgeted expectations by approximately \$1,097,700, due to a \$0.13 increase on the current year property tax rate designated for school purposes that was unknown during the fiscal year budgeting process, an increase in the Weighted Full Time Equivalent Average Daily Attendance (WFTEADA), and a significant increase in pick-up property taxes. Local sales tax revenue also exceeded budgeted expectations by approximately \$302,600. Total expenditures were less than the original amount budgeted by approximately \$1,453,600.

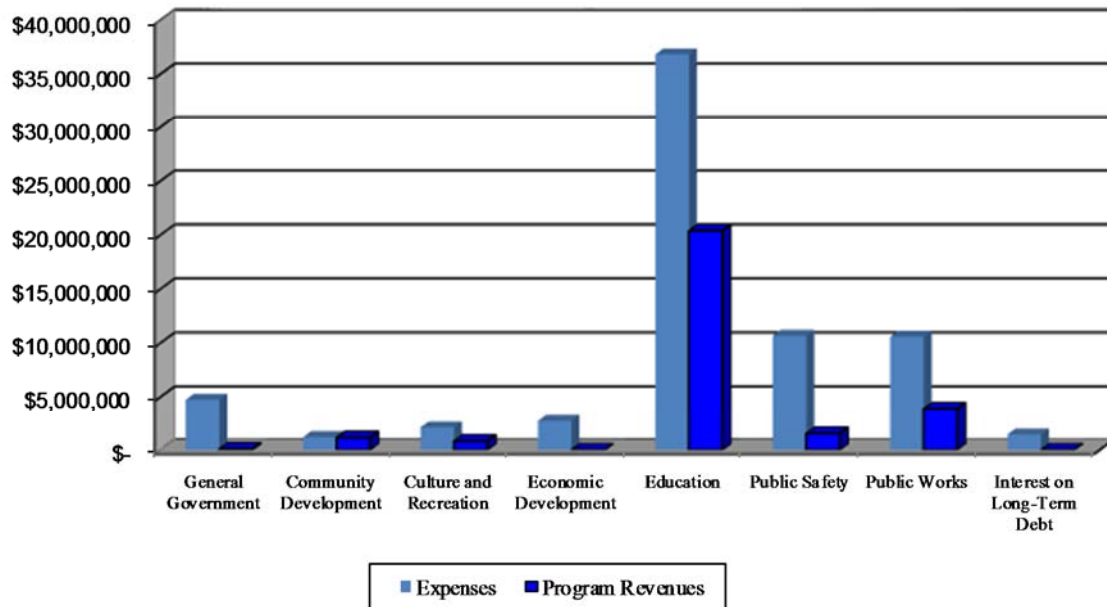
Governmental Activities General Revenues



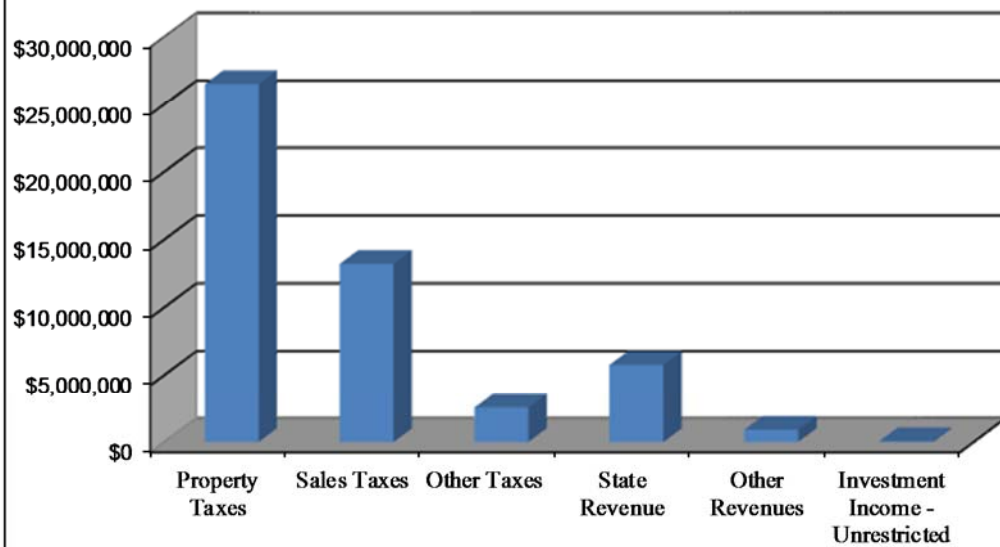
Governmental Activities Expenses



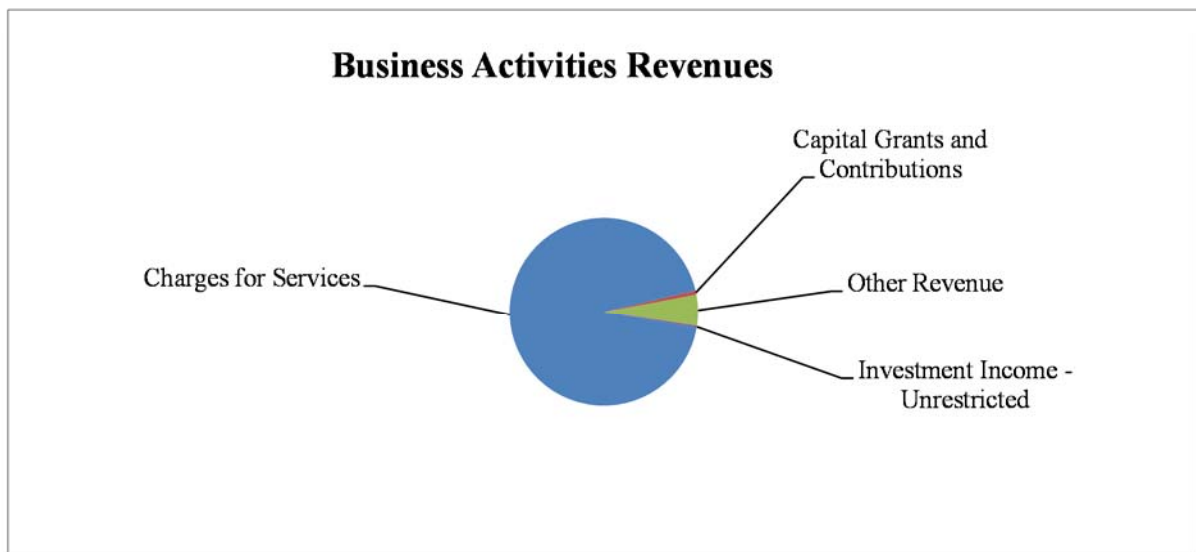
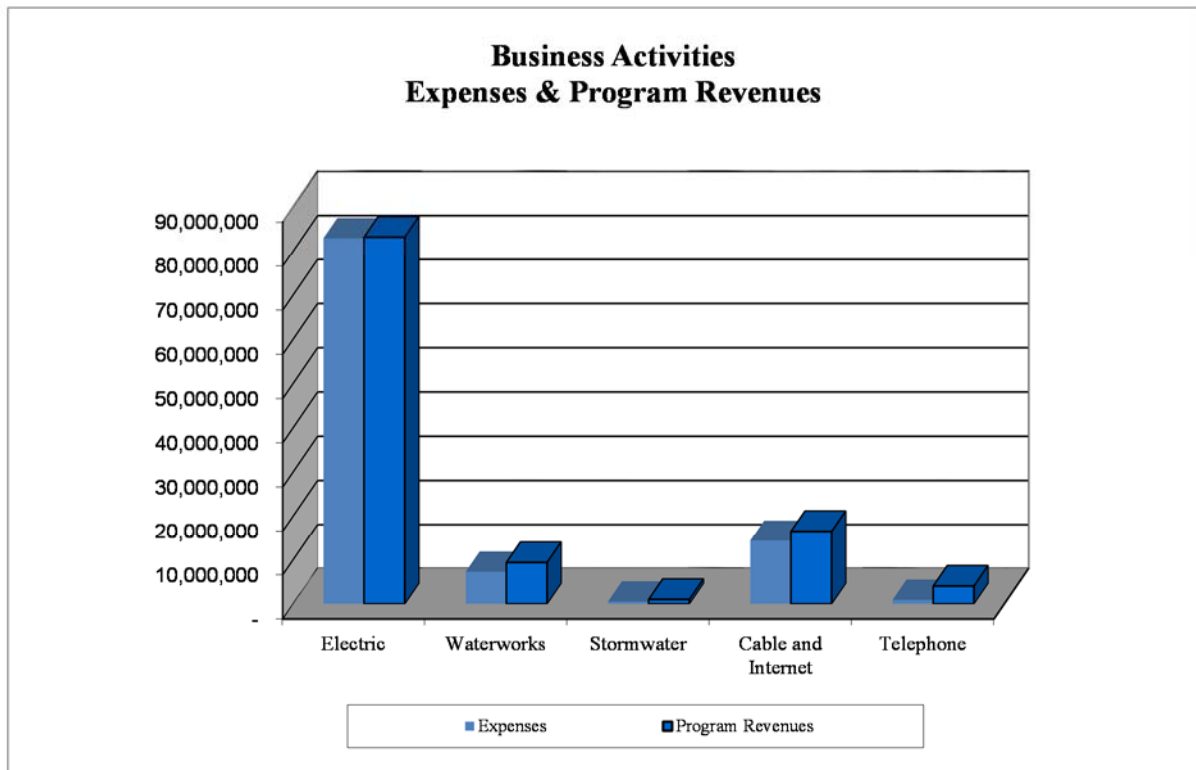
Governmental Activities Expenses & Program Revenues



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 \$61,419,671. The Waterworks Fund’s and Stormwater Fund’s unrestricted net position amounts were \$13,998,336 and \$664,647, respectively, at year end. The total change in net position was \$10,436,544, \$1,456,149, and \$457,200 for the Electric, Waterworks, and Stormwater 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 amended during the fiscal year. During the current fiscal year, unassigned fund balance in the General Fund increased to \$14,515,683. City Council budgeted a balanced fund for FY 2016 with no increase or decrease in fund balance.

The \$478,891 budget amendment to increase expenditures was passed to reflect additional spending on inclement weather control in Street Maintenance of \$200,000, correction of an error in the allocation formula for Economic Development of \$130,000, additional wages due to the change of the City Attorney of \$20,000, additional amount to be disbursed related to The Pinnacle TIF of \$85,000, and \$43,891 of costs for Artistical Performances related to show events. However, spending was able to be adjusted to offset these additional costs and total expenditures for the year did not exceed the original appropriation.

Revenues with significant variances included local sales tax, state sales tax, and state income tax. Local sales tax for the year was \$6,228,237 or \$146,213 above the amount budgeted for the year. The City is experiencing increases in sales tax revenue as a result of The Pinnacle development. Staff has tried to predict the growth in sales tax due to the development. However, it has been difficult to budget in advance the actual amount of revenue that will be generated due to changing store opening dates and stores opening after the budget was established. The budget was conservatively developed and actual revenues are exceeding expectations.

State income tax also exceeded the original budget by approximately \$127,000. This revenue varies per year and is based upon the economy and gains on investments. The budgeted amount was also conservatively developed and actual results exceeded expectations.

Expenditures have either been held constant or reduced by staff to the greatest extent possible over the past few years. Vacant positions have remained vacant as long as possible and operating practices have been reviewed and altered, if possible, to save costs. The original budget for total expenditures was \$24,271,109. Total actual expenditures for the year were \$23,997,672 or \$273,437 below the original budget appropriation. The functions with significant savings versus budget were culture and recreation and public safety. Staffing fluctuated during the year and gas prices declined from the original budget projections which resulted in the primary expenditure savings for these activities.

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, 2016, amounts to \$275,525,611. 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 0.76% (a 2.23% increase for governmental activities and a 0.67% decrease for business-type activities).

City of Bristol, Tennessee Capital Assets
(Net of Depreciation)
June 30, 2016
(Presented in actual dollars)

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Net Capital Assets:						
Land	\$ 5,162,523	5,136,029	2,074,661	1,646,314	7,237,184	6,782,343
Land Improvements	10,030,114	9,724,049	10,057	-	10,040,171	9,724,049
Buildings and Improvements	44,495,996	44,828,018	4,439,992	4,547,346	48,935,988	49,375,364
Infrastructure	72,906,552	75,341,526	115,681,133	113,353,244	188,587,685	188,694,770
Machinery and Equipment	8,273,921	8,205,258	3,136,310	3,008,800	11,410,231	11,214,058
Other Improvements	1,047,652	1,052,060	-	-	1,047,652	1,052,060
Construction in Progress	2,129,411	1,658,588	6,137,289	9,584,539	8,266,700	11,243,127
Total Net Capital Assets	<u>\$ 144,046,169</u>	<u>145,945,528</u>	<u>131,479,442</u>	<u>132,140,243</u>	<u>275,525,611</u>	<u>278,085,771</u>

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

- Several infrastructure projects were also initiated or furthered during the past year, including the East Cedar Road project, construction of the new Fire Station 5 at The Pinnacle, and renovation of the Nature Center at Steele Creek Park. Facility improvements were also made at several parks. One of the most significant park improvements was the completion of construction on the Ida Stone Jones Tennis Center. This project is a joint effort of the City, school system, and private partners to bring a tennis center to the community to provide an additional recreation opportunity. Another successful joint effort with private partners was construction of a new splash pad at Steele Creek Park.
- The General Purpose School Fund added \$1,811,671 of capital asset additions during the year. Capital asset additions of approximately \$378,000 related to the purchase of new buses, equipment for students and teachers, and installation of a system-wide video surveillance system. Approximately \$1,433,000 of capital asset additions related to continued renovations of aging school facilities. The most significant project consisted of current year expenditures of approximately \$622,000 in renovations to the newly named Frank Winston Auditorium at Tennessee High School. In addition, other significant upgrades were completed at the Tennessee High School campus having a current year approximate cost of \$613,000.
- During the year, gross capital assets of the Electric Fund increased by \$4,304,889 or 3%, compared to \$11,382,003 or 8% in 2015. The Electric Fund installed over 6,100 feet of 3-phase #2 concentric neutral underground distribution cable and 2,000 feet of fiber cable at The Pinnacle. Installation of 3.3 miles of 69kV transmission line with 3 miles of 15kV underbuild distribution line was completed along Bethel Drive between Exide Substation and Blountville Primary Substation.
- The Waterworks Fund added \$955,081 of capital asset additions during the year. The largest projects involved the addition of water and sewer lines in Partnership Park II, the continuation of several water line replacement projects in the East End Area Project and of the galvanized portion of the system, and continuing implementation of an automated meter reading system for utility billing purposes.

- The Stormwater Fund added \$650,408 of capital additions during the year. The largest projects involved the flood study improvements related to Beaver Creek and completed construction of the Glenwood Road Bridge.

Additional information on the City of Bristol, Tennessee's capital assets can be found in note IV. C. on pages 76 - 78 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Bristol had total bonded debt outstanding of \$72,765,000. Of this amount, 63% comprises debt backed by the full faith and credit of the government. The remaining 37% of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

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 2.21%. 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 81 - 98 of this report.

City of Bristol, Tennessee's Outstanding Debt
General Obligation and Revenue Bonds
June 30, 2016
(Presented in actual dollars)

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Outstanding Bond Debt:						
General Obligation	\$ 41,770,000	43,480,000	3,865,000	4,330,000	45,635,000	47,810,000
Revenue Bonds	-	-	27,130,000	27,830,000	27,130,000	27,830,000
Total Outstanding Bond Debt	<u>\$ 41,770,000</u>	<u>43,480,000</u>	<u>30,995,000</u>	<u>32,160,000</u>	<u>72,765,000</u>	<u>75,640,000</u>

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Bristol at June 30, 2016, was 6.4%. This is a decrease from the 6.8% estimate listed in the prior year's audit, and the estimate is higher than the unemployment rate for the State of Tennessee of 4.10%. As of June 2016, the national unemployment rate was 4.90%. Therefore, Bristol's rate of 6.4% 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 2017 fiscal year.

During the 2016 fiscal year, unassigned fund balance in the General Fund increased to \$14,515,683. City Council approved a balanced budget with no change in fund balance for the 2017 budget year for the General Fund.

Revenues are expected to increase by 5.5%. Major areas of revenue changes over budgeted 2016 levels include increases in real and personal property taxes of \$222,813 for The Pinnacle Tax Increment Financing (TIF) area and local sales tax increase of \$1,484,120 for The Pinnacle area. Revenue projections for FY 2017 were altered to reflect actual collections in FY 2016 adjusted for observable trends and known changes. Intergovernmental revenue was also planned to increase by approximately \$385,000 for revenue growth of which The Pinnacle was a major influence. No property tax increase was planned as part of the FY 2017 Budget.

General Fund operating expenditures are higher by \$1,190,052 or 4.9% over budgeted 2016 levels. The major factors of increased costs are a modest general wage adjustment and benefit changes related to increased costs for health insurance and dental insurance costs of the employer, additional \$327,000 in SaaS fees due to the new Enterprise Resource Planning (ERP) System, and the increased amounts budgeted for the disbursement of TIF payments related to The Pinnacle and Southside Projects.

During the 2016 fiscal year, fund balance in the General Purpose School Fund increased to \$11,716,308, or by \$2,644,826. City Council and the School Board approved a budgeted loss of \$126,000 for the 2017 budget year for the General Purpose School Fund. Revenues are expected to increase by 5.5%. The major areas of change from the 2016 budgeted amounts include an increase in property tax, sales tax, and intergovernmental revenue. Operating expenditures, including capital outlay, are 5.0% higher than 2016 budgeted levels. Costs are primarily expected to increase due to wage adjustments to employees required by State of Tennessee BEP funding, health insurance cost increases, and a significant increase in capital improvements needed at aging school facilities.

Waterworks Fund revenues are budgeted at \$9,316,583, an increase of 4.9% from last year. The water rate was planned to increase by 3.5% for both FY 2016 and FY 2017. The sewer rate was planned to remain unchanged. Both rates had remained unchanged since July 2010. Expenses are budgeted at \$8,490,573, an increase of \$109,153 from fiscal 2016. This is a 1.3% increase from last year. Operating expenses are higher by \$41,835 or 0.6%, and includes \$1,577,007 for administration and general, \$1,401,763 for water purification and facilities, \$1,026,128 for transmission and distribution, \$819,163 for collection system, \$250,000 for sewer lift stations, \$1,616,914 for sewer treatment and disposal, and \$845,000 of depreciation.

The rates for service in the Stormwater Fund were planned to remain the same. Revenues from charges for services are budgeted at \$566,863 in accordance with the \$2.00 per month residential fee and related ERU levels for nonresidential impervious areas. The Stormwater Fund is projected to end the year with a both a positive change in net assets and net position.

The Solid Waste Fund operating revenues are projected at \$1,973,280, a decrease of \$7,720 from the prior budget year. Fees remain unchanged at a \$14.50 per household monthly fee (\$7.25 for each additional container per month). As in the past, a reduced rate for Property Tax Relief Program homeowners will be offered. The tax relief rate is \$9.00 per months with each additional container being billed at the same rate charged to other customers. The last program rate increase took place in July 2015. Total expenditures is budgeted at \$1,653,228, a decrease of \$95,996 or 5.5%, from the prior budget year. Waste pickup, brush and bulk pickup, and landfill operations account for 50.8%, 41.5%, and 7.7% 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, 2016

	Primary Government			Component Unit
	Governmental	Business-type		Industrial
	Activities	Activities	Total	Development Board
ASSETS				
Cash and Cash Equivalents	\$ 3,588,083	25,122,034	28,710,117	183,803
Pooled Cash	8,684,333	2,390,575	11,074,908	-
Investments	15,617,515	35,230,277	50,847,792	100,000
Receivables, Net of Allowance	16,876,007	10,426,062	27,302,069	-
Notes Receivable	78,550	2,239,776	2,318,326	-
Other Receivables	1,024,282	774,123	1,798,405	23,209
Due from Joint Venture	-	224,342	224,342	-
Due from Other Governments	20,678,116	142,330	20,820,446	-
Due from Trust Fund	51,957	-	51,957	-
Internal Balances	262,045	(262,045)	-	-
Inventories	339,703	3,608,309	3,948,012	-
Prepays and Prepaid Pension Cost	100,420	394,787	495,207	-
Investment in Joint Venture	-	7,299,034	7,299,034	-
Restricted Cash	-	-	-	1,082,892
Restricted Investments	2,639,830	622,884	3,262,714	-
Property Held for Redevelopment	366,494	260,847	627,341	-
Net OPEB Asset	11,152	-	11,152	-
Net Pension Asset	13,750	-	13,750	-
Capital Assets, Net of Accumulated Depreciation:				
Land	5,162,523	2,074,661	7,237,184	6,351,331
Land Improvements	10,030,114	10,057	10,040,171	-
Buildings and Building Improvements	44,495,996	4,439,992	48,935,988	-
Infrastructure	72,906,552	115,681,133	188,587,685	-
Machinery and Equipment	8,273,921	3,136,310	11,410,231	-
Other Improvements	1,047,652	-	1,047,652	-
Construction in Progress	2,129,411	6,137,289	8,266,700	-
Total Assets	214,378,406	219,952,777	434,331,183	7,741,235
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	345,661	1,129,820	1,475,481	-
Deferred Outflows Related to Pensions	4,171,717	1,259,923	5,431,640	-
Total Deferred Outflows of Resources	4,517,378	2,389,743	6,907,121	-

(Continued)

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

	Primary Government			Component Unit
	Governmental	Business-type		Industrial
	Activities	Activities	Total	Development Board
LIABILITIES				
Accounts Payable and Other Current Liabilities	5,105,163	3,658,192	8,763,355	40,605
Contracts Payable	177,479	-	177,479	-
Retainages Payable	45,384	-	45,384	-
Accrued Interest Payable	116,021	377,534	493,555	-
Due to Others and Deposits	198,362	2,197,774	2,396,136	1,082,892
Unearned Revenue	447,411	1,952,330	2,399,741	-
Noncurrent Liabilities				
Due Within One Year	2,577,754	1,305,400	3,883,154	-
Due in More Than One Year	48,174,984	30,691,517	78,866,501	-
Net Pension Liability	1,163,983	4,374,232	5,538,215	-
Total Liabilities	<u>58,006,541</u>	<u>44,556,979</u>	<u>102,563,520</u>	<u>1,123,497</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue - Property Taxes	26,174,446	-	26,174,446	-
Deferred Inflows Related to Pensions	<u>7,259,122</u>	<u>900,303</u>	<u>8,159,425</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>33,433,568</u>	<u>900,303</u>	<u>34,333,871</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	100,097,754	100,824,573	198,716,916	6,351,331
Restricted:				
Capital	2,107,728	-	2,107,728	-
Community Development	73,562	-	73,562	-
Debt Service	6,140	-	6,140	-
Education	15,756	-	15,756	-
Municipal and Juvenile Court	2,782	-	2,782	-
Parks and Recreation	40,382	-	40,382	-
Police and Drug Control	148,194	-	148,194	-
School Nutrition	1,063,598	-	1,063,598	-
Solid Waste	755,919	-	755,919	-
Unrestricted	<u>23,143,860</u>	<u>76,060,665</u>	<u>101,409,936</u>	<u>266,407</u>
Total Net Position	<u>\$ 127,455,675</u>	<u>176,885,238</u>	<u>304,340,913</u>	<u>6,617,738</u>

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, 2016

					NET (EXPENSE) REVENUE AND CHANGES			Component Unit Industrial Development Board
					IN NET POSITION			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 4,936,988	600,179	-	69,646	(4,267,163)	-	(4,267,163)	-
Community Development	1,188,506	38,820	1,107,446	-	(42,240)	-	(42,240)	-
Culture and Recreation	3,537,905	220,758	102,053	-	(3,215,094)	-	(3,215,094)	-
Economic Development	2,694,007	-	-	-	(2,694,007)	-	(2,694,007)	-
Education	36,811,278	1,444,216	16,871,643	2,062,062	(16,433,357)	-	(16,433,357)	-
Public Safety	11,057,221	1,047,578	489,956	-	(9,519,687)	-	(9,519,687)	-
Public Works	8,565,442	2,011,185	1,684,867	187,342	(4,682,048)	-	(4,682,048)	-
Interest and Related Charges for Long-term Debt	1,436,502	-	-	-	(1,436,502)	-	(1,436,502)	-
Total Governmental Activities	70,227,849	5,362,736	20,255,965	2,319,050	(42,290,098)	-	(42,290,098)	-
Business-type Activities:								
Electric	82,913,319	82,876,162	-	304,998	-	267,841	267,841	-
Waterworks	7,235,728	9,000,940	-	336,328	-	2,101,540	2,101,540	-
Stormwater	484,315	577,655	-	392,208	-	485,548	485,548	-
Cable and Internet	14,335,991	16,491,882	-	-	-	2,155,891	2,155,891	-
Telephone	868,727	3,994,978	-	-	-	3,126,251	3,126,251	-
Total Business-type Activities	105,838,080	112,941,617	-	1,033,534	-	8,137,071	8,137,071	-
Total Primary Government	\$ 176,065,929	118,304,353	20,255,965	3,352,584	(42,290,098)	8,137,071	(34,153,027)	-
Component Unit:								
Industrial Development Board	\$ 1,632,385	-	-	1,648,017	-	-	-	15,632
General Revenues:								
Property Taxes					26,522,440	-	26,522,440	-
Payments in Lieu of Tax					56,947	-	56,947	-
Sales Taxes					13,255,190	-	13,255,190	-
Beer and Liquor Taxes					705,036	-	705,036	-
Business Tax					752,204	-	752,204	-
Cable Franchise Tax					337,725	-	337,725	-
Gas Franchise Tax					268,670	-	268,670	-
Hotel/Motel Taxes					437,696	-	437,696	-
State Revenue (Unrestricted)					5,746,841	-	5,746,841	-
Investment Income (Unrestricted)					60,589	459,108	519,697	633
Other General Revenue					927,223	6,516,252	7,443,475	-
Transfers					2,667,272	(2,667,272)	-	-
Total General Revenues and Transfers					51,737,833	4,308,088	56,045,921	633
Change in Net Position					9,447,735	12,445,159	21,892,894	16,265
Net Position, Beginning					118,007,940	164,440,079	282,448,019	6,601,473
Net Position, Ending					\$ 127,455,675	176,885,238	304,340,913	6,617,738

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

CITY OF BRISTOL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Chapter 420	General Purpose School	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 14,159	-	3,065,399	508,525	3,588,083
Pooled Cash	6,469,305	-	-	1,339,311	7,808,616
Investments	5,303,223	586,754	8,573,533	674,311	15,137,821
Receivables, Net of Allowance	16,570,010	-	-	305,997	16,876,007
Notes Receivable	-	-	-	78,550	78,550
Other Receivables	762,212	-	162,888	38,842	963,942
Due from Other Funds	1,579,915	-	383,170	-	1,963,085
Due from Trust Fund	51,957	-	-	-	51,957
Due from Other Governments	2,388,126	3,831,675	12,600,364	1,857,951	20,678,116
Inventory	297,881	-	-	41,822	339,703
Restricted Cash	-	-	-	-	-
Restricted Investments	-	-	-	2,639,830	2,639,830
Property Held for Redevelopment	366,494	-	-	-	366,494
Total Assets	<u>33,803,282</u>	<u>4,418,429</u>	<u>24,785,354</u>	<u>7,485,139</u>	<u>70,492,204</u>
LIABILITIES					
Accounts Payable	642,903	-	869,353	1,028,069	2,540,325
Contracts Payable	-	-	-	177,479	177,479
Retainages Payable	-	-	29,174	16,210	45,384
Accrued Payroll	748,055	-	606,374	60,062	1,414,491
Due to Other Funds	987	557,405	40,000	1,124,637	1,723,029
Due to Others	85,185	23,209	-	89,968	198,362
Unearned Revenue	17,890	-	-	429,521	447,411
Total Liabilities	<u>1,495,020</u>	<u>580,614</u>	<u>1,544,901</u>	<u>2,925,946</u>	<u>6,546,481</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned Revenue - Property Taxes	15,140,261	-	11,034,185	-	26,174,446
Unavailable Revenue - Property Taxes & Other	2,176,504	3,831,675	489,960	-	6,498,139
Total Deferred Inflows of Resources	<u>17,316,765</u>	<u>3,831,675</u>	<u>11,524,145</u>	<u>-</u>	<u>32,672,585</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Inventory	297,881	-	-	41,822	339,703
Restricted:					
Capital Outlay	-	-	-	2,107,728	2,107,728
Community Development	-	-	-	73,562	73,562
Culture and Recreation	40,382	-	-	-	40,382
Debt Service	-	6,140	-	-	6,140
Education	-	-	15,756	-	15,756
Municipal and Juvenile Court	2,782	-	-	-	2,782
Police and Drug Control	34,769	-	-	113,425	148,194
School Nutrition	-	-	-	1,063,598	1,063,598
Solid Waste	-	-	-	755,919	755,919
Assigned:					
Birthplace of Country Music	100,000	-	-	-	100,000
Capital Outlay	-	-	-	25,000	25,000
Education	-	-	11,700,552	-	11,700,552
State Street Aid	-	-	-	378,139	378,139
Unassigned	<u>14,515,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,515,683</u>
Total Fund Balances (Deficits)	<u>14,991,497</u>	<u>6,140</u>	<u>11,716,308</u>	<u>4,559,193</u>	<u>31,273,138</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 33,803,282</u>	<u>4,418,429</u>	<u>24,785,354</u>	<u>7,485,139</u>	<u>70,492,204</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, 2016

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

Total Fund Balances - Governmental Funds (Page 34)	\$ 31,273,138
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	144,046,169
Prepays are expensed when disbursed in the governmental funds and are not recognized based upon economic benefit or recorded as assets in the funds.	100,420
Deferred outflows of resources relates to future periods and, therefore, are not reported in the funds.	4,517,378
Deferred inflows of resources relates to future periods and, therefore, are not reported in the funds.	(7,259,122)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported unavailable in the funds.	6,523,041
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.	287,393
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(52,032,742)</u>
Net Position of Governmental Activities	<u>\$ 127,455,675</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, 2016

	General	Chapter 420	General Purpose School	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 23,756,461	1,621,226	16,909,588	-	42,287,275
Licenses and Permits	354,502	-	2,100	-	356,602
Intergovernmental	4,145,800	-	15,584,487	6,076,704	25,806,991
Charges for Services	1,644,463	-	401,723	2,590,594	4,636,780
Revenues from Use of Facilities	-	-	7,011	-	7,011
Fines and Forfeitures	511,682	-	-	65,831	577,513
Investment Income	30,600	1,367	18,163	10,459	60,589
Other	116,620	-	940,730	177,587	1,234,937
Total Revenues	<u>30,560,128</u>	<u>1,622,593</u>	<u>33,863,802</u>	<u>8,921,175</u>	<u>74,967,698</u>
EXPENDITURES					
Current:					
General Government	4,818,701	-	-	187,652	5,006,353
Community Development	-	-	-	1,188,584	1,188,584
Culture and Recreation	3,238,884	-	-	54,852	3,293,736
Economic Development	1,111,883	1,621,226	-	-	2,733,109
Education	-	-	33,019,725	3,747,036	36,766,761
Public Safety	11,619,115	-	-	141,410	11,760,525
Public Works	3,209,089	-	-	2,982,105	6,191,194
Capital Outlay	-	-	1,811,671	2,576,087	4,387,758
Debt Service:					
Principal Retirement	-	-	-	2,216,196	2,216,196
Interest	-	-	-	1,487,255	1,487,255
Other Costs	-	-	-	4,006	4,006
Total Expenditures	<u>23,997,672</u>	<u>1,621,226</u>	<u>34,831,396</u>	<u>14,585,183</u>	<u>75,035,477</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,562,456</u>	<u>1,367</u>	<u>(967,594)</u>	<u>(5,664,008)</u>	<u>(67,779)</u>
OTHER FINANCING SOURCES (USES)					
Insurance Recoveries	20,210	-	1,914	-	22,124
Sale of Capital Assets	30,127	-	6,144	-	36,271
Transfers In	2,746,886	-	4,547,484	5,512,554	12,806,924
Transfers Out	(8,340,033)	(580,614)	(943,122)	(275,883)	(10,139,652)
Total Other Financing Sources (Uses)	<u>(5,542,810)</u>	<u>(580,614)</u>	<u>3,612,420</u>	<u>5,236,671</u>	<u>2,725,667</u>
Net Change in Fund Balances	1,019,646	(579,247)	2,644,826	(427,337)	2,657,888
Fund Balance - Beginning	13,943,508	585,387	9,071,482	4,985,312	28,585,689
Purchase Method Inventory Adjustment	<u>28,343</u>	<u>-</u>	<u>-</u>	<u>1,218</u>	<u>29,561</u>
Fund Balance, Ending	<u>\$ 14,991,497</u>	<u>6,140</u>	<u>11,716,308</u>	<u>4,559,193</u>	<u>31,273,138</u>

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, 2016

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

Net Change in Fund Balance - Total Governmental Funds	\$ 2,657,888
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 \$4,576,720 and the current year amount of \$6,498,139.	1,921,419
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 \$4,387,758 were less than depreciation of \$6,498,139 in the current period.	(1,960,013)
The net effect of various miscellaneous transactions involving capital assets (e.g., sales and donations) is to increase net position.	60,800
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.	29,561
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 \$100,420 were exceeded by the prior year amount of \$119,473.	(19,053)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	2,216,196
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.	49,275
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.	3,726,140
An internal service fund is used by management to charge the costs of employee insurance to individual funds.	765,522
Change in Net Position of Governmental Activities	<u><u>\$ 9,447,735</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes:				
Property Tax	\$ 14,871,486	14,871,486	14,633,415	(238,071)
Property Tax - Penalty and Interest	250,000	250,000	285,436	35,436
Payments in Lieu of Taxes	55,134	55,134	56,947	1,813
Local Sales Tax	6,082,024	6,082,024	6,228,237	146,213
Beer and Liquor Taxes	770,100	770,100	705,036	(65,064)
Business Tax	625,100	625,100	752,204	127,104
Gas Franchise Tax	285,000	285,000	268,670	(16,330)
Cable Television Franchise Tax	350,000	350,000	337,725	(12,275)
Hotel and Motel Taxes	440,000	440,000	437,696	(2,304)
State Litigation Tax	52,500	52,500	51,095	(1,405)
Total Taxes	23,781,344	23,781,344	23,756,461	(24,883)
Licenses and Permits	395,755	395,755	354,502	(41,253)
Intergovernmental:				
State Sales Tax	1,948,000	2,238,000	2,159,756	(78,244)
State Income Tax	400,000	588,891	526,683	(62,208)
State Highway Maintenance	125,000	125,000	145,621	20,621
Bank Excise Tax	40,000	40,000	71,119	31,119
Gas and Motor Fuel Tax	54,800	54,800	54,324	(476)
Beer and Mixed Drink	135,000	135,000	141,895	6,895
TVA Payments in Lieu	315,000	315,000	316,910	1,910
Telecommunications Tax	3,000	3,000	2,269	(731)
Chapter 420	7,000	7,000	311,044	304,044
Federal Thru State and State Grants	79,400	79,400	75,800	(3,600)
Other Revenue	325,380	325,380	340,379	14,999
Total Intergovernmental	3,432,580	3,911,471	4,145,800	234,329
Charges for Services	1,130,890	1,130,890	1,644,463	513,573
Revenues from Use of Facilities	533,120	533,120	-	(533,120)
Fines and Forfeitures	482,440	482,440	511,682	29,242
Investment Income	10,000	10,000	30,600	20,600
Other	58,336	58,336	116,620	58,284
Total Revenues	29,824,465	30,303,356	30,560,128	256,772

(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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES				
General Government:				
General Administration:				
City Council	132,110	132,110	150,925	(18,815)
City Manager	191,533	191,533	190,148	1,385
Municipal Court	96,017	96,017	100,985	(4,968)
Juvenile Court	313,846	313,846	287,689	26,157
Legal	118,637	138,637	122,811	15,826
Finance	752,099	752,099	720,182	31,917
Administration	366,457	366,457	386,072	(19,615)
Information Technology	354,099	354,099	340,128	13,971
Community Relations	579,099	579,099	518,750	60,349
Planning	341,418	341,418	300,038	41,380
City Hall and Annex Maintenance	186,726	186,726	197,892	(11,166)
Total General Administration	3,432,041	3,452,041	3,315,620	136,421
Other Administration:				
Council Programs	1,405,400	1,405,400	1,418,948	(13,548)
Tax Increment Payments	-	-	-	-
School Property Insurance	112,619	112,619	84,133	28,486
Special Events	-	-	-	-
Total Other Administration	1,518,019	1,518,019	1,503,081	14,938
Total General Government	4,950,060	4,970,060	4,818,701	151,359
Culture and Recreation				
Park Administration	192,335	192,335	201,673	(9,338)
Recreation	525,241	525,241	487,502	37,739
Steele Creek Golf Course	233,535	233,535	205,924	27,611
Farmers' Market	22,452	22,452	11,040	11,412
Senior Citizens Programs	261,142	261,142	252,900	8,242
Slater Community Center	153,883	153,883	157,021	(3,138)
Parks and Facilities	1,684,001	1,684,001	1,720,691	(36,690)
Nature Center	118,497	118,497	104,508	13,989
Haynesfield Pool	96,110	96,110	81,024	15,086
Artistical Performances	-	43,891	15,874	28,017
Library Administration	-	-	502	(502)
Special Recreation Activities	-	-	225	(225)
Total Culture and Recreation	3,287,196	3,331,087	3,238,884	92,203
Economic Development				
Economic Development	832,489	1,047,489	976,022	71,467
Chapter 420 Administration	3,000	3,000	135,861	(132,861)
Total Economic Development	835,489	1,050,489	1,111,883	(61,394)

(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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES (CONTINUED)				
Public Safety:				
Community Development:				
Codes Enforcement	292,836	292,836	237,898	54,938
Total Community Development Department	292,836	292,836	237,898	54,938
Fire Department:				
Administration	290,264	290,264	275,810	14,454
Fire Suppression	3,715,881	3,715,881	3,594,229	121,652
Emergency Medical Services	184,013	184,013	187,247	(3,234)
Fire Stations	77,567	77,567	77,800	(233)
Fire Prevention	107,666	107,666	104,446	3,220
Total Fire Department	4,375,391	4,375,391	4,239,532	135,859
Police Department:				
Administration	518,383	518,383	531,922	(13,539)
Patrol	3,695,290	3,695,290	3,422,566	272,724
Investigations	1,036,427	1,036,427	1,010,194	26,233
Community Programs	707,261	707,261	855,877	(148,616)
Communications and Records	1,313,618	1,313,618	1,160,330	153,288
Animal Control	157,043	157,043	160,796	(3,753)
Total Police Department	7,428,022	7,428,022	7,141,685	286,337
Total Public Safety	12,096,249	12,096,249	11,619,115	477,134
Public Works:				
Administration	114,192	114,192	126,660	(12,468)
Engineering	121,161	121,161	85,502	35,659
Traffic Engineering	45,241	45,241	41,571	3,670
Geographical Information Systems	104,628	104,628	54,953	49,675
Street Maintenance	1,683,547	1,883,547	1,824,259	59,288
Street Lighting and Traffic Control	494,700	494,700	498,694	(3,994)
Landfill	-	-	13,599	(13,599)
City Garage	538,646	538,646	563,851	(25,205)
Total Public Works	3,102,115	3,302,115	3,209,089	93,026
Total Expenditures	24,271,109	24,750,000	23,997,672	752,328

(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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess (Deficiency) of Revenues over Expenditures	5,553,356	5,553,356	6,562,456	1,009,100
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	-	20,210	20,210
Sale of Capital Assets	20,000	20,000	30,127	10,127
Transfer from Electric	1,946,105	1,946,105	2,074,778	128,673
Transfer from Waterworks	554,000	554,000	568,492	14,492
Transfer from Stormwater	12,600	12,600	24,002	11,402
Transfer from Chapter 420	300,833	300,833	-	(300,833)
Transfer from General Purpose School	-	-	40,000	40,000
Transfer from Transportation Grant	80,195	80,195	39,614	(40,581)
Transfer to General Purpose School	(4,547,484)	(4,547,484)	(4,547,484)	-
Transfer to Drug	(7,000)	(7,000)	(13,135)	(6,135)
Transfer to Grant	(62,425)	(62,425)	(18,568)	43,857
Transfer to State Street Aid	(129,400)	(129,400)	(129,963)	(563)
Transfer to Transportation Grant	(229,317)	(229,317)	(93,101)	136,216
Transfer to Debt Service	(2,488,633)	(2,488,633)	(2,312,129)	176,504
Transfer to Capital Equipment	(617,830)	(617,830)	(586,093)	31,737
Transfer to Capital Facilities	(385,000)	(385,000)	(639,560)	(254,560)
Total Other Financing Sources (Uses)	(5,553,356)	(5,553,356)	(5,542,810)	10,546
Net Change in Fund Balances	-	-	1,019,646	1,019,646
Fund Balance - Beginning	12,891,621	12,891,621	13,943,508	1,051,887
Purchase Method Inventory Adjustment	-	-	28,343	28,343
Fund Balance - Ending	\$ 12,891,621	12,891,621	14,991,497	2,099,876

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, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 1,680,255	1,621,226	(59,029)
Investment Income	-	1,367	1,367
Total Revenues	<u>1,680,255</u>	<u>1,622,593</u>	<u>(57,662)</u>
EXPENDITURES			
Economic Development	<u>1,379,422</u>	<u>1,621,226</u>	<u>(241,804)</u>
Total Expenditures	<u>1,379,422</u>	<u>1,621,226</u>	<u>(241,804)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>300,833</u>	<u>1,367</u>	<u>(299,466)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to General	(300,833)	-	300,833
Transfer to Debt Service	<u>(438,091)</u>	<u>(580,614)</u>	<u>(142,523)</u>
Total Other Financing Sources (Uses)	<u>(738,924)</u>	<u>(580,614)</u>	<u>158,310</u>
Net Change in Fund Balances	(438,091)	(579,247)	(141,156)
Fund Balance - Beginning	<u>438,091</u>	<u>585,387</u>	<u>147,296</u>
Fund Balance - Ending	<u>\$ -</u>	<u>6,140</u>	<u>6,140</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, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes:			
County Property Tax	\$ 10,454,829	11,552,494	1,097,665
Local Sales Tax	5,054,461	5,357,094	302,633
Total Taxes	<u>15,509,290</u>	<u>16,909,588</u>	<u>1,400,298</u>
Licenses and Permits	<u>2,000</u>	<u>2,100</u>	<u>100</u>
Intergovernmental:			
Federal Thru State and State	15,571,497	15,571,043	(454)
Bank Excise Tax	10,000	11,475	1,475
Telecommunications Tax	2,000	1,969	(31)
Total Intergovernmental Revenues	<u>15,583,497</u>	<u>15,584,487</u>	<u>990</u>
Charges for Services	<u>354,170</u>	<u>401,723</u>	<u>47,553</u>
Revenues from Use of Facilities	<u>2,400</u>	<u>7,011</u>	<u>4,611</u>
Investment Income	<u>10,000</u>	<u>18,163</u>	<u>8,163</u>
Other	<u>904,280</u>	<u>940,730</u>	<u>36,450</u>
Total Revenues	<u>32,365,637</u>	<u>33,863,802</u>	<u>1,498,165</u>
EXPENDITURES			
Instruction:			
Regular Education	16,272,468	15,988,295	284,173
Alternate School	225,941	225,359	582
Special Education	2,126,742	2,144,226	(17,484)
Vocational Education	1,001,340	989,209	12,131
Student Body	5,000	4,250	750
Total Instruction	<u>19,631,491</u>	<u>19,351,339</u>	<u>280,152</u>
Support Services:			
Attendance	207,209	204,310	2,899
Health Services	314,755	313,848	907
Other Student Support	1,004,186	951,382	52,804
Regular Instruction	3,146,505	2,659,936	486,569
Special Education	174,346	142,266	32,080
Vocational Education	7,597	98,244	(90,647)

(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, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
EXPENDITURES (CONTINUED)			
Support Services (Continued):			
Board of Education	610,665	516,492	94,173
Director of Schools	344,506	335,432	9,074
Office of Principal	3,044,943	3,020,561	24,382
Fiscal Services	465,129	453,429	11,700
Human Resources	166,171	162,601	3,570
Operation of Plant	2,117,769	1,882,698	235,071
Maintenance of Plant	1,296,098	1,320,786	(24,688)
Student Transportation	1,066,262	850,904	215,358
Total Support Services	<u>13,966,141</u>	<u>12,912,889</u>	<u>1,053,252</u>
Non-Instructional Services			
School Nutrition	53,471	68,049	(14,578)
Community Service	284,000	255,162	28,838
Early Childhood	410,997	409,529	1,468
Total Non-Instructional Services	<u>748,468</u>	<u>732,740</u>	<u>15,728</u>
Noncapitalized Improvements	<u>-</u>	<u>22,757</u>	<u>(22,757)</u>
Capital Outlay	<u>1,938,900</u>	<u>1,811,671</u>	<u>127,229</u>
Total Expenditures	<u>36,285,000</u>	<u>34,831,396</u>	<u>1,453,604</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,919,363)</u>	<u>(967,594)</u>	<u>2,951,769</u>
OTHER FINANCING SOURCES (USES)			
Insurance Recoveries	-	1,914	1,914
Sale of Capital Assets	10,000	6,144	(3,856)
Transfer from General	4,547,484	4,547,484	-
Transfer to General	-	(40,000)	(40,000)
Transfer to Capital Projects Facilities	(125,000)	(125,000)	-
Transfer to Debt Service	(778,121)	(778,122)	(1)
Total Other Financing Sources (Uses)	<u>3,654,363</u>	<u>3,612,420</u>	<u>(41,943)</u>
Net Change in Fund Balances	(265,000)	2,644,826	2,909,826
Fund Balance - Beginning	<u>6,521,791</u>	<u>9,071,482</u>	<u>2,549,691</u>
Fund Balance - Ending	<u>\$ 6,256,791</u>	<u>11,716,308</u>	<u>5,459,517</u>

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

CITY OF BRISTOL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Enterprise Funds				Governmental Activities- Internal Service Fund
	Electric	Waterworks	Other Enterprise Fund Stormwater	Total	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 24,937,687	184,347	-	25,122,034	-
Pooled Cash	-	2,390,575	-	2,390,575	875,717
Investments	32,400,000	2,830,277	-	35,230,277	479,694
Accounts Receivable, (Net)	9,180,979	1,222,851	22,232	10,426,062	-
Customer Notes Receivable (Net) - Current Portion	400,000	9,152	-	409,152	-
Other Receivables	762,209	11,914	-	774,123	60,340
Due from Joint Venture	-	224,342	-	224,342	-
Due from Other Funds	277	-	-	277	-
Due from Other Governments	-	53,021	89,309	142,330	-
Inventories	3,223,142	385,167	-	3,608,309	-
Prepays	394,787	-	-	394,787	-
Total Current Assets	71,299,081	7,311,646	111,541	78,722,268	1,415,751
Noncurrent Assets:					
Capital Assets:					
Capital Assets	158,645,821	77,655,124	2,109,902	238,410,847	-
Construction in Progress	5,195,219	323,186	618,884	6,137,289	-
Total Capital Assets	163,841,040	77,978,310	2,728,786	244,548,136	-
Less: Accumulated Depreciation	80,671,914	32,232,072	164,708	113,068,694	-
Net Capital Assets	83,169,126	45,746,238	2,564,078	131,479,442	-
Other Noncurrent Assets:					
Customer Notes Receivable, Less Current Portion	1,830,624	-	-	1,830,624	-
Investment in Joint Venture	-	7,299,034	-	7,299,034	-
Restricted Investments	-	-	622,884	622,884	-
Property Held for Redevelopment	260,847	-	-	260,847	-
Total Other Noncurrent Assets	2,091,471	7,299,034	622,884	10,013,389	-
Total Noncurrent Assets	85,260,597	53,045,272	3,186,962	141,492,831	-
Total Assets	156,559,678	60,356,918	3,298,503	220,215,099	1,415,751
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	1,109,274	20,546	-	1,129,820	-
Pension - Actuarial Experience Differences	323,831	-	-	323,831	-
Pension - Actuarial Investment Differences	-	214,296	28,746	243,042	-
Pension - Post Measurement Date Contributions	711,750	208,872	15,470	936,092	-
Total Deferred Outflows of Resources	2,144,855	443,714	44,216	2,632,785	-

(Continued)

CITY OF BRISTOL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Enterprise Funds				Governmental Activities- Internal Service Fund
	Electric	Waterworks	Other Enterprise Fund Stormwater	Total	
LIABILITIES					
Current Liabilities:					
Accounts Payable	1,500,077	194,733	5,285	1,700,095	263,851
Accrued Interest	369,357	5,874	2,303	377,534	-
Accrued Liabilities	1,844,939	-	-	1,844,939	886,496
Accrued Payroll	-	107,399	5,759	113,158	-
Deposits	2,190,954	6,675	-	2,197,629	-
Due to Others	-	145	-	145	-
Due to Other Funds	210,747	-	29,586	240,333	-
Unearned Revenue	1,952,330	-	-	1,952,330	-
Compensated Absences Payable	-	95,000	400	95,400	-
Bonds Payable	720,000	465,000	25,000	1,210,000	-
Total Current Liabilities	<u>8,788,404</u>	<u>874,826</u>	<u>68,333</u>	<u>9,731,563</u>	<u>1,150,347</u>
Long-term Liabilities:					
Compensated Absences Payable	-	55,742	201	55,943	-
Bonds Payable, Net of Unamortized Premium	27,055,158	2,589,282	909,703	30,554,143	-
Net Pension Liability	4,273,814	90,648	9,770	4,374,232	-
OPEB Obligation Payable	81,431	-	-	81,431	-
Total Long-term Liabilities	<u>31,410,403</u>	<u>2,735,672</u>	<u>919,674</u>	<u>35,065,749</u>	<u>-</u>
Total Liabilities	<u>40,198,807</u>	<u>3,610,498</u>	<u>988,007</u>	<u>44,797,312</u>	<u>1,150,347</u>
DEFERRED INFLOWS OF RESOURCES					
Pension - Actuarial Experience Differences	-	219,751	28,643	248,394	-
Pension - Actuarial Investment Differences	582,813	280,091	32,047	894,951	-
Total Deferred Inflows of Resources	<u>582,813</u>	<u>499,842</u>	<u>60,690</u>	<u>1,143,345</u>	<u>-</u>
NET POSITION					
Net Investment in Capital Assets	56,503,242	42,691,956	1,629,375	100,824,573	-
Unrestricted	61,419,671	13,998,336	664,647	76,082,654	265,404
Total Net Position	<u>\$ 117,922,913</u>	<u>56,690,292</u>	<u>2,294,022</u>	<u>176,907,227</u>	<u>265,404</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				(21,989)	
Net Position of Business-type Activities				<u>\$ 176,885,238</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, 2016

	Enterprise Funds				Governmental
			Other Enterprise		Activities-
			Fund		Internal
	Electric	Waterworks	Stormwater	Total	Service Fund
OPERATING REVENUES					
Charges for Services (Net)	\$ 98,891,761	8,819,031	577,655	108,288,447	3,902,837
Fines and Forfeitures	-	6,720	-	6,720	-
Other	4,471,261	175,189	-	4,646,450	147,646
Total Operating Revenues	103,363,022	9,000,940	577,655	112,941,617	4,050,483
OPERATING EXPENSES					
Maintenance and Administrative	8,303,096	2,306,537	-	10,609,633	729,760
Purchased Power	65,874,560	-	-	65,874,560	-
Electric Operations	16,469,510	-	-	16,469,510	-
Water Filtration Plant	-	1,350,379	-	1,350,379	-
Water Distribution	-	818,252	-	818,252	-
Sewer Collection	-	733,646	-	733,646	-
Sewer Lift Stations	-	255,311	-	255,311	-
Stormwater	-	-	324,760	324,760	-
Medical Claims	-	-	-	-	2,462,145
Depreciation	6,334,371	811,681	31,459	7,177,511	-
Loss on Investment in Joint Venture	-	345,440	-	345,440	-
Other	-	640,767	109,969	750,736	-
Total Operating Expenses	96,981,537	7,262,013	466,188	104,709,738	3,191,905
Operating Income (Loss)	6,381,485	1,738,927	111,467	8,231,879	858,578
NONOPERATING REVENUES (EXPENSES)					
Investment Income	445,087	12,488	1,533	459,108	2,209
Interest Expense	(1,136,500)	(62,196)	(23,896)	(1,222,592)	-
Fiscal Agent Fees	-	(906)	(110)	(1,016)	-
Other	6,516,252	-	-	6,516,252	-
Total Nonoperating Revenues (Expenses)	5,824,839	(50,614)	(22,473)	5,751,752	2,209
Income (Loss) Before Capital Contributions and Transfers	12,206,324	1,688,313	88,994	13,983,631	860,787
TRANSFERS					
Transfer to General	(2,074,778)	(568,492)	(24,002)	(2,667,272)	-
Total Transfers	(2,074,778)	(568,492)	(24,002)	(2,667,272)	-
CAPITAL CONTRIBUTIONS AND GRANTS	304,998	336,328	392,208	1,033,534	-
Change in Net Position	10,436,544	1,456,149	457,200	12,349,893	860,787
Net Position - Beginning	107,486,369	55,234,143	1,836,822		(595,383)
Net Position - Ending	\$ 117,922,913	56,690,292	2,294,022		265,404
Adjustment for the net effect of the current year activity between the Internal Service Fund and the enterprise funds.				95,266	
Change in Net Position of Business-type Activities				\$ 12,445,159	

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, 2016

	Enterprise Funds				Governmental
			Other Enterprise		Activities-
	Electric	Waterworks	Fund	Total	Internal
			Stormwater		Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 101,625,884	8,875,890	782,862	111,284,636	4,050,483
Receipts from Other	-	-	-	-	12,566
Receipts for Interfund Services Provided	2,820,313	203,287	-	3,023,600	3,227,218
Payments to Suppliers	(81,271,037)	(3,706,877)	(384,513)	(85,362,427)	(6,544,832)
Payments for Employees	(5,737,636)	(1,815,080)	(134,847)	(7,687,563)	-
Payments to Joint Venture	-	(39,915)	-	(39,915)	-
Payments for Interfund Services Used	-	(1,367,768)	(109,969)	(1,477,737)	-
Net Cash Provided by/(Used for) Operating Activities	17,437,524	2,149,537	153,533	19,740,594	745,435
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due From/To General Fund	-	2,291,255	(6,689)	2,284,566	129,192
State Income Tax	(63,900)	-	-	(63,900)	-
Transfers To Other Funds	(2,074,778)	(568,492)	(24,002)	(2,667,272)	-
Other non-operating revenue	6,885,150	-	-	6,885,150	-
Net Cash Provided by/(Used for) Noncapital Financing Activities	4,746,472	1,722,763	(30,691)	6,438,544	129,192
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Contributions	304,998	336,328	392,208	1,033,534	-
Purchase of Capital Assets	(5,216,219)	(955,081)	(650,408)	(6,821,708)	-
Principal Paid on Capital Debt	(700,000)	(475,858)	-	(1,175,858)	-
Interest Paid on Capital Debt	(1,107,925)	(86,553)	(24,270)	(1,195,114)	-
Fiscal Agent Fees Paid	-	(906)	(110)	(1,016)	-
Net Cash Provided by/(Used for) Capital and Related Financing Activities	(6,719,146)	(1,182,070)	(282,580)	(8,183,796)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of Investments	18,000,000	-	158,205	18,158,205	-
Purchase of Investments	(18,000,000)	(6,600)	-	(18,006,600)	(1,119)
Purchase of Investment in Joint Venture	-	(305,560)	-	(305,560)	-
Interest and Dividends Received	368,170	12,488	1,533	382,191	2,209
Net Cash Provided by/(Used for) Investing Activities	368,170	(299,672)	159,738	228,236	1,090
Net Increase (Decrease) in Cash and Cash Equivalents	15,833,020	2,390,558	-	18,223,578	875,717
Cash and Cash Equivalents - Beginning	23,504,667	184,364	-	23,689,031	-
Cash and Cash Equivalents - Ending	\$ 39,337,687	2,574,922	-	41,912,609	875,717

(Continued)

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

	Enterprise Funds				Governmental
			Other Enterprise		Activities-
			Fund		Internal
	Electric	Waterworks	Stormwater	Total	Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED BY/(USED FOR)					
OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 6,381,485	1,738,927	111,467	8,231,879	858,578
Adjustments to Reconcile Operating Income (Loss)					
to Net Cash Provided by/(Used for) Operating Activities:					
Depreciation Expense	6,334,371	811,681	31,459	7,177,511	-
Provision for Losses on Accounts Receivable	91,385	19,000	1,000	111,385	-
(Increase) Decrease:					
Accounts Receivable	420,781	(78,305)	1,237	343,713	-
Other Receivables	-	(4,639)	-	(4,639)	12,566
Due from Other Governments	-	(74,226)	203,970	129,744	-
Due from Joint Venture	-	(39,915)	-	(39,915)	-
Inventories	237,856	(15,443)	-	222,413	-
Prepays and Other	3,125,711	-	-	3,125,711	-
Customer Notes Receivable	392,999	477	-	393,476	-
Deferred Outflows	-	(205,725)	(31,388)	(237,113)	-
Increase (Decrease):					
Accounts Payable	(213,406)	56,453	(7,452)	(164,405)	263,851
Contracts Payable	-	(69,790)	(150,955)	(220,745)	-
Retainage Payable	-	-	(7,945)	(7,945)	-
Accrued Liabilities	845,169	-	-	845,169	(389,560)
Accrued Payroll	-	33,642	2,121	35,763	-
Deposits	207,115	950	-	208,065	-
Net Pension Liability	(385,942)	(71,960)	(9,651)	(467,553)	-
Compensated Absences Payable	-	(19,216)	601	(18,615)	-
Deferred Inflows	-	67,626	9,069	76,695	-
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 17,437,524</u>	<u>2,149,537</u>	<u>153,533</u>	<u>19,740,594</u>	<u>745,435</u>

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

CITY OF BRISTOL, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Other Post Employment Benefits Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 274,974	2,475,967
Investments	-	3,028,625
Investments Held in Trust, At Fair Value		
Mutual Funds	3,949,265	-
Total Assets	4,224,239	5,504,592
LIABILITIES		
Due to Others	-	5,504,592
Due to Other Funds	51,957	-
Total Liabilities	51,957	5,504,592
NET POSITION		
Net Position Restricted for OPEB Benefits	4,172,282	
Total Net Position	\$ 4,172,282	

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

CITY OF BRISTOL, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2016

	Other Post Employment Benefits Trust Funds
ADDITIONS	
Employer Contributions	\$ 1,124,945
Investment Earnings	169,487
Net Appreciation (Depreciation) in Value of Investments	(199,448)
Other Revenue	3,953
Total Additions	<u>1,098,937</u>
DEDUCTIONS	
Retiree Benefits	285,214
Administrative Expenses	4,544
Total Deductions	<u>289,758</u>
Change in Net Position	809,179
Net Position - Beginning	<u>3,363,103</u>
Net Position - Ending	<u><u>\$ 4,172,282</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, 2016

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.

Primary Government. The accompanying financial statements present the City (primary government) and its component unit, entity for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on the organization or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. Discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that those entities are legally separate from the City.

Discretely Presented Component Unit. The Industrial Development Board of the City of Bristol, Tennessee was formed to promote industrial development, provide additional job opportunities in the City 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 residency during the entire term of office. 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 City can impose its will through removal of Board members. The Board is presented in a separate column as the Industrial Development Board on the government-wide financial statements to emphasize that it is a legally separate unit. Financial statements for the IDB may be obtained from the Finance Department of the City.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, the City received no 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, 2016

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
701 Goode Street
Bristol, VA 24201

Joint Sewerage System
City of Bristol, Tennessee
801 Anderson Street
Room 203
Bristol, TN 37620

Networks-Sullivan Partnership
P.O. Box 747
Blountville, TN 37617

Audited information as of June 30, 2016, is presented for the Joint Sewerage System audited information as of June 30, 2015 is presented for Bristol Public Library and Networks – Sullivan Partnership. Information for each joint venture is presented on the accrual basis.

	Bristol Public Library	Joint Sewerage System	Networks – Sullivan Partnership
Revenues	\$ 2,090,617	\$ 3,758,148	\$ 1,246,043
Expenses	<u>(1,960,669)</u>	<u>(3,147,028)</u>	<u>(1,451,333)</u>
Net Income (Loss) Transferred to Net Position	129,948	611,120	(205,290)
Net Position – Beginning	<u>112,208</u>	<u>13,986,948</u>	<u>1,981,038</u>
Net Position – Ending	<u>\$ 242,156</u>	<u>\$14,598,068</u>	<u>\$ 1,775,748</u>
Assets and Deferred Outflows of Resources	415,420	15,262,770	8,579,538
Liabilities and Deferred Inflows of Resources	<u>173,264</u>	<u>664,702</u>	<u>6,803,790</u>
Net Position	<u>\$ 242,156</u>	<u>\$14,598,068</u>	<u>\$ 1,775,748</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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. 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.

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, culture and recreation, economic development, public safety, 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, 2016

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 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, 2016

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 *Bristol Tennessee Essential Services (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, 2016

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, 2016, 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, 2016

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) and certificates of deposit. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the Securities and Exchange Commission (SEC). The LGIP has met the criteria under GASB Statement No. 79 to value its investments at amortized cost and has elected to do so. The City reports its investment in the LGIP at amortized cost. Investments in the Electric Fund, consisting entirely of certificates of deposits, are non-participating interest earning investment contracts and are reported at cost.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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

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

5. 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 acquisition 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, 2016

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

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

6. Pensions

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The City has two items that qualify for reporting in this category; deferred outflows related to refunding and deferred outflows related to pensions. Both are reported in the government-wide statement of net position and the statement of net position for proprietary funds. These items result from the differences in the carrying value of refunded debt and its reacquisition price and from the requirements recognized under GASB 68 for pensions. The deferred outflows related to refunding amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions reflects payments made by the City not currently recognized by the pension plans and other changes in the net pension liability and are disclosed more in Note IV.

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 three types of deferred inflows. One of these items arises only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenue from property taxes, as well as other receivables not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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

7. Deferred Outflows/Inflows of Resources (Continued)

The second item relates to unearned property taxes recorded in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity wide statement of net position. The third item relates to the recognition of employee pensions as required under GASB 68. This item is a deferred inflow in both the enterprise fund and the entity wide statement of net position and are discussed more in Note IV.

8. 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.

9. 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.

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.

10. 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).

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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

10. Fund Balance Policies (Continued)

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.

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.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Revenues and Expenditures/Expenses (Continued)

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 \$151,343 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, 2016, 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 \$2,075,108 for vacation benefits have been reflected in the Statement of Net Position as compensated absences for the governmental activities.

Sick

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

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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, Stormwater 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 deferred outflows of resources and liabilities deferred inflows of resources 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.

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 \$(52,032,742) decrease are as follows:

Bonds and notes payable	\$ (45,247,290)
Add: Bond premium (net of amortization of \$99,831 recorded as interest expense)	(798,829)
Accrued interest payable	(116,021)
Compensated absences	(2,075,108)
Landfill closure costs	(349,861)
Net pension liability	(1,163,983)
Other post employment benefit obligation	<u>(2,281,650)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (52,032,742)</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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 \$60,800 decrease are as follows:

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. \$ 60,800

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities* \$ 60,800

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 \$2,216,196 increase are as follows:

Debt issued or incurred:	
Principal repayments:	
General obligation bonds and notes	\$ <u>2,216,196</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>2,216,196</u>
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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 \$49,275 increase are as follows:

Compensated absences for the prior year	\$ 2,124,383
Compensated absences for the current year	<u>(2,075,108)</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>49,275</u>
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CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 \$3,714,988 increase are as follows:

Prior year accrued interest	\$ 120,350
Current year accrued interest	(116,021)
Landfill closure costs change in estimate	8,304
Prior year other post employment benefit obligation	2,039,563
Current year other post employment benefit obligation	(2,281,650)
Change in net pension asset/liability and related deferred outflows and deferred inflows of resources	3,894,012
Amortization of deferred charge on refunding	(49,401)
Amortization of bond premiums	<u>99,831</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><u>3,714,988</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 \$765,522 and to the business-type activities was \$95,266. 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, 2016

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 Fund	\$ 24,271,109	478,891	24,750,000
Capital Equipment Fund	1,130,551	69,449	1,200,000

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 and the Board'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 \$18,305 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$39,766,720 and the balance in financial institutions was \$40,995,016. 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 \$2,475,967 and the balance in financial institutions was \$2,849,370. 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.

The Industrial Development Board of the City of Bristol, Tennessee's carrying amount of deposits was \$183,803 and the balance in financial institutions was \$183,803. 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, 2016

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

A. Deposits and Investments (Continued)

Investments

At June 30, 2016, the City's investment balances were as follows:

	<u>Reported Amount</u>
Investments:	
State of Tennessee Local Government Investment Pool	\$ 21,110,506
Certificates of Deposit	<u>33,000,000</u>
Total Investments	\$ <u>54,110,506</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 in the State of Tennessee Local Government Investment Pool and certificates of deposit. The City's reported amount of investments for the agency funds was \$3,028,625. The investments have not been reflected in the government-wide Statement of Net Position.

The Industrial Development Board of the City of Bristol, Tennessee had a certificate of deposit in the amount of \$100,000.

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.

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, 2016

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. There are no withdrawal restrictions related to the TN LGIP. The TN LGIP has not been rated by a nationally recognized statistical rating organization. At June 30, 2016, the LGIP had a weighted average maturity of 95 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.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

A. Deposits and Investments (Continued)

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	\$ 18,305
Carrying Amount of Deposits	39,766,720
Carrying Amount of Investments	<u>54,110,506</u>
Total Deposits and Investments	<u>\$ 93,895,531</u>
 <i>Amounts per Statement of Net Position:</i>	
Cash and Cash Equivalents	\$ 28,710,117
Pooled Cash	11,074,908
Investments	50,847,792
Restricted Investments	<u>3,262,714</u>
Total per Statement of Net Position	<u>\$ 93,895,531</u>

Fair Value Measurements – Fiduciary Funds

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. The City has the following recurring fair value measurements included in the Fiduciary Statement of Net Position as of June 30, 2016:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Common Stocks	\$ 386,243	-	-	386,243
Equity Mutual Funds	3,206,056	-	-	3,206,056
Fixed Income Mutual Funds	<u>356,966</u>	<u>-</u>	<u>-</u>	<u>356,966</u>
Total investments measured at fair value	<u>\$ 3,949,265</u>	<u>-</u>	<u>-</u>	<u>3,949,265</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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	Chapter 420	General Purpose School	Electric	Waterworks	Stromwater	Nonmajor Governmental	Internal Service	Total
Receivables:									
Taxes	\$17,215,010	-	-	-	-	-	-	-	17,215,010
Accounts	-	-	-	10,212,642	1,803,851	29,232	417,997	-	12,463,722
Notes Receivable	-	-	-	2,230,624	9,152	-	78,550	-	2,318,326
Other Receivables	1,868,212	-	162,888	762,209	11,914	-	38,842	60,340	2,904,405
Due from Joint Venture	-	-	-	-	224,342	-	-	-	224,342
Due from Other Governments:									
Federal Government	488	-	-	-	919	-	430,511	-	431,918
State of Tennessee and Federal									
Through the State	1,239,879	3,831,675	109,477	-	188	-	1,036,764	-	6,217,983
Other Governments and Agencies	1,147,759	-	12,490,887	-	51,914	89,309	390,676	-	14,170,545
Gross Receivables	21,471,348	3,831,675	12,763,252	13,205,475	2,102,280	118,541	2,393,340	60,340	55,946,251
Less: Provision for Uncollectibles	(1,751,000)	-	-	(1,031,663)	(581,000)	(7,000)	(112,000)	-	(3,482,663)
Total Receivables	<u>\$19,720,348</u>	<u>3,831,675</u>	<u>12,763,252</u>	<u>12,173,812</u>	<u>1,521,280</u>	<u>111,541</u>	<u>2,281,340</u>	<u>60,340</u>	<u>52,463,588</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, 2016

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	\$ 56,427	-
General Fund	17,890	-
HOME Consortium Fund	22,123	-
School Nutrition Fund	23,584	-
Transportation Fund	37	-
Capital Facilities Fund	327,350	-
Property tax levied for ensuing fiscal year:		
General Fund	15,140,261	-
General Purpose School Fund	11,034,185	-
Receivables not received within period of availability:		
Property tax levied but not collected in period of availability	-	1,338,570
State sales tax reimbursement	-	3,831,675
Sales tax	-	489,960
Other taxes	-	55,010
State revenue	-	289,209
Ambulance service charges	-	341,460
Gas franchise fee	-	135,000
Reimbursements and appropriations	<u>-</u>	<u>17,255</u>
	<u>\$26,621,857</u>	<u>6,498,139</u>

The Electric and Waterworks Funds record unbilled revenue based upon the proportionate number of days related to fiscal year 2016 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 \$190,189 in 2016 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, 2016

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

C. Capital Assets

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

Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 5,136,029	-	-	26,494	5,162,523
Construction in Progress	1,658,588	2,835,202	-	(2,364,379)	2,129,411
Total Capital Assets, Not Being Depreciated	6,794,617	2,835,202	-	(2,337,885)	7,291,934
Capital Assets, Being Depreciated:					
Land Improvements	11,944,356	-	-	778,646	12,723,002
Building and Building Improvements	65,986,545	-	-	1,505,850	67,492,395
Infrastructure	125,473,965	-	-	-	125,473,965
Machinery and Equipment	22,963,744	1,622,056	(487,648)	-	24,098,152
Other Improvements	1,375,695	-	-	53,389	1,429,084
Total Capital Assets, Being Depreciated	227,744,305	1,622,056	(487,648)	2,337,885	231,216,598
Less Accumulated Depreciation For:					
Land Improvements	(2,220,307)	(472,581)	-	-	(2,692,888)
Building and Building Improvements	(21,158,527)	(1,837,872)	-	-	(22,996,399)
Infrastructure	(50,132,439)	(2,434,974)	-	-	(52,567,413)
Machinery and Equipment	(14,758,486)	(1,544,547)	478,802	-	(15,824,231)
Other Improvements	(323,635)	(57,797)	-	-	(381,432)
Total Accumulated Depreciation	(88,593,394)	(6,347,771)	478,802	-	(94,462,363)
Total Capital Assets, Being Depreciated, Net	139,150,911	(4,725,715)	(8,846)	2,337,885	136,754,235
Governmental Activities Capital Assets, Net	\$145,945,528	(1,890,513)	(8,846)	-	144,046,169

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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	\$ 1,646,314	428,347	-	-	2,074,661
Construction in Progress	9,584,539	7,173,245	(7,863,338)	(2,757,157)	6,137,289
Total Capital Assets, Not Being Depreciated	<u>11,230,853</u>	<u>7,601,592</u>	<u>(7,863,338)</u>	<u>(2,757,157)</u>	<u>8,211,950</u>
Capital Assets, Being Depreciated:					
Land Improvements	-	-	-	10,404	10,404
Building and Building Improvements	8,268,688	-	-	-	8,268,688
Infrastructure	211,421,027	6,760,260	(738,836)	2,684,927	220,127,378
Machinery and Equipment	7,752,676	586,317	(471,103)	61,826	7,929,716
Total Capital Assets, Being Depreciated	<u>227,442,391</u>	<u>7,346,577</u>	<u>(1,209,939)</u>	<u>2,757,157</u>	<u>236,336,186</u>
Less Accumulated Depreciation For:					
Land Improvements	-	(347)	-	-	(347)
Building and Building Improvements	(3,721,342)	(107,354)	-	-	(3,828,696)
Infrastructure	(98,067,783)	(6,938,336)	559,874	-	(104,446,245)
Machinery and Equipment	(4,743,876)	(574,256)	524,726	-	(4,793,406)
Total Accumulated Depreciation	<u>(106,533,001)</u>	<u>(7,620,293)</u>	<u>1,084,600</u>	<u>-</u>	<u>(113,068,694)</u>
Total Capital Assets, Being Depreciated, Net	<u>120,909,390</u>	<u>(273,716)</u>	<u>(125,339)</u>	<u>2,757,157</u>	<u>123,267,492</u>
Business-type Activities Capital Assets, Net	<u>\$ 132,140,243</u>	<u>7,327,876</u>	<u>(7,988,677)</u>	<u>-</u>	<u>131,479,442</u>

During 2016, the Waterworks Fund and the Stormwater Fund capitalized \$3,688 and \$3,598, respectively, 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. 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 \$125,338 in 2016.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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	\$ 288,961
Community Development	147
Culture and Recreation	508,304
Economic Development	7,747
Education	2,046,548
Public Safety	610,213
Public Works	<u>2,885,851</u>
Total Depreciation Expense – Governmental Activities	\$ <u>6,347,771</u>
Business-type Activities:	
Electric	\$ 6,334,371
Waterworks	811,681
Stormwater	<u>31,459</u>
Total Depreciation Expense – Business-type Activities	\$ <u>7,177,511</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, 2016, totaled \$442,782 and is reflected as an expense for operations.

Industrial Development Board of the City of Bristol, Tennessee

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 6,351,331	-	-	-	6,351,331
Construction in Progress	-	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>6,351,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,351,331</u>
Capital Assets, Being Depreciated:					
Land Improvements	-	-	-	-	-
Infrastructure	-	-	-	-	-
Total Capital Assets, Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governmental Activities Capital Assets, Net	\$ <u>6,351,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,351,331</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Chapter 420	\$ 557,405
	General Purpose School	40,000
	Electric	210,747
	Nonmajor Governmental	742,177
	Stormwater	29,586
General Purpose School	General	710
	Nonmajor Governmental	382,460
Electric	General	<u>277</u>
Total		<u>\$ 1,963,362</u>
General	Trust Fund	<u>\$ 51,957</u>

The bank accounts that are used as the operating accounts for the City are recorded in the Pooled Cash Fund. Funds with a negative balance in the Pooled Cash Fund have that balance reflected as due to the General Fund and included in due to other funds for financial statement reporting purposes. Correspondingly, the pooled cash and due from other funds line items have been adjusted in the General Fund to reflect this activity. In addition, the Drug Fund has an additional bank account 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, 2016, the business-type activities owed the governmental activities \$21,989 for their portion of the Employee Insurance Fund.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

D. Interfund Receivables, Payables and Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 39,614
	General Purpose School	40,000
	Electric	2,074,778
	Waterworks	568,492
	Stormwater	24,002
General Purpose School	General	4,547,484
Nonmajor Governmental	General	3,792,549
	Chapter 420	580,614
	General Purpose School	903,122
	Nonmajor Governmental	<u>236,269</u>
Total		<u>\$ 12,806,924</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, 2016

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, 2016, 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>	
2017	\$ 1,840,000	379,687	1,392,248	24,912	3,636,847
2018	1,945,000	417,312	1,325,898	21,804	3,710,014
2019	1,995,000	420,456	1,256,142	18,660	3,690,258
2020	2,075,000	423,624	1,185,579	15,492	3,699,695
2021	2,040,000	426,804	1,118,229	12,312	3,597,345
2022	2,100,000	430,020	1,048,679	9,096	3,587,795
2023	2,230,000	433,260	981,305	5,856	3,650,421
2024	1,635,000	436,524	909,655	2,592	2,983,771
2025	1,440,000	109,603	850,355	144	2,400,102
2026	1,480,000	-	807,606	-	2,287,606
2027	1,520,000	-	763,681	-	2,283,681
2028	1,555,000	-	718,556	-	2,273,556
2029	1,615,000	-	671,381	-	2,286,381
2030	1,665,000	-	622,381	-	2,287,381
2031	1,705,000	-	570,621	-	2,275,621
2032	1,750,000	-	515,183	-	2,265,183
2033	1,840,000	-	457,488	-	2,297,488
2034	1,890,000	-	396,000	-	2,286,000
2035	1,970,000	-	332,356	-	2,302,356
2036	2,050,000	-	263,706	-	2,313,706
2037	2,130,000	-	191,957	-	2,321,957
2038	2,210,000	-	117,406	-	2,327,406
2039	140,000	-	37,800	-	177,800
2040	145,000	-	33,250	-	178,250
2041	150,000	-	28,175	-	178,175
2042	155,000	-	22,925	-	177,925
2043	165,000	-	17,500	-	182,500
2044	165,000	-	11,725	-	176,725
2045	170,000	-	5,950	-	175,950
	<u>\$ 41,770,000</u>	<u>3,477,290</u>	<u>16,653,737</u>	<u>110,868</u>	<u>62,011,895</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

E. Long-term Debt (Continued)

Governmental Activity Debt

	Governmental Activity Debt			
	Balance 7/01/15	Additions	Retirements	Balance 6/30/16
Series 2007 General Obligation Bonds Issue: \$7,750,000, Maturity 2023 Interest Rate: 4.00% - 4.125% Fixed, Funded School Projects	\$ 650,000	-	650,000	-
Energy Efficiency Capital Outlay Note Issue: \$500,000, Maturity 2016 Interest Rate: 0%, Energy Projects	60,573	-	60,573	-
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	1,820,000	-	180,000	1,640,000
Series 2011 General Obligation Bonds \$4,450,000, Maturity 2023 Interest Rate: 3.00% - 4.00% Fixed, Funded School and Capital Projects	3,185,000	-	355,000	2,830,000
Energy Efficient Schools Initiative Loan \$5,000,000, Plus \$37,689 of Accrued Construction Interest, Interest Rate: 0.75%, Energy Projects	3,922,913	-	445,623	3,477,290
Series 2012 General Obligation Bonds \$420,000, Maturity 2018 Interest Rate: 2.00% Fixed, Funded Capital Projects	270,000	-	100,000	170,000
Series 2013A General Obligation Bonds \$9,800,000, Maturity 2038 Interest Rate: 2.00% - 4.00% Fixed, Funded Chapter 420 Project	9,775,000	-	25,000	9,750,000

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

E. Long-term Debt (Continued)

Governmental Activity Debt

	Governmental Activity Debt		
	Balance 7/01/15	Additions	Balance 6/30/16
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	7,255,000	-	300,000
			6,955,000
Series 2014 General Obligation Bonds \$17,350,000, Maturity 2038 Interest Rate: 2.375% - 5.00% Fixed, Funded Chapter 420 Project	17,250,000	-	100,000
			17,150,000
Series 2015 General Obligation Bonds \$3,275,000, Maturity 2045 Interest Rate: 2.00% - 3.50% Fixed, Funded Capital Projects	3,275,000	-	-
	<u>3,275,000</u>	<u>-</u>	<u>3,275,000</u>
	<u>\$ 47,463,486</u>	<u>-</u>	<u>2,216,196</u>
			<u>45,247,290</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, are as follows:

Series 2009 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	<u>230,000</u>	<u>9,200</u>	<u>239,200</u>
Total	\$ <u>1,640,000</u>	<u>302,638</u>	<u>1,942,638</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, 2016, was \$35,373.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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>
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>2,830,000</u>	<u>364,900</u>	<u>3,194,900</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, 2016, was \$120,332.

Energy Efficient Schools Initiative Loan

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 379,687	24,912	404,599
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>109,603</u>	<u>144</u>	<u>109,747</u>
Total	\$ <u>3,477,290</u>	<u>110,868</u>	<u>3,588,158</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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>
2017	\$ 100,000	3,400	103,400
2018	<u>70,000</u>	<u>1,400</u>	<u>71,400</u>
Total	\$ <u>170,000</u>	<u>4,800</u>	<u>174,800</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, 2016, was \$48,327.

2013A General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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>9,750,000</u>	<u>4,782,910</u>	<u>14,532,910</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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>
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>6,955,000</u>	<u>881,900</u>	<u>6,765,900</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, 2016, was \$355,622.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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>
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>17,150,000</u>	<u>8,487,501</u>	<u>25,637,501</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, 2016, was \$206,200.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

E. Long-term Debt (Continued)

2015 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 75,000	98,662	173,662
2018	75,000	97,162	172,162
2019	80,000	95,662	175,662
2020	80,000	94,062	174,062
2021	80,000	92,462	172,462
2022	85,000	90,862	175,862
2023	85,000	89,162	174,162
2024	90,000	87,462	177,462
2025	90,000	85,212	175,212
2026	95,000	82,963	177,963
2027	95,000	80,588	175,588
2028	95,000	78,213	173,213
2029	100,000	75,363	175,363
2030	105,000	72,363	177,363
2031	105,000	69,213	174,213
2032	110,000	66,063	176,063
2033	115,000	62,488	177,488
2034	115,000	58,750	173,750
2035	120,000	55,013	175,013
2036	125,000	51,112	176,112
2037	130,000	46,738	176,738
2038	135,000	42,188	177,188
2039	140,000	37,800	177,800
2040	145,000	33,250	178,250
2041	150,000	28,175	178,175
2042	155,000	22,925	177,925
2043	165,000	17,500	182,500
2044	165,000	11,725	176,725
2045	<u>170,000</u>	<u>5,950</u>	<u>175,950</u>
Total	\$ <u>3,275,000</u>	<u>1,829,088</u>	<u>5,104,088</u>

The Series 2015 General Obligation Bonds were issued at a premium of \$34,211. The remaining unamortized amount of the premium as of June 30, 2016, was \$32,975.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, for the business-type activities are as follows:

June 30,	Principal			Interest			Business-type Activity Debt Services
	General Obligation Bonds Payable	Revenue Bonds Payable	Notes Payable	General Obligation Bonds Payable	Revenue Bonds Payable	Notes Payable	
2017	\$ 490,000	720,000	-	98,126	1,086,625	-	2,394,751
2018	490,000	740,000	-	84,926	1,064,725	-	2,379,651
2019	310,000	765,000	-	71,725	1,042,150	-	2,188,875
2020	225,000	785,000	-	62,326	1,018,900	-	2,091,226
2021	225,000	810,000	-	57,826	994,975	-	2,087,801
2022	225,000	835,000	-	53,326	970,300	-	2,083,626
2023	250,000	865,000	-	48,826	944,800	-	2,108,626
2024	250,000	890,000	-	43,826	918,475	-	2,102,301
2025	250,000	915,000	-	38,418	891,400	-	2,094,818
2026	250,000	945,000	-	33,013	862,319	-	2,090,332
2027	250,000	990,000	-	27,325	822,213	-	2,089,538
2028	30,000	1,040,000	-	21,637	771,463	-	1,863,100
2029	30,000	1,085,000	-	20,737	725,118	-	1,860,855
2030	30,000	1,130,000	-	19,837	680,762	-	1,860,599
2031	30,000	1,180,000	-	18,937	631,675	-	1,860,612
2032	30,000	1,230,000	-	18,037	580,463	-	1,858,500
2033	30,000	1,275,000	-	17,062	528,825	-	1,850,887
2034	35,000	1,325,000	-	16,087	476,825	-	1,852,912
2035	35,000	1,380,000	-	14,950	422,725	-	1,852,675
2036	35,000	1,440,000	-	13,812	364,525	-	1,853,337
2037	35,000	710,000	-	12,588	318,838	-	1,076,426
2038	35,000	745,000	-	11,363	285,125	-	1,076,488
2039	40,000	780,000	-	10,225	247,000	-	1,077,225
2040	40,000	820,000	-	8,925	207,000	-	1,075,925
2041	40,000	865,000	-	7,525	164,875	-	1,077,400
2042	40,000	910,000	-	6,125	120,500	-	1,076,625
2043	40,000	955,000	-	4,725	73,875	-	1,073,600
2044	45,000	1,000,000	-	3,325	25,000	-	1,073,325
2045	50,000	-	-	1,750	-	-	51,750
	<u>\$ 3,865,000</u>	<u>27,130,000</u>	<u>-</u>	<u>847,310</u>	<u>17,241,476</u>	<u>-</u>	<u>49,083,786</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016	Electric Fund	Waterworks Fund	Stormwater Fund
Bonds Payable								
Series 2012 General Obligation Bonds	2012	3,580,000	2013-2027	0.4%-2.25%	\$ 2,440,000	-	2,440,000	-
Series 2013B General Obligation Bonds	2013	520,000	2014-2019	2.5%-4%	500,000	-	500,000	-
Series 2015 General Obligation Bonds	2015	925,000	2017-2045	2%-3.5%	<u>925,000</u>	-	-	<u>925,000</u>
Total General Obligation Bonds					<u>3,865,000</u>	-	<u>2,940,000</u>	<u>925,000</u>
Revenue Bonds:								
Series 2013 Electric System Revenue Bonds	2013	28,505,000	2015-2044	3%-5%	<u>27,130,000</u>	<u>27,130,000</u>	-	-
Total Revenue Bonds					<u>27,130,000</u>	<u>27,130,000</u>	-	-
Total Business-type Activity Bonds Payable					<u>\$30,995,000</u>	<u>27,130,000</u>	<u>2,940,000</u>	<u>925,000</u>

Debt service requirements to maturity for business-type activity debt for the fiscal year ended June 30, 2016, are as follows:

Series 2012 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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>2,440,000</u>	<u>304,298</u>	<u>2,744,298</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, 2016, was \$85,045.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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>
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>27,130,000</u>	<u>17,241,476</u>	<u>44,371,476</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, 2016, was \$645,158.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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>
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>500,000</u>	<u>39,600</u>	<u>539,600</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, 2016, was \$29,238.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

E. Long-term Debt (Continued)

2015 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 25,000	27,638	52,638
2018	25,000	27,138	52,138
2019	25,000	26,637	51,637
2020	25,000	26,138	51,138
2021	25,000	25,638	50,638
2022	25,000	25,138	50,138
2023	25,000	24,638	49,638
2024	25,000	24,138	49,138
2025	25,000	23,512	48,512
2026	25,000	22,888	47,888
2027	25,000	22,262	47,262
2028	30,000	21,637	51,637
2029	30,000	20,737	50,737
2030	30,000	19,837	49,837
2031	30,000	18,937	48,937
2032	30,000	18,037	48,037
2033	30,000	17,062	47,062
2034	35,000	16,087	51,087
2035	35,000	14,950	49,950
2036	35,000	13,812	48,812
2037	35,000	12,588	47,588
2038	35,000	11,363	46,363
2039	40,000	10,225	50,225
2040	40,000	8,925	48,925
2041	40,000	7,525	47,525
2042	40,000	6,125	46,125
2043	40,000	4,725	44,725
2044	45,000	3,325	48,325
2045	<u>50,000</u>	<u>1,750</u>	<u>51,750</u>
Total	\$ <u>925,000</u>	<u>503,412</u>	<u>1,428,412</u>

The Series 2015 General Obligation Bonds were issued at a premium of \$10,068. The remaining unamortized amount of the premium as of June 30, 2016, was \$9,702.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

E. Long-term Debt (Continued)

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, 2016, the unamortized amount of the premium reported as an addition in the face amount of the bonds payable in the financial statements was \$35,373. 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, 2016, was \$1,640,000.

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, 2016, 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

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 \$1,217,434 that is being 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 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 2016, the effective annual interest rate was 4.045%. The bonds are secured by the net power revenues of the Electric Fund. The Electric Fund in effect reduced its aggregate debt service payments by approximately \$2,800,000 over a 21 year period and obtained an economic gain of approximately \$2,500,000.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

E. Long-term Debt (Continued)

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, 2016, the unamortized amount of the premium reported as an addition in the face amount of the bonds payable in the financial statements was \$384,860. 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, 2016, was \$6,955,000.

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 fiscal year 2014. 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 note is 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 \$20,500,000. The proceeds were used by Pinnacle Partners Tennessee, LLC to construct improvements related to the North Pad Area. As of June 30, 2016, the amount outstanding related to this note payable was \$20,404,494.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

E. Long-term Debt (Continued)

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, 2016, principal payments had not been made and the amount outstanding related to these bonds payable were \$1,650,901.

In June 2015, the Industrial Development Board of Bristol, Tennessee issued a Tennessee Tax Increment Revenue Note Payable in an amount not to exceed \$8,350,000. The note is 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 \$8,350,000. The proceeds were used by Pinnacle Partners Tennessee, LLC to construct improvements related to the South Pad Area. As of June 30, 2016, the amount outstanding related to this note payable was \$1,656,579.

Each of the debt obligations noted above is special debt of the Industrial Development Board of Bristol, Tennessee 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 of Bristol, Tennessee 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 of Bristol, Tennessee and are not reported as liabilities of the Board.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016:

	Balance Beginning of Year	Additions	Retirement/ Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
General Obligation Bonds:	\$ 43,480,000	-	1,710,000	41,770,000	1,840,000
Less Deferred Amounts:					
For Issuance Premium	898,660	-	99,831	798,829	-
Total General Obligation Bonds	44,378,660	-	1,809,831	42,568,829	1,840,000
Notes Payable	3,983,486	-	506,196	3,477,290	379,687
Compensated Absences	2,124,383	1,137,948	1,187,223	2,075,108	358,067
Landfill Closure Costs	358,165	-	8,304	349,861	-
Net Pension Liability	1,724,072	-	60,104	1,163,983	-
Other Post Employment Benefit Obligations	2,039,563	847,685	605,598	2,281,650	-
Governmental Activity Long-term Liabilities	54,608,329	1,985,633	4,677,256	51,916,721	2,577,754
Business-type Activities					
General Obligation Bonds:	4,330,000	-	465,000	3,865,000	490,000
Less Deferred Amounts:					
For Issuance Premium	147,619	-	23,634	123,985	-
Total General Obligation Bonds	4,477,619	-	488,634	3,988,985	490,000
Revenue Bonds:	27,830,000	-	700,000	27,130,000	720,000
Less Deferred Amounts:					
For Issuance Premium	668,762	-	23,604	645,158	-
Total Revenue Bonds Payable	28,498,762	-	723,604	27,775,158	720,000
Notes Payable	10,858	-	10,858	-	-
Compensated Absences	169,958	76,303	94,918	151,343	95,400
Net Pension Liability	4,298,118	76,114	-	4,374,232	-
Other Post Employment Benefit Obligations	459,587	512,535	890,691	81,431	-
Business-type Activities Long-term Liabilities	37,914,902	664,952	2,208,705	36,371,149	1,305,400
Total Change in Long-term Debt	\$ 92,523,231	2,650,585	6,885,961	88,287,855	3,883,154

Other long-term liabilities have been liquidated through the use of the General, Waterworks, Stormwater, Solid Waste, and Transportation Grant 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, 2016

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 (the OPEB Plan). As discussed in Note V.I., 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.

Retirees and their dependents not eligible for the post-employment health, dental, and life insurance benefits through a single-employer defined benefit plan, may be eligible for the Pre-age 65 Retiree Only Health Reimbursement Arrangement (HRA) Plan established July 1, 2014. This plan is intended to permit an eligible retiree to obtain reimbursement of medical care expenses on a nontaxable basis from his or her HRA account. An individual is an eligible retiree and may participate in this plan if the individual (1) was covered under the health plan at date of retirement; (b) for employees hired after January 1, 2008, if the individual has acquired 20 years of service with the employer and five consecutive years coverage under the health plan as of the date of retirement; and (c) has elected to participate in this plan. In March 2009, the City also implemented a Post-65 Medicare Advantage Program for Medicare eligible retirees where a portion of the premiums is paid by the employer.

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 OPEB 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, 2016, 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.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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

Benefits Provided

All health care and dental benefits for the OPEB Plan 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.

Under the Pre-age 65 Retiree Only Health Reimbursement Arrangement (HRA) Plan, the maximum dollar amount that may be credited to an HRA Account for an eligible retiree is \$150 per month with a maximum of \$1,800 for an entire 12 month period of coverage. Unused amounts may not be carried over to the next period of coverage.

Under the Post-65 Medicare Advantage Program, the City contributes 50% of the premiums as part of the program for these retired employees. As of June 30, 2016, there were 27 retirees participating in this plan.

Retirees with 25 years of service are also eligible for \$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.

Retirees and their spouses are eligible to continue medical and dental 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. As of June 30, 2016, there were 31 retirees on the dental plan.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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

Membership

The number of participants at June 30, 2016, was as follows:

Retiree Participants	84
Active Participants	<u>339</u>
Total	<u><u>423</u></u>

Funding Policy

The City'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.

Annual OPEB Cost and Net OPEB Obligation

	<u>2016</u>	<u>2015</u>
Annual Required Contribution	\$ 223,102	238,027
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	<u>-</u>	<u>-</u>
Annual OPEB Cost	223,102	238,027
Actual Contributions	<u>(234,254)</u>	<u>(238,027)</u>
Increase in Net OPEB Obligation	(11,152)	-
Net OPEB Obligation – Beginning of Fiscal Year	<u>-</u>	<u>-</u>
Net OPEB Obligation (Asset) – End of Fiscal Year	\$ <u><u>(11,152)</u></u>	<u><u>-</u></u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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, 2016	\$ 223,102	\$ 234,254	105%	\$ (11,152)
June 30, 2015	238,027	238,027	100%	-
June 30, 2014	351,619	351,619	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
7/01/15	\$ 1,695,749	\$3,578,752	\$1,883,003	47.4%	\$12,458,333	15.1%

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, 2016

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

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

In the July 1, 2015, 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 4.5% to 6.5%, an annual payroll growth rate of 4.0% to 7.8% depending on age, 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, 2016, is 19 years.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION
CITY OPEB TRUST FUND
JUNE 30, 2016

Assets

Investments Held in Trust, At Fair Value	
Mutual Funds	\$ <u>1,904,511</u>

Total Assets	<u>1,904,511</u>
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Liabilities

Accrued Liabilities	<u>51,957</u>
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Total Liabilities	<u>51,957</u>
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Net Position

Net Position Restricted for OPEB Benefits	\$ <u><u>1,852,554</u></u>
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CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016

ADDITIONS

Employer Contributions	\$ 234,254
Net Appriciaon (Depreciation) in Value of investmens	(27,292)
Other Revenue	<u>3,953</u>
Total Additions	<u>210,915</u>

DEDUCTIONS

Retiree Benefits	<u>54,110</u>
Total Deductions	<u>54,110</u>

Changes in Net Position 156,805

Net Position – Beginning 1,695,749

Net Position – Ending \$ 1,852,554

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.I., 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 Caremark. 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, 2016

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, 2016, 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, 2016. As of year-end, there were also 25 retirees eligible to receive life insurance benefits. There were 67 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, 2016

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>2016</u>	<u>2015</u>
Annual Required Contribution	\$ 513,599	493,052
Interest on Net OPEB Obligation	32,170	40,511
Adjustment to Annual Required Contribution	<u>(33,234)</u>	<u>(40,926)</u>
Annual OPEB Cost	512,535	492,637
Actual Contributions	(890,691)	(306,637)
Retroactive Change in Estimate of OPEB	<u>-</u>	<u>-</u>
Increase / (Decrease) in Net OPEB Obligation	(378,156)	186,000
Net OPEB Obligation – Beginning of Fiscal Year	<u>459,587</u>	<u>273,587</u>
Net OPEB Obligation – End of Fiscal Year	\$ <u>81,431</u>	<u>459,587</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, 2016, 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, 2016	\$ 512,535	174%	81,431
June 30, 2015	492,637	62%	459,587
June 30, 2014	481,498	81%	273,587

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
7/01/15	\$1,667,354	\$6,887,247	\$5,219,893	24.2%	\$4,593,784	113.6%

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, 2016

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, 2015, actuarial valuation for the plan, the entry age actuarial cost method was used. The actuarial assumptions used an investment rate of return (net of administrative expenses) of 7%, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9%. The actuarial assumption also uses mortality rates from the RP-2000 Combined Mortality Fully Generational Table. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, is 21.66 years.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION
BTES OPEB TRUST FUND
JUNE 30, 2016

Assets

Cash and Cash Equivalents	\$ 274,974
Investments Held in Trust, At Fair Value	
Mutual Funds	<u>2,044,754</u>

Total Assets	<u>2,319,728</u>
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Net Position

Net Position Restricted for OPEB Benefits	<u>\$2,319,728</u>
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CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016

ADDITIONS

Employer Contributions	\$ 890,691
Investment Income	169,487
Net Appreciation (Depreciation) in Value of Investments	<u>(172,156)</u>
Total Additions	<u>888,022</u>

DEDUCTIONS

Retiree Benefits	(231,104)
Administrative Expenses	<u>(4,544)</u>
Total Deductions	<u>(235,648)</u>
Changes in Net Position	652,374
Net Position – Beginning	<u>1,667,354</u>
Net Position – Ending	<u>\$2,319,728</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, 2016

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 Pre-65 Teacher Group Insurance Plan 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, 2016, 223 retired employees were receiving benefits through either the Teacher Group Insurance Plan or the Medicare Supplemental Plan. There were 413 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 \$404,220 for the 2016 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, 2016

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, 2016, the following information is presented:

	<u>Teacher Group Plan</u>	<u>Medicare Supplemental Plan</u>	<u>Total</u>
Annual Required Contribution	\$ 520,000	126,614	646,614
Interest on Net OPEB Obligation	66,963	9,521	76,484
Adjustment to Annual Required Contribution	<u>(67,232)</u>	<u>(9,559)</u>	<u>(76,791)</u>
Annual OPEB Cost	519,731	126,576	646,307
Actual Contributions	<u>(318,615)</u>	<u>(85,605)</u>	<u>(404,220)</u>
Increase in Net OPEB Obligation	201,116	40,971	242,087
Net OPEB Obligation – Beginning of Fiscal Year	<u>1,785,669</u>	<u>253,894</u>	<u>2,039,563</u>
Net OPEB Obligation – End of Fiscal Year	\$ <u>1,986,785</u>	<u>294,865</u>	<u>2,281,650</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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

For the fiscal year ended June 30, 2015, the following information is presented:

	<u>Teacher Group Plan</u>	<u>Medicare Supplemental Plan</u>	<u>Total</u>
Annual Required Contribution	\$ 443,000	117,600	560,600
Interest on Net OPEB Obligation	66,014	8,728	74,742
Adjustment to Annual Required Contribution	<u>(64,313)</u>	<u>(8,503)</u>	<u>(72,816)</u>
Annual OPEB Cost	444,701	117,825	562,526
Actual Contributions	<u>(309,373)</u>	<u>(82,126)</u>	<u>(391,499)</u>
Increase in Net OPEB Obligation	135,328	35,699	171,027
Net OPEB Obligation – Beginning of Fiscal Year	<u>1,650,341</u>	<u>218,195</u>	<u>1,868,536</u>
Net OPEB Obligation – End of Fiscal Year	\$ <u>1,785,669</u>	<u>253,894</u>	<u>2,039,563</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, 2016, 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, 2016	Teacher Group Ins.	\$ 519,731	61.3%	1,986,785
June 30, 2016	Medicare Supplemental Plan	<u>126,576</u>	<u>67.6%</u>	<u>294,865</u>
	Total	<u>\$ 646,307</u>	<u>62.5%</u>	<u>2,281,650</u>
June 30, 2015	Teacher Group Ins.	\$ 444,701	69.6%	1,785,669
June 30, 2015	Medicare Supplemental Plan	<u>117,825</u>	<u>69.7%</u>	<u>253,894</u>
	Total	<u>\$ 562,526</u>	<u>69.6%</u>	<u>2,039,563</u>
June 30, 2014	Teacher Group Ins.	\$ 429,608	79.2%	1,650,341
June 30, 2014	Medicare Supplemental Plan	<u>112,354</u>	<u>70.2%</u>	<u>218,195</u>
	Total	<u>\$ 541,962</u>	<u>77.3%</u>	<u>1,868,536</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 7/1/15	Teacher Group Insurance <u>Plan</u>	Medicare Supplemental <u>Plan</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$ 4,671,000	1,784,216	6,455,216
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	4,671,000	1,784,216	6,455,216
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	0%
Covered Payroll (Active Plan Members)	20,842,837	20,842,837	20,864,837
UAAL as a Percentage of Covered Payroll	22.4%	8.6%	31.0%

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, 2016

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, 2015, 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 3.75% investment rate of return (net of administrative expenses), a 3.0% payroll growth rate, and an annual healthcare cost trend of 6.5% initially to an ultimate rate of 4.645% after 35 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, 2016, is 21 years.

In the July 1, 2015, 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 3.75% investment rate of return (net of administrative expenses), and a 2.5% payroll growth rate. 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, 2016, is 21 years.

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 \$349,861 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 \$387,443. 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 30.95% and 53.69% 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, 2016, of 58 and 6.9 years, respectively.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans

	Governmental Activities	Business-Type Activities	Total
City Hybrid Retirement Plan Net Pension Asset	\$ 402	-	402
Teacher Retirement Plan Deferred Outflows Related to Pensions	13,348	-	13,348
Total Net Pension Asset	13,750	-	13,750
Tennessee Legacy Retirement Plan Net Pension Liability	(976,579)	(100,418)	(1,076,997)
Teacher Legacy Pension Plan Net Pension Liability	(187,404)	-	(187,404)
BTES Net Pension Liability	-	(4,273,814)	(4,273,814)
Total Net Pension Liability	(1,163,983)	(4,374,232)	(5,538,215)
Tennessee Legacy Retirement Plan Deferred Outflows Related to Pensions	2,340,484	223,617	2,564,101
City Hybrid Retirement Plan Deferred Outflows Related to Pensions	10,170	725	10,895
Teacher Legacy Pension Plan Deferred Outflows Related to Pensions	1,769,555	-	1,769,555
Teacher Retirement Plan Deferred Outflows Related to Pensions	51,508	-	51,508
BTES Deferred Outflows Related to Pensions	-	1,035,581	1,035,581
Total Deferred Inflows Related to Pensions	4,171,717	1,259,923	5,431,640
Tennessee Legacy Retirement Plan Deferred Inflows Related to Pensions	3,058,547	317,475	3,376,022
City Hybrid Retirement Plan Deferred Inflows Related to Pensions	569	15	584
Teacher Legacy Pension Plan Deferred Inflows Related to Pensions	4,196,740	-	4,196,740
Teacher Retirement Plan Deferred Inflows Related to Pensions	3,266	-	3,266
BTES Deferred Inflows Related to Pensions	-	582,813	582,813
Total Deferred Inflows Related to Pensions	\$7,259,122	900,303	8,159,425

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

F. Employee Retirement Systems and Pension Plans

City of Bristol, Tennessee Legacy Retirement Plan

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System ("TCRS"). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Receiving Benefits	272
Inactive Employees Entitled but not yet Receiving Benefits	208
Active Employees	<u>401</u>
	<u>881</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary if hired after October 1, 2011. Employees hired prior to October 1, 2011, are noncontributory. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, the Actuarially Determined Contribution (ADC) for Bristol was \$2,564,101 based on a rate of 16.82% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy assets allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as net position was projected to be available to make projected future benefit payments of current and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at June 30, 2014	\$ 72,077,115	70,171,014	1,906,101
Changes for the year:			
Service Cost	1,212,928	-	1,212,928
Interest	5,369,042	-	5,369,042
Differences between Expected and Actual Experience	(2,515,751)	-	(2,515,751)
Contributions - Employer	-	2,643,859	(2,643,859)
Contributions - Employee	-	121,429	(121,429)
Net Investment Income	-	2,151,017	(2,151,017)
Benefits Payments, Including Refunds of Employee Contributions	(3,405,632)	(3,405,632)	-
Administrative Expense	-	(20,982)	20,982
Net Changes	<u>660,587</u>	<u>1,489,691</u>	<u>(829,104)</u>
Balance at June 30, 2015	<u>\$ 72,737,702</u>	<u>71,660,705</u>	<u>1,076,997</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Decrease (8.5%)
Net Pension Liability (Asset)	\$10,374,196	\$1,076,997	\$(6,701,976)

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Pension Expense

For the year ended June 30, 2016, the City recognized pension expense is \$124,313.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City's Contributions Subsequent to the Measurement Date of June 30, 2015	\$ 2,564,101	-
Differences between Expected and Actual Experience	-	2,543,498
Net Difference between Projected and Actual Earnings of Pension Plan Investments	<u>-</u>	<u>832,524</u>
Total	<u>\$ 2,564,101</u>	<u>3,376,022</u>

City contributions subsequent to the measurement date of \$2,564,101 are reported as deferred outflows of resources and will be recognized as a reduction of net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	
2017	\$ (1,119,184)
2018	(1,119,184)
2019	(1,119,184)
2020	(18,470)
2021	-
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$153,534 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

City of Bristol, Tennessee Hybrid Retirement Plan

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are permitted at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility.

The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Receiving Benefits	-
Inactive Employees Entitled but not yet Receiving Benefits	-
Active Employees	<u>10</u>
	<u>10</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, the Actuarially Determined Contribution (ADC) for the City was \$1,210 based on a rate of 1.1% percent of payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2015, and the total net pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy assets allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding inflation of 3 percent.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as net position was projected to be available to make projected future benefit payments of current and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at June 30, 2014	\$ -	-	-
Changes for the year:			
Service Cost	3,413	-	3,413
Interest	256	-	256
Differences between Expected and Actual Experience	(706)	-	(706)
Contributions - Employer	-	1,210	(1,210)
Contributions - Employee	-	2,203	(2,203)
Net Investment Income	-	51	(51)
Administrative Expense	-	(99)	99
Net Changes	<u>2,963</u>	<u>3,365</u>	<u>(402)</u>
Balance at June 30, 2015	<u>\$ 2,963</u>	<u>3,365</u>	<u>(402)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Decrease (8.5%)
Net Pension Liability (Asset)	\$529	\$(402)	\$(1,093)

Pension Expense

For the year ended June 30, 2016, the City recognized pension expense of \$1,392.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City's Contributions Subsequent to the Measurement Date of June 30, 2015	\$ 10,895	-
Differences between Expected and Actual Experience	-	642
Net Difference between Projected and Actual Earnings of Pension Plan Investments	_____ -	_____ (58)
Total	<u>\$ 10,895</u>	<u>584</u>

The City's employer contributions of \$10,895 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	
2017	\$ (49)
2018	(49)
2019	(49)
2020	(49)
2021	(64)
Thereafter	(324)

Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$1,018 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Teacher Legacy Pension Plan

Plan Description

Teachers with membership in the Tennessee Consolidated Retirement System (“TCRS”) before July 1, 2014, of Bristol Tennessee City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring government of the LEA if required employer contributions are not remitted. Employer contributions by Bristol Tennessee City Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$1,512,414 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liabilities (Assets)

At June 30, 2016, the Bristol Tennessee City Schools reported a liability of \$187,404 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Bristol Tennessee City School's proportion of the net pension liability was based on Bristol Tennessee City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Bristol Tennessee City School's proportion was 0.457490 percent. The proportion measured as of June 30, 2014, was .464021 percent.

Negative Pension Expense

For the year ended June 30, 2016, Bristol Tennessee City Schools recognized negative pension expense of \$150,835.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, Bristol Tennessee City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Schools' Contributions Subsequent to the Measurement Date of June 30, 2015	\$ 1,512,414	-
Changes in the Proportion of Net Pension Liability (Asset)	106,742	69,839
Differences between Expected and Actual Experience	150,399	2,916,964
Net Difference between Projected and Actual Earnings of Pension Plan Investments	<u>-</u>	<u>1,209,937</u>
Total	<u>\$ 1,769,555</u>	<u>4,196,740</u>

Bristol Tennessee City Schools' employer contributions of \$1,512,414 reported a pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	
2017	\$ (1,231,238)
2018	(1,231,238)
2019	(1,231,238)
2020	300,048
2021	(545,933)
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy assets allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding inflation of 3 percent.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the School System will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as net position was projected to be available to make projected future benefit payments of current and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the proportionate share of the Bristol Tennessee City School's net pension liability (asset) using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Decrease (8.5%)</u>
Net Pension Liability (Asset)	\$12,776,543	\$187,404	\$(10,234,919)

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS report.

Payable to the Pension Plan

At June 30, 2016, Bristol Tennessee City Schools reported a payable of \$42,064 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

Teacher Retirement Plan

Plan Description

Teachers with membership in the Tennessee Consolidated Retirement System ("TCRS") before July 1, 2014, of Bristol Tennessee City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions, governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring government of the LEA if required employer contributions are not remitted. Employer contributions by Bristol Tennessee City Schools for the year ended June 30, 2016, to the Teacher Retirement Plan were \$51,508 which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Net Pension Liabilities (Assets)

At June 30, 2016, Bristol Tennessee City Schools reported an asset of \$13,348 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Bristol Tennessee City Schools' proportion of the net pension asset was based on Bristol Tennessee City Schools' share of contributions to the pension plan relative to contributions of all participating LEAs. At the measurement date of June 30, 2015 Bristol Tennessee City Schools' proportion was 0.331804 percent.

Pension Expense

For the year ended June 30, 2016, Bristol Tennessee City Schools recognized pension expense of \$17,493.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, Bristol Tennessee City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Schools' Contributions Subsequent to the Measurement Date of June 30, 2015	\$ 51,508	-
Differences between Expected and Actual Experience	-	4,345
Net Difference between Projected and Actual Earnings of Pension Plan Investments	<u>-</u>	<u>(1,079)</u>
Total	<u>\$ 51,508</u>	<u>3,266</u>

Bristol Tennessee City School's employer contributions of \$51,508, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	
2017	\$ (92)
2018	(92)
2019	(92)
2020	(92)
2021	(362)
Thereafter	(2,536)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy assets allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding inflation of 3 percent.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the School System will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as net position was projected to be available to make projected future benefit payments of current and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the proportionate share of the Bristol Tennessee City School's net pension liability (asset) using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Decrease (8.5%)</u>
Net Pension Liability (Asset)	\$2,367	\$(13,348)	\$(24,874)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2016, Bristol Tennessee City Schools reported a payable of \$955 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

Electric Fund Retirement Plan

Plan Description

Employees of the Electric Fund are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System ("TCRS"). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Receiving Benefits	44
Inactive Employees Entitled but not yet Receiving Benefits	46
Active Employees	<u>66</u>
	<u>156</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Electric Fund makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, employer contributions were \$711,250 based on a rate of 13.02% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Electric Fund's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Net Pension Liability (Asset)

The Electric Fund's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy assets allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding inflation of 3 percent.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Electric Fund will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as net position was projected to be available to make projected future benefit payments of current and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at June 30, 2014	\$ 22,112,543	17,996,454	4,116,089
Changes for the year:			
Service Cost	380,250	-	380,250
Interest	1,644,147	-	1,644,147
Differences between Expected and Actual Experience	(437,426)	-	(437,426)
Contributions - Employer	-	637,544	(637,544)
Contributions - Employee	-	244,832	(244,832)
Net Investment Income	-	550,229	(550,229)
Benefits Payments, Including Refunds of Employee Contributions	(1,141,657)	(1,141,657)	-
Administrative Expense	-	(3,359)	3,359
Net Changes	445,314	287,589	(157,725)
Balance at June 30, 2015	\$ 22,557,857	18,284,043	4,273,814

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Electric Fund calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Decrease (8.5%)
Net Pension Liability (Asset)	\$7,379,804	\$4,273,814	\$1,735,013

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Pension Expense

For the year ended June 30, 2016, the Electric Fund recognized pension expense is \$325,686.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the Electric Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Electric Fund's Contributions Subsequent to the Measurement Date of June 30, 2015	\$ 711,750	-
Differences between Expected and Actual Experience	323,831	364,522
Net Difference between Projected and Actual Earnings of Pension Plan Investments	<u>-</u>	<u>218,291</u>
Total	<u>\$ 1,035,581</u>	<u>582,813</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year

2017	\$ (117,353)
2018	(117,353)
2019	(117,353)
2020	165,985
2021	(72,908)
Thereafter	-

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

Defined Contribution Plans

The City administers a defined contribution plan in the form of a 401(k) plan as part of State of Tennessee Hybrid Pension Plan available to all full-time employees. This plan began on January 1, 2015. The City contributes a percentage of payroll for all employees hired after January 1, 2015. During 2016, the amount of payroll covered by the plan was \$76,980. The covered payroll represents wages related to hybrid employees only since employer contributions are not made for legacy employees. Under the plan terms, the City contributes 5% for all eligible employees. Employees may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. Participants are 100% vested in the employee contributions when they are made and vested in the employer contributions based upon a five year schedule. During 2016, the City contributed \$38,474 to the plan which represents 5% of the covered payroll and 100% of the required contribution for the year. During 2016, the participants (legacy and hybrid employees combined) contributed \$33,681 to the plan.

The Electric Fund also administers a defined contribution plan in the form of a 401(k) plan (Bristol Tennessee Essential Services 401(k) Retirement Plan) available to all employees who have completed six months of employment. During 2016, the amount of payroll covered by the plan was \$4,878,979 of total payroll of \$5,580,990. Under the plan terms, the Electric Fund will match participant contributions up to 3% of the participant's salary. The Electric Fund has the authority to amend these contribution rates at any time. 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 2015, the Electric Fund contributed \$140,101 to the plan which represents 3% of the covered payroll and 100% of the required contribution for the year. During 2016, the participants contributed \$505,391 which represents 10% of the covered payroll.

Teachers hired on or after July 1, 2014, are required to participate in a separately managed defined contribution plan referred to as the State of Tennessee 401(k) Deferred Compensation Program in addition to the multiple-employer defined benefit pension plan administered by TCRS. This plan is administered by Great West Life and Annuity Insurance Company. Investment decisions on contributions to the plan are controlled by the teacher participant. Teachers are immediately 100% vested in the plan. An employer contribution equal to 5% of the teacher's compensation is made by Bristol Tennessee City Schools. Teachers are automatically enrolled in the plan when hired with an employee contribution rate of 2%. Teachers have the ability to opt out of employee contribution portion within 30 days of hire date. Teachers may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. Total contributions for the year ended June 30, 2016, totaled \$90,488 consisting of \$69,330 made by Bristol Tennessee City Schools and \$21,158 made by participants.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

H. Employee Retirement Systems and Pension Plans (Continued)

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.

NOTE V. OTHER INFORMATION:

A. Commitments

Beginning in 2005, Sullivan County Economic Development Commission d/b/a Networks Sullivan Partnership issued \$2,500,000 General Obligation Industrial Park Bonds, Series 2005, of which the City was contingently liable for 17% or \$425,000. During May 2007, Networks issued an additional \$6,500,000 General Obligation Industrial Park Bonds, Series 2007, of which the City was 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 Partnership Park One. 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, and another park referred to as Partnership Park III. 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.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

A. Commitments (Continued)

On March 30, 2015, Sullivan County advance refunded \$5,600,000 of the General Obligation Industrial Park Bonds, Series 2007) with a separate general obligation bond issue. Sullivan County issued \$6,265,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result of the advance refunding, Networks' principal balance due to Sullivan County is increased by \$665,000, but total debt service payments over the next 13 years will be reduced by approximately \$843,000. A deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is being deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

As of June 30, 2016, \$6,555,000 was outstanding in total for these bonds. The City's portion, for which it is contingently liable, of the total outstanding debt at year end is \$1,114,350.

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 \$15,637 in 2016. Unearned revenue in the amount of \$1,952,330 is recorded, of which \$837,784 relates to cable, Internet, and telephone services in the ABS and \$1,114,546 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.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

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, other than the following:

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. This lawsuit has been appealed to the Tennessee Court of Appeals. The outcome of this litigation is not known at this time.

D. 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 \$752,337 with additional payments of \$2,320 for a total of \$754,657.

E. 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).

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. Multiple Function Enterprise Fund Information (Continued)

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. 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	\$ 13,442,254	8,565,303	2,930,130	24,937,687
Investments	14,400,000	-	-	14,400,000
Accounts Receivable, (Net)	7,402,912	1,778,067	-	9,180,979
Customer Notes Receivable (Net) – Current	400,000	-	-	400,000
Other Receivables	762,209	-	-	762,209
Due from Other Funds	277	-	-	277
Inventories	2,909,208	313,934	-	3,223,142
Prepays	184,350	206,247	4,190	394,787
Total Current Assets	<u>39,501,210</u>	<u>10,863,551</u>	<u>2,934,320</u>	<u>53,299,081</u>
Noncurrent Assets:				
Capital Assets:				
Capital Assets	141,952,417	15,459,380	1,234,024	158,645,821
Construction in Progress	<u>5,195,219</u>	<u>-</u>	<u>-</u>	<u>5,195,219</u>
Total Capital Assets	147,147,636	15,459,380	1,234,024	163,841,040
Less: Accumulated Depreciation	<u>(70,536,061)</u>	<u>(9,034,489)</u>	<u>(1,101,364)</u>	<u>(80,671,914)</u>
Net Capital Assets	<u>76,611,575</u>	<u>6,424,891</u>	<u>132,660</u>	<u>83,169,126</u>
Other Noncurrent Assets:				
Long Term Investments	18,000,000	-	-	18,000,000
Customer Notes Receivable – Less Current	1,830,624	-	-	1,830,624
Property Held for Redevelopment	<u>260,847</u>	<u>-</u>	<u>-</u>	<u>260,847</u>
Total Other Noncurrent Assets	<u>20,091,471</u>	<u>-</u>	<u>-</u>	<u>20,091,471</u>
Total Assets	<u>136,204,256</u>	<u>17,288,442</u>	<u>3,066,980</u>	<u>156,559,678</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	1,109,274	-	-	1,109,274
Pension – Actuarial Experience Differences	323,831	-	-	323,831
Pension – Post Measurement Date Contributions	<u>1,343,475</u>	<u>-</u>	<u>-</u>	<u>1,343,475</u>
Total Deferred Outflows of Resources	<u>\$ 2,776,580</u>	<u>-</u>	<u>-</u>	<u>2,776,580</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF NET POSITION BY BUSINESS UNIT

	Electric Business Unit	Advanced Broadband Services Business Unit	Telephone Business Unit	Total Electric Fund
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 485,776	925,337	88,964	1,500,077
Accrued Interest	369,357	-	-	369,357
Accrued Liabilities	1,441,960	402,979	-	1,844,939
Deposits	2,190,954	-	-	2,190,954
Due to Other Funds	154,180	55,098	1,469	210,747
Unearned Revenue	1,114,546	837,784	-	1,952,330
Bonds Payable	720,000	-	-	720,000
Total Current Liabilities	<u>6,476,773</u>	<u>2,221,198</u>	<u>90,433</u>	<u>8,788,404</u>
Long-term Liabilities:				
Bonds Payable	27,055,158	-	-	27,055,158
Net Pension Liability	4,273,814	-	-	4,273,814
OPEB Obligation Payable	81,431	-	-	81,431
Total Long-term Liabilities	<u>31,410,403</u>	<u>-</u>	<u>-</u>	<u>31,410,403</u>
Total Liabilities	<u>37,887,176</u>	<u>2,221,198</u>	<u>90,433</u>	<u>40,198,807</u>
DEFERRED INFLOWS OF RESOURCES				
Pension – Actuarial Investment Differences	<u>1,214,538</u>	<u>-</u>	<u>-</u>	<u>1,214,538</u>
Total Deferred Inflows of Resources	<u>1,214,538</u>	<u>-</u>	<u>-</u>	<u>1,214,538</u>
NET POSITION				
Net Investment in Capital Assets	49,945,692	6,424,890	132,660	56,503,242
Unrestricted	<u>49,933,430</u>	<u>8,642,354</u>	<u>2,843,887</u>	<u>61,419,671</u>
Total Net Position	<u>\$ 99,879,122</u>	<u>15,067,244</u>	<u>2,976,547</u>	<u>117,922,913</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. 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)	\$ 78,404,901	20,486,860	-	98,891,761
Interunit Revenue	3,732,911	-	947,921	4,680,832
Other Revenue	<u>3,704,667</u>	<u>766,594</u>	<u>-</u>	<u>4,471,261</u>
Total Operating Revenues	<u>85,842,479</u>	<u>21,253,454</u>	<u>947,921</u>	<u>108,043,854</u>
OPERATING EXPENSES				
Purchased Power	65,874,560	-	-	65,874,560
Operations	4,697,929	11,098,220	673,361	16,469,510
Maintenance and Administrative	6,442,660	1,787,366	73,070	8,303,096
Interunit Cost of Sales	-	4,680,832	-	4,680,832
Depreciation	<u>4,825,570</u>	<u>1,386,505</u>	<u>122,296</u>	<u>6,334,371</u>
Total Operating Expenses	<u>81,840,719</u>	<u>18,952,923</u>	<u>868,727</u>	<u>101,662,369</u>
Operating Income (Loss)	<u>4,001,760</u>	<u>2,300,531</u>	<u>79,194</u>	<u>6,381,485</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	445,087	-	-	445,087
Interest Expense	(1,136,500)	-	-	(1,136,500)
Other	<u>6,580,152</u>	<u>(63,900)</u>	<u>-</u>	<u>6,516,252</u>
Total Nonoperating Revenues (Expenses)	<u>5,888,739</u>	<u>(63,900)</u>	<u>-</u>	<u>5,824,839</u>
Income Before Capital Contributions and Transfers	<u>9,890,499</u>	<u>2,236,631</u>	<u>79,194</u>	<u>12,206,324</u>
TRANSFERS				
Transfer to General	<u>(1,993,970)</u>	<u>(63,999)</u>	<u>(16,809)</u>	<u>(2,074,778)</u>
Total Transfers	<u>(1,993,970)</u>	<u>(63,999)</u>	<u>(16,809)</u>	<u>(2,074,778)</u>
Capital Contributions and Grants	<u>304,998</u>	<u>-</u>	<u>-</u>	<u>304,998</u>
Change in Net Position	8,201,527	2,172,632	62,385	10,436,544
Net Position – Beginning	<u>91,677,595</u>	<u>12,894,612</u>	<u>2,914,162</u>	<u>107,486,369</u>
Net Position – Ending	<u>\$ 99,879,122</u>	<u>15,067,244</u>	<u>2,976,547</u>	<u>117,922,913</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. 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	\$ 79,759,998	20,912,381	953,505	101,625,884
Receipts from Interfund Services Provided	2,757,638	62,675	-	2,820,313
Payments to Suppliers	(63,297,122)	(17,300,683)	(673,232)	(81,271,037)
Payments from Employees	(5,737,636)	-	-	(5,737,636)
Net Cash Provided by/(Used for) Operating Activities	<u>13,482,878</u>	<u>3,674,373</u>	<u>280,273</u>	<u>17,437,524</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Income Tax	-	(63,900)	-	(63,900)
Transfers from/(to) Other Funds	(1,993,970)	(63,999)	(16,809)	(2,074,778)
Other nonoperating revenue	<u>6,885,150</u>	<u>-</u>	<u>-</u>	<u>6,885,150</u>
Net Cash Provided by/(Used for) Noncapital Financing Activities	<u>4,891,180</u>	<u>(127,899)</u>	<u>(16,809)</u>	<u>4,746,472</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	304,998	-	-	304,998
Purchase of Capital Assets	(4,696,562)	(519,656)	(1)	(5,216,219)
Principal Paid on Capital Debt	(700,000)	-	-	(700,000)
Interest Paid on Capital Debt	<u>(1,107,925)</u>	<u>-</u>	<u>-</u>	<u>(1,107,925)</u>
Net Cash Provided by/(Used for) Capital and Related Financing Activities	<u>(6,199,489)</u>	<u>(519,656)</u>	<u>(1)</u>	<u>(6,719,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of Investments	18,000,000	-	-	18,000,000
Purchases of Investments	(18,000,000)	-	-	(18,000,000)
Interest and Dividends Received	<u>368,170</u>	<u>-</u>	<u>-</u>	<u>368,170</u>
Net Cash Provided by/(Used for) Investing Activities	<u>368,170</u>	<u>-</u>	<u>-</u>	<u>368,170</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,542,739	3,026,818	263,463	15,833,020
Cash and Cash Equivalents – Beginning	<u>15,299,515</u>	<u>5,538,485</u>	<u>2,666,667</u>	<u>23,504,667</u>
Cash and Cash Equivalents – Ending	<u>\$ 27,842,254</u>	<u>8,565,303</u>	<u>2,930,130</u>	<u>39,337,687</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. 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)	\$ 4,001,760	2,300,531	79,194	6,381,485
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Depreciation Expense	4,825,570	1,386,505	122,296	6,334,371
Provision for Losses on Accounts Receivable	58,385	33,000	-	91,385
(Increase) Decrease:				
Accounts Receivable	613,708	(192,927)	-	420,781
Inventories	244,643	(6,787)	-	237,856
Prepays and Other	3,238,598	(118,471)	5,584	3,125,711
Customer Notes Receivable	392,999	-	-	392,999
Increase (Decrease):				
Accounts Payable	(400,480)	113,875	73,199	(213,406)
Net Pension Liability	(385,942)	-	-	(385,942)
Accrued Liabilities	686,522	158,647	-	845,169
Deposits	207,115	-	-	207,115
Net Cash Provided by/(Used by) Operating Activities	<u>\$13,482,878</u>	<u>3,674,373</u>	<u>280,273</u>	<u>17,437,524</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. 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:			
Pooled Cash	\$ 654,746	1,735,829	2,390,575
Investments	123,309	2,706,968	2,830,277
Accounts Receivable, (Net)	630,904	591,947	1,222,851
Customer Notes Receivable (Net) – Current	723	8,429	9,152
Other Receivables	1,800	10,114	11,914
Due from Joint Ventures	-	224,342	224,342
Due from Other Funds	-	-	-
Due from Other Governments	918	52,103	53,021
Inventories	<u>317,662</u>	<u>67,505</u>	<u>385,167</u>
Total Current Assets	<u>1,730,062</u>	<u>5,397,237</u>	<u>7,127,299</u>
Noncurrent Assets:			
Capital Assets:			
Capital Assets	44,947,922	32,707,202	77,655,124
Construction in Progress	<u>271,272</u>	<u>51,914</u>	<u>323,186</u>
Total Capital Assets	45,219,194	32,759,116	77,978,310
Less: Accumulated Depreciation	<u>22,347,241</u>	<u>9,884,831</u>	<u>32,232,072</u>
Net Capital Assets	<u>22,871,953</u>	<u>22,874,285</u>	<u>45,746,238</u>
Other Noncurrent Assets:			
Investment in Joint Venture	-	7,299,034	7,299,034
Restricted Cash	<u>184,347</u>	<u>-</u>	<u>184,347</u>
Total Other Noncurrent Assets	<u>184,347</u>	<u>7,299,034</u>	<u>7,483,381</u>
Total Noncurrent Assets	<u>23,056,300</u>	<u>30,173,319</u>	<u>53,229,619</u>
Total Assets	<u>24,786,362</u>	<u>35,570,556</u>	<u>60,356,918</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	20,546	-	20,546
Pension – Actuarial Investment Differences	147,327	66,969	214,296
Pension – Post Measurement Date Contributions	<u>152,576</u>	<u>56,296</u>	<u>208,872</u>
Total Deferred Outflows of Resources	<u>320,449</u>	<u>123,265</u>	<u>443,714</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF NET POSITION BY BUSINESS UNIT (Continued)

	Water Business Unit	Sewer Business Unit	Total Waterworks Fund
LIABILITIES			
Current Liabilities:			
Accounts Payable	154,495	40,238	194,733
Contracts Payable	-	-	-
Accrued Interest	4,779	1,095	5,874
Accrued Payroll	81,864	25,535	107,399
Deposits	3,700	2,975	6,675
Due to Others	145	-	-
Compensated Absences Payable	71,000	24,000	95,000
Bonds Payable	<u>297,394</u>	<u>167,606</u>	<u>465,000</u>
Total Current Liabilities	<u>613,377</u>	<u>261,449</u>	<u>874,826</u>
Long-term Liabilities:			
Compensated Absences Payable	37,900	17,842	55,742
Bonds Payable, Net of Unamortized Deferred Amounts	2,091,720	497,562	2,589,282
Net Pension Liability	<u>57,807</u>	<u>32,841</u>	<u>90,648</u>
Total Long-term Liabilities	<u>2,187,427</u>	<u>548,245</u>	<u>2,735,672</u>
Total Liabilities	<u>2,800,804</u>	<u>809,694</u>	<u>3,610,498</u>
DEFERRED INFLOWS OF RESOURCES			
Pension – Actuarial Experience Differences	149,502	70,249	219,751
Pension – Actuarial Investment Differences	<u>182,129</u>	<u>97,962</u>	<u>280,091</u>
Total Deferred Inflows of Resources	<u>331,631</u>	<u>168,211</u>	<u>499,842</u>
NET POSITION			
Net Investment in Capital Assets	20,482,839	22,209,117	42,691,956
Unrestricted	<u>1,491,537</u>	<u>12,506,799</u>	<u>13,998,336</u>
Total Net Position	<u>\$21,974,376</u>	<u>34,715,916</u>	<u>56,690,292</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. 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)	\$ 4,245,512	4,573,519	8,819,031
Fines and Forfeitures	6,720	-	6,720
Other Revenue	<u>126,478</u>	<u>48,711</u>	<u>175,189</u>
Total Operating Revenues	<u>4,378,710</u>	<u>4,622,230</u>	<u>9,000,940</u>
OPERATING EXPENSES			
Maintenance and Administrative	104,803	2,201,734	2,306,537
Water Filtration Plan	1,350,379	-	1,350,379
Water Distribution	818,252	-	818,252
Sewer Collection	-	733,646	733,646
Sewer Lift Stations	-	255,311	255,311
Depreciation	450,911	360,770	811,681
Loss on Investment in Joint Venture	-	345,440	345,440
Other	<u>640,767</u>	<u>-</u>	<u>640,767</u>
Total Operating Expenses	<u>3,365,112</u>	<u>3,896,901</u>	<u>7,262,013</u>
Operating Income (Loss)	<u>1,013,598</u>	<u>725,329</u>	<u>1,738,927</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	1,977	10,511	12,488
Interest Expense	(52,372)	(9,824)	(62,196)
Fiscal Agent Fees	<u>(681)</u>	<u>(225)</u>	<u>(906)</u>
Total Nonoperating Revenues (Expenses)	<u>(51,076)</u>	<u>462</u>	<u>(50,614)</u>
Income Before Capital Contributions and Transfers	<u>962,522</u>	<u>725,791</u>	<u>1,688,313</u>
TRANSFERS			
Transfer to General	<u>(282,981)</u>	<u>(285,511)</u>	<u>(568,492)</u>
Total Transfers	<u>(282,981)</u>	<u>(285,511)</u>	<u>(568,492)</u>
Capital Contributions and Grants	<u>212,359</u>	<u>123,969</u>	<u>336,328</u>
Change in Net Position	891,900	564,249	1,456,149
Net Position – Beginning	<u>21,082,476</u>	<u>34,151,667</u>	<u>55,234,143</u>
Net Position – Ending	<u>\$ 21,974,376</u>	<u>34,715,916</u>	<u>56,690,292</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. 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	\$4,319,315	4,556,575	8,875,890
Receipts from Joint Venture	-	-	-
Receipts from Others	-	-	-
Receipts from Interfund Services Provided	203,287	-	203,287
Payments to Suppliers	(1,372,592)	(2,334,285)	(3,706,877)
Payments to Employees	(1,275,320)	(539,760)	(1,815,080)
Payments to Joint Ventures	-	(39,915)	(39,915)
Payments for Interfund Services Used	(640,767)	(727,001)	(1,367,768)
Net Cash Provided by/(Used for) Operating Activities	<u>1,233,923</u>	<u>915,614</u>	<u>2,149,537</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due From/To General Fund	607,066	1,684,189	2,291,255
Transfers from/(to) Other Funds	(282,981)	(285,511)	(568,492)
Net Cash Provided by/(Used for) Noncapital Financing Activities	<u>324,085</u>	<u>1,398,678</u>	<u>1,722,763</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	212,359	123,969	336,328
Purchase of Capital Assets	(746,763)	(208,318)	(955,081)
Principal Paid on Capital Debt	(299,823)	(176,035)	(475,858)
Interest Paid on Capital Debt	(70,060)	(16,493)	(86,553)
Fiscal Agent Fees Paid	(681)	(225)	(906)
Net Cash Provided by/(Used for) Capital and Related Financing Activities	<u>(904,968)</u>	<u>(277,102)</u>	<u>(1,182,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Investments	-	-	-
Purchases of Investments	(288)	(6,312)	(6,600)
Purchase of Investment in Joint Venture	-	(305,560)	(305,560)
Interest and Dividends Received	1,977	10,511	12,488
Net Cash Provided by/(Used for) Investing Activities	<u>1,689</u>	<u>(301,361)</u>	<u>(299,672)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>654,729</u>	<u>1,735,829</u>	<u>2,390,558</u>
Cash and Cash Equivalents – Beginning	<u>184,364</u>	<u>-</u>	<u>184,364</u>
Cash and Cash Equivalents – Ending	<u>\$ 839,093</u>	<u>1,735,829</u>	<u>2,574,922</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

E. 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)	\$1,013,598	725,329	1,738,927
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Capital Contribution to Joint Venture	-	-	-
Depreciation Expense	450,911	360,770	811,681
Loss on Investment in Joint Venture	-	-	-
Provision for Losses on Accounts Receivable	9,000	10,000	19,000
(Increase) Decrease:			
Accounts Receivable	(51,504)	(26,801)	(78,305)
Other Receivables	(1,674)	(2,965)	(4,639)
Due from Other Governments	(25,697)	(48,529)	(74,226)
Due from Joint Venture	-	(39,915)	(39,915)
Inventories	(9,819)	(5,624)	(15,443)
Customer Notes Receivable	477	-	477
Deferred Outflows	(136,907)	(68,818)	(205,725)
Increase (Decrease):			
Accounts Payable	47,679	8,774	56,453
Contracts Payable	(69,790)	-	(69,790)
Accrued Payroll	25,896	7,746	33,642
Deposits	1,275	(325)	950
Due to Others	-	-	-
Net Pension Liability	(49,469)	(22,491)	(71,960)
Compensated Absences Payable	(16,542)	(2,674)	(19,216)
Deferred Inflows	46,489	21,137	67,626
Net Cash Provided by/(Used by) Operating Activities	<u>\$1,233,923</u>	<u>915,614</u>	<u>2,149,537</u>

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

F. Revenues and Expenditures – Benefits Funded by the State of Tennessee

For fiscal year 2016, the State of Tennessee contributed payments on behalf of City employees of \$40,200 to Police Department staff and \$33,600 to Fire Department staff. The State also contributed \$222,000 to the General Purpose School Fund on behalf of employees of the Bristol Tennessee School System.

G. 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 2016 year, the City paid \$204,238 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 2016 year, the City paid \$58,010 to the Bristol Housing Authority to pay debt service on the outstanding debt related to this project.

During 2012, Council approved the Economic Impact Plan for the Bristol West Economic Development Area Project. During the approved twenty-year tax increment financing period, the City agreed to forego taxes on the improvements constructed in the Bristol West Economic Development Area in amounts that would be determined in accordance with the Economic Impact Plan. Under the Economic Impact Plan, annual property taxes assessed by the City and County within the Plan Area that exceed the sum of \$209,000 (the Base Tax Amount) and the Dedicated Tax Amount retained by the City and County for debt service, are transferred to the Industrial Development Board to be used to pay debt service on notes, bonds, or other obligations issued to finance the Bristol West Project. During the 2016 year, the City paid \$458,187 to the Industrial Development Board of the City of Bristol, Tennessee 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 2016 of \$1,808,000 were 18% of the net revenue available for debt service of \$8,827,000.

Maturities of the bonds payable are detailed in Note IV.E.

CITY OF BRISTOL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE V. OTHER INFORMATION (CONTINUED):

H. Risk Management

The City and the Industrial Development Board (IDB) of Bristol, Tennessee are 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. Neither the City nor the IDB had settlements in the current fiscal year that were not covered by insurance.

I. 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 \$105,000 per person covered. Policy includes a \$78,000 aggregating specific. 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 \$1,342,795. 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, 2016, and 2015:

	<u>2016</u>	<u>2015</u>
Balance at Beginning of Year	\$ 521,455	424,697
Claims Incurred	3,614,402	3,764,024
Claims Paid	<u>(3,702,100)</u>	<u>(3,667,266)</u>
Balance at End of Year	\$ <u>433,757</u>	<u>521,455</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