

CITY OF BRISTOL, VIRGINIA  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
AND SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2010

CITY OF BRISTOL, VIRGINIA  
TABLE OF CONTENTS  
June 30, 2010

---

	<u>PAGE NUMBER</u>
I. INTRODUCTORY SECTION	
District Officials	1
II. FINANCIAL SECTION	
Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Development Block Grant Fund	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	32
Notes to the Financial Statements	36
Required Supplementary Information	
Analysis of Funding Progress for Defined Benefit Pension Plan and Other Post-Employment Benefits	83
Balance Sheet - Industrial Development Authority (Discretely Presented Component Unit)	85
Statement of Revenues, Expenditures, and Changes in Fund Balance - Industrial Development Authority (Discretely Presented Component Unit)	86
Schedule of Expenditures of Federal Awards	87
Notes to Schedule of Federal Awards	90

CITY OF BRISTOL, VIRGINIA  
TABLE OF CONTENTS  
June 30, 2010

---

	<u>PAGE NUMBER</u>
III. STATISTICAL SECTION (UNAUDITED)	
Net Assets by Component	91
Changes in Net Assets	92
Fund Balances of Governmental Funds	96
Changes in Fund Balances of Governmental Funds	97
Assessed Value and Estimated Actual Value of Taxable Property	98
Principal Property Taxpayers	99
Property Tax Levies and Collections	100
Legal Debt Margin Information	101
Ratios of Outstanding Debt by Type	102
Pledged Revenue Coverage	103
Demographic and Economic Statistics	104
Principal Employers	105
Full-time Equivalent City Government Employees by Function/Program	106
Operating Indicators by Function	107
Capital Asset and Infrastructure Statistics by Function/Program	108
Schedule of Electric Fund Revenue and Purchased Power	109
Schedule of Water Revenue Statistics	110
IV. INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133	113
Schedule of Findings and Questioned Costs	115

CITY OF BRISTOL, VIRGINIA  
DISTRICT OFFICIALS  
June 30, 2010

---

**MEMBERS OF CITY COUNCIL**

Mayor  
Vice Mayor

James Rector  
Ernest Sprouse  
Guy Odom  
Fred Bowman  
James Heaney

**CITY OFFICIALS**

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

Dewey Cashwell  
Steve Allen  
Angel Harris  
Pete Curcio/ Ed Stout  
Terry Frye  
Terry Rohr  
Jack Weisenburger  
Jerry A. Wolfe

**UTILITIES BOARD**

Chairman  
Vice-Chairman

Paul Hurley  
Faith Esposito  
Fred Bowman  
Dulcie Mumpower  
James Rector  
Jim Clifton  
Doug Fleenor

**UTILITIES OFFICIALS**

President and CEO  
Executive Vice President and CFO  
Attorney

Wes Rosenbalm  
Stacey Bright  
G. Walter Bressler

**SCHOOL BOARD MEMBERS**

Chair  
Vice-Chair

Virginia Goodson  
Randall J. White  
Eric Clark  
Tyrone Foster  
Ronald Cameron

CITY OF BRISTOL, VIRGINIA  
DISTRICT OFFICIALS  
June 30, 2010

---

**SCHOOL OFFICIALS**

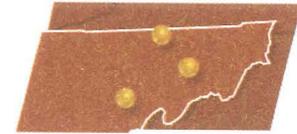
Superintendent of Schools  
Clerk of the School Board  
Deputy Clerk of the School Board

Ina Danko  
Tammy M. Jones, CPA  
Cathy Moss

**INDUSTRIAL DEVELOPMENT AUTHORITY BOARD**

Chairman  
Vice-Chairman

Harry J. Williams  
Doug Weberling  
Jim Clifton  
Faith Esposito  
Dr. W. David Fletcher  
Walter Jones  
Terry Smith



## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council  
City of Bristol, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the City of Bristol, Virginia as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Bristol Virginia Utilities, which is comprised of the Electric, Water, Wastewater and OptiNet funds, which represents 83%, 100%, and 93%, respectively, of the assets, positive net assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us and, our opinion, insofar as it relates to the amounts included for Bristol Virginia Utilities, is based on the report 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; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the basic 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 units, and each major fund of the City of Bristol, Virginia as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund and Community Development Block Grant Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 5 through 13 and 83 through 84 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, discretely presented component unit statements, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and is also not a required part of the financial statements. The discretely presented component unit financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation of the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Blackburn, Childers and Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 29, 2010

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

---

As management of the City of Bristol, Virginia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the 2010 fiscal year by \$114,432,475 (*net assets*). Of this amount, \$23,362,889 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$5,120,428. Of this amount \$4,806,103 is attributable to current year activities and \$314,325 is the result of an adjustment made for capital assets (infrastructure) that were attributable to a prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,805,245, a decrease of \$661,781 in comparison with the prior year. Approximately 13% of this total amount, \$3,149,113, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,130,749 or 6.2% of total general fund expenditures.
- The City's total debt decreased by \$2,240,085 during the current fiscal year. General Obligation Bonds (bonded debt) decreased \$1,870,000. Other Debt which is comprised of revenue bonds, capital lease obligations, long term loans, notes payables, and compensated absences decreased \$370,085.

**Overview of the Financial Statements**

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

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

**Statement of Net Assets** – presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the whether the financial position of the City is improving or deteriorating.

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

---

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

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

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

The government-wide financial statements can be found on pages 14 - 17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements; it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in government wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

---

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and community development block grant fund.

The basic governmental fund financial statements and the budgetary comparison statements can be found on pages 23 - 25 of this report.

**Proprietary Funds** - The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater, OptiNet, solid waste disposal, and golf course departments.

*Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the electric, water, wastewater, OptiNet, solid waste disposal and golf course departments, each of which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 26 - 35 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 - 82 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 83 - 84 of this report.

The statements referred to earlier in connection with discretely presented component units are presented immediately following the required supplementary information on pensions. The discretely presented component unit statements can be found on pages 85 - 86 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded total liabilities by \$114,432,475 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (78%) reflects its investment in capital assets (e.g., land, buildings, plant in service, machinery, and equipment); less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

**Government-Wide Financial Analysis (Continued)**

An additional portion of the City's net assets (\$1,623,896) represents resources that are subject to external restrictions on how they may be used. These resources are comprised of funds for Capital Projects and the Commonwealth Attorney Federal Sharing Revenue. The remaining balance of *unrestricted net assets* (\$23,362,889) may be used to meet the government's ongoing obligations to citizens and creditors. The City's net assets increased by \$5,120,428 during the current fiscal year. This is comprised of a decrease in net assets from governmental activities of \$1,423,437 and an increase in net assets from business-type activities of \$6,543,865.

**The City's Net Assets  
(in thousands 000's)**

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and Other Assets	\$ 37,672	37,507	19,467	21,400	57,139	58,907
Capital Assets	51,978	50,686	141,210	145,015	193,188	195,701
Total Assets	89,650	88,193	160,677	166,415	250,327	254,608
Long-Term Liabilities Outstanding	23,690	23,008	95,593	94,034	119,283	117,042
Other Liabilities	10,697	11,345	11,035	11,788	21,732	23,133
Total Liabilities	34,387	34,353	106,628	105,822	141,015	140,175
Net Assets						
Invested in Capital Assets, Net of Related Debt	29,915	29,401	54,846	60,045	84,761	89,446
Restricted	2,073	1,615	10	9	2,083	1,624
Unrestricted	23,275	22,824	(807)	539	22,468	23,363
Total Net Assets	\$ 55,263	53,840	54,049	60,593	109,312	114,433

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

**The City's Changes in Net Assets**  
(in thousands 000's)

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues						
Program Revenue						
Charges for Services	\$ 915	905	84,258	81,831	85,173	82,736
Operating Grants and Contributions	13,325	13,869	-	-	13,325	13,869
Capital Grants and Contributions	2,656	3,731	2,342	3,826	4,998	7,557
General Revenues						
Property Taxes	12,687	12,651	-	-	12,687	12,651
Other Taxes	11,613	11,449	-	-	11,613	11,449
Grants and Contributions						
Not Restricted	2,263	2,393	-	-	2,263	2,393
Unrestricted Investment Earnings	126	34	175	110	301	144
Gain (Loss) on Sale of Property	(2,344)	29	26	(105)	(2,318)	(76)
Total Revenues	41,241	45,061	86,801	85,662	128,042	130,723
Expenses						
General Government Administration	2,661	2,979	-	-	2,661	2,979
Judicial Administration	1,296	1,510	-	-	1,296	1,510
Public Safety	12,897	12,357	-	-	12,897	12,357
Public Works	6,353	6,660	-	-	6,353	6,660
Health and Welfare	5,646	5,496	-	-	5,646	5,496
Education	9,307	9,265	-	-	9,307	9,265
Parks, Recreation, and Cultural	2,883	2,835	-	-	2,883	2,835
Community Development	1,693	2,867	-	-	1,693	2,867
Transit	552	552	-	-	552	552
Interest on Long-Term Debt	1,156	925	-	-	1,156	925
Electric	-	-	51,969	48,137	51,969	48,137
Water	-	-	3,022	3,167	3,022	3,167
Wastewater	-	-	3,124	3,198	3,124	3,198
OptiNet	-	-	16,476	17,623	16,476	17,623
Solid Waste Disposal	-	-	7,020	7,252	7,020	7,252
Golf Course	-	-	1,117	1,094	1,117	1,094
Total Expenses	44,444	45,446	82,728	80,471	127,172	125,917
Excess (Deficiency) Before Transfers	(3,203)	(385)	4,073	5,191	870	4,806
Transfers	458	(1,353)	(458)	1,353	-	-
Change in Net Assets	(2,745)	(1,738)	3,615	6,544	870	4,806
Net Assets -- July 1, as Restated	58,008	55,578	50,434	54,049	108,442	109,627
Net Assets -- June 30	\$ 55,263	53,840	54,049	60,593	109,312	114,433

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

---

**Governmental Activities.** Governmental activities decreased the City's net assets by \$1,423,437. Of this amount current year activities resulted in a decrease of \$1,737,762 with an offset of \$314,325 for a prior period adjustment for the capture of additional infrastructure. Factors contributing to this decrease are noted below.

Revenues from governmental activities totaled \$45,061,745 which was an increase of \$3,820,476 over last year. Property taxes (28%), Other Local Taxes (25%), Capital Grants and Contributions (8%) and Operating Grants and Contributions (31%) were the major sources of revenues. In comparison to the previous year Capital Grants and Contributions, and Operating Grants and Contributions increased approximately \$1,075,000, and \$544,000, respectively. Capital Grants and Contributions increased primarily due to funding from the Virginia Department of Transportation for the Resting Tree Project. Operating Grants and Contributions increased as a result of pass thru funding from the Governor's Development Opportunity Fund. Other Local Taxes and Unrestricted Investment Earnings decreased approximately \$256,000 in comparison with last year.

Expenses for governmental activities totaled \$45,446,668 which was \$1,001,799 over last year. Public safety (27%), education (20%), public works (15%), health and welfare (12%), and parks recreation and culture (6%) account for 80 percent of total governmental expenses. The primary increase in expenditures was for a pass thru payment made to Alpha Natural Resources from the Governor's Opportunity Fund in the amount of \$1,000,000. Other increases in expenses can be attributed to grant funded purchases such as a Bomb Squad Vehicle (\$172,764) and Laptops for the Bristol Life Saving Crew (\$19,500).

**Business-type Activities.** Net assets of the business-type activities were \$60,592,712 at June 30, 2010. This was an increase of \$6,543,865 from the prior year. The following highlights the departments that impacted this net change the most:

- The Solid Waste Disposal fund's decrease in net assets of 4% resulted primarily from operations, interest costs and depreciation costs. It should be noted that this is an improvement from the 10% decrease in the previous year.
- The Clear Creek Golf Course fund experienced an increase in net assets of .4% in comparison with an 18% decrease last year.
- The Electric fund experienced an increase in net assets of 7%, primarily as a result of operations.
- The Water fund experienced an increase in net assets of 5%.
- The Wastewater fund decreased its net assets by 2%.
- The OptiNet fund increased its net assets by 17% for the period ending June 30, 2010. Capital Contributions and Grants comprised 16% of the revenue.

Program revenues totaled \$85,657,478 of which 96% was charges for services. Expenses totaled \$80,470,904 with an additional \$350,000 payment for in-lieu of tax being transferred to governmental activities.

**Component Unit.** The School Board's total net assets increased by \$479,752. This increase is attributable to an increase in federal stimulus funding.

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

---

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,805,245 a decrease of \$661,781 in comparison with the prior year. Approximately 13.2% of this total amount, \$3,149,113 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because primarily it represents advances to another fund which are not expected to be collected in the near term.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,130,749, while total fund balance reached \$23,786,881. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6% of total general fund expenditures, while total fund balance represents 47% of that same amount.

The fund balance of the City's general fund decreased by \$655,613 during the current fiscal year. This decrease is due primarily to expenses exceeding revenues.

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

Net assets of the electric, water, wastewater, OptiNet, solid waste disposal and golf course funds amounted to \$33,083,708, \$8,966,641, \$14,303,201, \$35,127,443 (\$28,294,321), and (\$2,593,960) respectively. The total increase in net assets was \$6,543,865.

Solid Waste Disposal net assets decreased \$1,091,454 as compared with a decrease of \$2,374,564 in fiscal year 2009.

The Golf Course fund net assets increased by \$10,454 as compared with a decrease of \$394,620 in fiscal year 2009.

The Electric fund net assets increased by \$2,151,003 in 2010. This is a result of operations.

The OptiNet fund net assets increased by \$5,334,626. This change in net assets is primarily due to the receipt of grant funding of \$3,826,270. The remainder of the increase is a result of operations.

The Water fund net assets increased by \$443,348 compared to the prior year increase of \$514,755.

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

---

**Financial Analysis of the Government's Funds (Continued)**

*Proprietary funds (continued)*

The Wastewater fund net assets decreased by \$304,112 compared to the \$105,290 increase in the prior year.

**General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was approximately a \$4,481,745 increase in appropriated revenues and \$4,687,565 increase in appropriated expenses which can be briefly summarized as follows:

- In the area of revenues the increase is attributed mainly to an appropriation for pass thru funding for Alpha Natural Resources for economic development. The Governor's Development Opportunity Fund and the Virginia Tobacco/Community Revitalization Commission awarded Alpha Natural Resources \$4,400,000. This funding would be received by the City and passed onto Alpha Natural Resources and therefore was added to the budget.
- In the area of expenses the main increase in the budget was the result of the funding mentioned above. The City was required to send the economic development funding of \$4,400,000 on to Alpha Natural Resources. Funding for education was also increased by \$205,820 due to the re-allocation of 2008-2009 balance after the original budget was approved.

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

- Actual revenues were less than budgeted revenues by approximately \$8,717,952. This difference is primarily attributable to Other Local Taxes (\$931,051) and Intergovernmental Revenues (\$8,151,008) being less than budgeted. Other Local Taxes consisted of the following shortfalls: Local Sales Tax of \$242,769, Restaurant Meal Taxes of \$308,947 and Business License Tax of \$222,183. Intergovernmental revenues fell below budget mainly in the areas where state matching dollars were budgeted for special projects. In most cases the expenses did not occur in the fiscal year, therefore, the funding was not received. The following special project funding streams were less than budgeted: Bonham Road Corridor \$2,384,350 and Resting Tree Project \$1,784,542. Also the \$3,400,000 budgeted to be received from the Virginia Tobacco/Community Revitalization Commission had not been received as of June 30, 2010.
- Actual expenditures were less than budgeted expenditures by approximately \$7,015,770. The primary difference for actual expenses being less than budget is due to special projects expenses (\$4,266,064) not occurring in this fiscal year as mentioned in the revenue section above. Also the pass through payment in the amount of \$3,400,000 to Alpha Natural Resources did not occur by June 30, 2010.
- Other financing sources in revenues as well as expenses were over budget by approximately \$6,000,000 due to Tax Anticipation Notes.

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

---

**Capital Asset and Debt Administration**

**Capital Assets.** The City's capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$195,700,820 (net of accumulated depreciation). This total is comprised of land, buildings, utility systems, machinery and equipment, and infrastructure. The total increase in the City's in capital assets for the current fiscal year was 1.3%.

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

- This increase is primarily due to expansion of the fiber optic infrastructure.

Additional information on the City's capital assets can be found in Note IV on pages 52 through 56 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$101,274,502. Of this amount, \$55,910,000 (55%) comprises debt backed by the full faith and credit of the government.

- The City's total bonded debt decreased by \$1,870,000. Other long-term debt which is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, and compensated absences decreased \$370,085.
- The City maintains the states intercept rating of AAA from Moody's for general obligation debt. The underlying rating for the city is A1 from Moody's and A for Standard and Poor's.

Additional information on the City's long-term debt can be found in Note IV on pages 61 through 68 of this report.

**Economic Factors Impacting Next Year's Budget**

- National Economy concerns and impact to state and local governments especially in the areas of state funding.
- Bristol Virginia Utilities separating from the City and becoming an Authority in July 2010.
- Impact of employee cost which relate to compensation, health care and retirement.
- Increasing operating efficiency at the Solid Waste Disposal Facility.
- Restructure of bonded indebtedness.

**Requests for Information**

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

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF NET ASSETS  
June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,794,650	16,222,172	18,016,822	833,487	16,994
Investments	-	-	-	110,428	-
Receivables, Net of Allowance	11,391,044	8,189,490	19,580,534	-	644,315
Notes Receivable	565,000	711,624	1,276,624	-	-
Due from Component Unit	576,281	-	576,281	-	-
Due from Primary Government	-	-	-	68,034	-
Due from Other Governments	1,915,499	2,562,713	4,478,212	1,273,204	-
Internal Balances	19,157,457	(19,157,457)	-	-	-
Prepays	-	643,054	643,054	-	-
Inventories	39,578	2,795,796	2,835,374	19,718	-
Residential Lots for Sale	-	470,140	470,140	-	-
Bond Issuance Costs, Net	404,144	1,803,951	2,208,095	-	-
Other Current Assets	-	30,836	30,836	-	-
Restricted Assets					
Cash and Cash Equivalents	1,662,953	963,654	2,626,607	1,317,448	-
Investments	-	6,164,067	6,164,067	255,198	-
Capital Assets, Net	50,685,968	145,014,852	195,700,820	14,489,774	-
<b>TOTAL ASSETS</b>	<b>88,192,574</b>	<b>166,414,892</b>	<b>254,607,466</b>	<b>18,367,291</b>	<b>661,309</b>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	1,557,221	6,812,139	8,369,360	962,693	12,808
Accrued Interest Payable	338,593	1,661,506	2,000,099	-	-
Accrued Payroll and Related Liabilities	194,858	185,150	380,008	989,118	-
Due to Primary Government	-	-	-	-	644,315
Due to Other Governmental Units	-	32,244	32,244	-	-
Unearned Revenue	8,867,720	1,724,496	10,592,216	17,697	-
Potential Development Credits	-	83,000	83,000	-	-
Customer Security Deposits	-	963,654	963,654	-	-
Assets Held in an Agency Capacity	85,906	-	85,906	-	-
Termination of Benefits Payable	-	-	-	-	-
Other Postemployment Benefits	300,124	267,939	568,063	115,500	-
Retirement Benefits Payable	-	57,835	57,835	-	-
Long-Term Liabilities					
Due Within One Year	2,115,783	4,404,034	6,519,817	238,789	-
Due in More Than One Year	20,892,606	89,630,183	110,522,789	489,960	-
<b>TOTAL LIABILITIES</b>	<b>34,352,811</b>	<b>105,822,180</b>	<b>140,174,991</b>	<b>2,813,757</b>	<b>657,123</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF NET ASSETS  
June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	29,401,065	60,044,625	89,445,690	14,489,774	-
Restricted For					
Capital Projects	491,761	-	491,761	1,565,063	-
Commonwealth Attorney	1,122,819	-	1,122,819	-	-
Specified Purposes	-	9,316	9,316	-	-
Unrestricted	22,824,118	538,771	23,362,889	(501,303)	4,186
<b>TOTAL NET ASSETS</b>	<b>\$ 53,839,763</b>	<b>60,592,712</b>	<b>114,432,475</b>	<b>15,553,534</b>	<b>4,186</b>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS								
	Expenses	PROGRAM REVENUES			Primary Government			Component Unit	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
<b>Primary Government</b>									
<b>Governmental Activities</b>									
General Government	\$ 2,978,720	316,195	2,014,930	-	(647,595)	-	(647,595)	-	-
Judicial Administration	1,509,552	279,718	754,760	-	(475,074)	-	(475,074)	-	-
Public Safety	12,357,339	174,210	2,516,164	1,186,884	(8,480,081)	-	(8,480,081)	-	-
Public Works	6,659,981	2,861	2,869,017	1,760,617	(2,027,486)	-	(2,027,486)	-	-
Health and Welfare	5,495,954	-	4,241,478	-	(1,254,476)	-	(1,254,476)	-	-
Education	9,265,259	-	-	-	(9,265,259)	-	(9,265,259)	-	-
Parks, Recreation, and Cultural	2,835,079	97,233	-	763,204	(1,974,642)	-	(1,974,642)	-	-
Community Development	2,867,133	3,208	1,407,413	-	(1,456,512)	-	(1,456,512)	-	-
Transit	552,312	31,561	65,190	20,000	(435,561)	-	(435,561)	-	-
Interest on Long-Term Debt	925,339	-	-	-	(925,339)	-	(925,339)	-	-
<b>Total Governmental Activities</b>	<b>45,446,668</b>	<b>904,986</b>	<b>13,868,952</b>	<b>3,730,705</b>	<b>(26,942,025)</b>	<b>-</b>	<b>(26,942,025)</b>	<b>-</b>	<b>-</b>
<b>Business-type Activities</b>									
Electric	48,136,810	50,543,639	-	-	-	2,406,829	2,406,829	-	-
Water	3,167,214	3,179,182	-	-	-	11,968	11,968	-	-
Wastewater	3,198,095	3,316,913	-	-	-	118,818	118,818	-	-
OptiNet	17,622,508	19,236,343	-	3,826,270	-	5,440,105	5,440,105	-	-
Solid Waste Disposal	7,252,392	4,900,792	-	-	-	(2,351,600)	(2,351,600)	-	-
Golf Course	1,093,885	654,339	-	-	-	(439,546)	(439,546)	-	-
<b>Total Business-type Activities</b>	<b>80,470,904</b>	<b>81,831,208</b>	<b>-</b>	<b>3,826,270</b>	<b>-</b>	<b>5,186,574</b>	<b>5,186,574</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 125,917,572</b>	<b>82,736,194</b>	<b>13,868,952</b>	<b>7,556,975</b>	<b>(26,942,025)</b>	<b>5,186,574</b>	<b>(21,755,451)</b>	<b>-</b>	<b>-</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS								
	PROGRAM REVENUES				Primary Government			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
Component Unit									
School Board	\$ 24,626,100	464,315	8,656,581	164,149	-	-	-	(15,341,055)	-
Industrial Development Authority	8,700	-	-	-	-	-	-	-	(8,700)
Total Component Units	<u>\$ 24,634,800</u>	<u>464,315</u>	<u>8,656,581</u>	<u>164,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,341,055)</u>	<u>(8,700)</u>
General Revenues									
Property Taxes					12,651,353	-	12,651,353	-	-
Other Taxes					11,448,949	-	11,448,949	-	-
State Aid					-	-	-	6,483,694	-
Payments from Primary Government					-	-	-	9,185,848	-
Grants Not Restricted to Specific Programs					2,393,388	-	2,393,388	-	-
Unrestricted Investment Earnings					34,069	110,037	144,106	16,064	8,700
Gain (Loss) on Sale of Property					29,343	(105,585)	(76,242)	5,642	-
Other					-	-	-	129,559	-
Transfers					(1,352,839)	1,352,839	-	-	-
Total General Revenues and Transfers					<u>25,204,263</u>	<u>1,357,291</u>	<u>26,561,554</u>	<u>15,820,807</u>	<u>8,700</u>
Change in Net Assets					<u>(1,737,762)</u>	<u>6,543,865</u>	<u>4,806,103</u>	<u>479,752</u>	<u>-</u>
Net Assets, Beginning					55,263,200	54,048,847	109,312,047	15,073,782	4,186
Prior Period Adjustments					314,325	-	314,325	-	-
Net Assets, Beginning - Restated					<u>55,577,525</u>	<u>54,048,847</u>	<u>109,626,372</u>	<u>15,073,782</u>	<u>4,186</u>
Net Assets, Ending					<u>\$ 53,839,763</u>	<u>60,592,712</u>	<u>114,432,475</u>	<u>15,553,534</u>	<u>4,186</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,776,509	18,141	1,794,650
Cash and Cash Equivalents, Restricted	1,662,953	-	1,662,953
Receivables, Net	11,222,613	168,431	11,391,044
Due from Other Funds	155,483	-	155,483
Due from Component Units	644,315	-	644,315
Due from Other Governmental Units	1,915,499	-	1,915,499
Inventories	39,578	-	39,578
Advances to Other Funds	19,001,974	-	19,001,974
Notes Receivable	565,000	-	565,000
<b>TOTAL ASSETS</b>	<b>\$ 36,983,924</b>	<b>186,572</b>	<b>37,170,496</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 1,557,221	-	1,557,221
Accrued Payroll and Related Liabilities	194,858	-	194,858
Due to Component Units	68,034	-	68,034
Deferred Revenue	11,291,024	168,208	11,459,232
Assets Held in Agency Capacity	85,906	-	85,906
<b>TOTAL LIABILITIES</b>	<b>13,197,043</b>	<b>168,208</b>	<b>13,365,251</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventories	39,578	-	39,578
Advances to Other Funds	19,001,974	-	19,001,974
Capital Outlay	491,761	-	491,761
Commonwealth Attorney	1,122,819	-	1,122,819
Unreserved, Reported in			
General Fund, Undesignated	3,130,749	-	3,130,749
Special Revenue Funds	-	18,364	18,364
<b>TOTAL FUND BALANCES</b>	<b>23,786,881</b>	<b>18,364</b>	<b>23,805,245</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 36,983,924</b>	<b>186,572</b>	<b>37,170,496</b>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2010

---

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

Fund Balances - Total Governmental Funds	\$ 23,805,245
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	50,685,968
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	2,591,512
Interest on long-term debt is not accrued in the funds as in the government-wide statements.	(338,593)
Long-term liabilities, including bonds payable and related premiums, capital leases, and other postemployment benefits are not due and payable in the current period and therefore are not reported in the funds.	(23,308,513)
Related debt costs are amortized over the term of the debt in the governmental activities; however, use current financial resources and therefore, are reported as expenditures in the funds.	<u>404,144</u>
Net Assets of Governmental Activities	<u><u>\$ 53,839,763</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2010

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
<b>REVENUES</b>			
General Property Taxes	\$ 13,171,228	-	13,171,228
Other Local Taxes	11,448,949	-	11,448,949
Intergovernmental	18,145,550	387,209	18,532,759
Charges for Services	332,728	-	332,728
Revenue from Use of Property Permits, Privilege Fees, and	306,020	-	306,020
Regulatory Licenses	31,359	-	31,359
Fines and Forfeitures	175,137	-	175,137
Investment Earnings	52,479	1,589	54,068
Other	970,307	2,462	972,769
<b>TOTAL REVENUES</b>	<b>44,633,757</b>	<b>391,260</b>	<b>45,025,017</b>
<b>EXPENDITURES</b>			
Current			
General Government	2,587,737	-	2,587,737
Judicial Administration	1,401,759	-	1,401,759
Public Safety	12,199,613	-	12,199,613
Public Works	4,136,424	-	4,136,424
Health and Welfare	5,507,342	-	5,507,342
Education	8,976,766	-	8,976,766
Parks, Recreation, and Cultural	2,514,823	-	2,514,823
Community Development	2,469,705	397,428	2,867,133
Transit	520,962	-	520,962
Capital Projects	2,024,195	-	2,024,195
Debt Service			
Principal Retirement	7,354,194	-	7,354,194
Interest and Fiscal Charges	979,386	-	979,386
<b>TOTAL EXPENDITURES</b>	<b>50,672,906</b>	<b>397,428</b>	<b>51,070,334</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,039,149)</u>	<u>(6,168)</u>	<u>(6,045,317)</u>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Governmental Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In/Out	(1,352,839)	-	(1,352,839)
Proceeds from Bond Issuances	6,000,000	-	6,000,000
Proceeds from Bond Restructuring	630,569	-	630,569
Sale of Capital Assets	105,806	-	105,806
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>5,383,536</u>	<u>-</u>	<u>5,383,536</u>
Net Change in Fund Balances	(655,613)	(6,168)	(661,781)
FUND BALANCE, JULY 1, 2009	<u>24,442,494</u>	<u>24,532</u>	<u>24,467,026</u>
FUND BALANCE, JUNE 30, 2010	<u><u>\$ 23,786,881</u></u>	<u><u>18,364</u></u>	<u><u>23,805,245</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010

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

Net Change in Fund Balances - Total Governmental Funds	\$ (661,781)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets, \$2,368,502 was exceed by depreciation (\$3,633,410) in the current period.	(1,264,908)
The net effect of various transactions involving capital assets (contributions and sales) is to decrease net assets.	(93,871)
Recognition of the allocation of capital assets to the discretely presented component unit - School Board equal to the debt service payment net of accumulated depreciation.	(247,493)
Revenues in the funds are recorded when they provide current financial resources to the government; while in the Statement of Activities, those revenues were recorded at the time when they were considered earned.	24,793
The change in accrued interest expense reported in the Statement of Activities does not require the use of current financial resources. Therefore, it is not reported as an expenditure in the governmental funds.	14,057
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(1,639)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.	765,254
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(272,174)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (1,737,762)</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General Property Taxes	\$ 13,388,990	13,388,990	13,171,228	(217,762)
Other Local Taxes	12,380,000	12,380,000	11,448,949	(931,051)
Intergovernmental	21,878,308	26,296,558	18,145,550	(8,151,008)
Charges for Services	416,500	416,500	332,728	(83,772)
Revenue from Use of Property Permits, Privilege Fees, and Regulatory Licenses	303,696	303,696	306,020	2,324
Fines and Forfeitures	43,000	43,000	31,359	(11,641)
Investment Earnings	155,000	155,000	175,137	20,137
Other	71,000	71,000	52,479	(18,521)
	233,470	296,965	970,307	673,342
<b>TOTAL REVENUES</b>	<b>48,869,964</b>	<b>53,351,709</b>	<b>44,633,757</b>	<b>(8,717,952)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	2,599,431	2,599,431	2,587,737	11,694
Judicial Administration	1,142,076	1,142,076	1,401,759	(259,683)
Public Safety	12,420,321	12,450,397	12,199,613	250,784
Public Works	3,591,071	3,602,247	4,136,424	(534,177)
Health and Welfare	6,187,885	6,187,885	5,507,342	680,543
Education	8,865,411	9,071,231	8,976,766	94,465
Parks, Recreation, and Cultural	2,602,574	2,643,067	2,514,823	128,244
Community Development	1,167,528	5,567,528	2,469,705	3,097,823
Transit	542,892	542,892	520,962	21,930
Capital Projects	6,290,259	6,290,259	2,024,195	4,266,064
<b>Debt Service</b>				
Principal Retirement	706,187	706,187	7,354,194	(6,648,007)
Interest and Fiscal Charges	885,476	885,476	979,386	(93,910)
<b>TOTAL EXPENDITURES</b>	<b>47,001,111</b>	<b>51,688,676</b>	<b>50,672,906</b>	<b>1,015,770</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,868,853	1,663,033	(6,039,149)	(7,702,182)

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers In/Out	(1,868,853)	(1,868,853)	(1,352,839)	516,014
Proceeds from Bond Issuances	-	-	6,000,000	6,000,000
Proceeds from Bond Restructuring	-	-	630,569	630,569
Sale of Capital Assets	-	-	105,806	105,806
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,868,853)</u>	<u>(1,868,853)</u>	<u>5,383,536</u>	<u>7,252,389</u>
Net Change in Fund Balances	<u>-</u>	<u>(205,820)</u>	<u>(655,613)</u>	<u>(449,793)</u>
FUND BALANCE, JULY 1, 2009	<u>8,754,813</u>	<u>7,455,794</u>	<u>24,442,494</u>	<u>16,986,700</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 8,754,813</u>	<u>7,249,974</u>	<u>23,786,881</u>	<u>16,536,907</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 287,211	419,599	387,209	(32,390)
Investment Earnings	-	-	1,589	1,589
Other	-	-	2,462	2,462
<b>TOTAL REVENUES</b>	<b>287,211</b>	<b>419,599</b>	<b>391,260</b>	<b>(28,339)</b>
<b>EXPENDITURES</b>				
Current				
Community Development	287,211	419,599	397,428	22,171
<b>TOTAL EXPENDITURES</b>	<b>287,211</b>	<b>419,599</b>	<b>397,428</b>	<b>22,171</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(6,168)	(6,168)
FUND BALANCE, JULY 1, 2009	-	-	24,532	24,532
FUND BALANCE, JUNE 30, 2010	\$ -	-	18,364	18,364

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	\$ 5,563,804	2,407,960	3,549,564	3,942,200	695,920	62,724	16,222,172
Accounts Receivable, Net	6,428,685	212,158	220,718	979,911	343,912	4,106	8,189,490
Due from Other Funds	485,190	-	-	145,806	68,704	36,340	736,040
Due from Other Governments	1,918	-	1,181,706	1,379,089	-	-	2,562,713
Inventories	1,420,146	182,706	19,339	1,134,807	-	38,798	2,795,796
Prepays	158,447	281	310	216,811	-	-	375,849
Residential Lots for Sale	-	-	-	-	-	470,140	470,140
Other Current Assets	21,286	2,292	2,709	4,549	-	-	30,836
<b>Total Current Assets</b>	<b>14,079,476</b>	<b>2,805,397</b>	<b>4,974,346</b>	<b>7,803,173</b>	<b>1,108,536</b>	<b>612,108</b>	<b>31,383,036</b>
<b>Noncurrent Assets</b>							
Restricted Cash and Cash Equivalents	878,954	-	-	84,700	-	-	963,654
Certificates of Deposit - Long-term	2,346,577	429,112	-	3,388,378	-	-	6,164,067
Capital Assets, Net	37,824,701	11,393,598	9,539,841	56,217,340	26,388,676	3,650,696	145,014,852
Energy Conservation Loans, Net	711,624	-	-	-	-	-	711,624
Prepays	59,520	-	-	207,685	-	-	267,205
Bond Issuance Costs, Net	445,431	77,944	-	664,943	566,648	48,985	1,803,951
<b>Total Other Noncurrent Assets</b>	<b>42,266,807</b>	<b>11,900,654</b>	<b>9,539,841</b>	<b>60,563,046</b>	<b>26,955,324</b>	<b>3,699,681</b>	<b>154,925,353</b>
<b>TOTAL ASSETS</b>	<b>56,346,283</b>	<b>14,706,051</b>	<b>14,514,187</b>	<b>68,366,219</b>	<b>28,063,860</b>	<b>4,311,789</b>	<b>186,308,389</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	
<b>LIABILITIES</b>							
Current Liabilities							
Accounts Payable and Accrued Liabilities	4,054,979	92,942	21,828	2,286,990	324,988	30,412	6,812,139
Accrued Interest	369,469	85,541	-	526,638	649,635	30,223	1,661,506
Accrued Payroll and Related Deductions	34,048	9,941	6,635	105,767	18,617	10,142	185,150
Due to Other Governmental Units	-	-	-	32,244	-	-	32,244
Due to Other Funds	356,876	11,596	1,521	485,190	36,340	-	891,523
Customer Security Deposits	878,954	-	-	84,700	-	-	963,654
Deferred Revenue	-	-	-	684,979	-	16,662	701,641
Potential Development Credits	83,000	-	-	-	-	-	83,000
Bonds and Leases Payable	592,451	87,022	-	811,729	1,934,700	286,903	3,712,805
Notes Payable	-	94,284	-	33,981	-	-	128,265
Compensated Absences Payable	156,029	68,870	49,110	137,503	135,636	15,816	562,964
<b>Total Current Liabilities</b>	<b>6,525,806</b>	<b>450,196</b>	<b>79,094</b>	<b>5,189,721</b>	<b>3,099,916</b>	<b>390,158</b>	<b>15,734,891</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	
<b>LIABILITIES (CONTINUED)</b>							
Long-term Liabilities							
Deferred Revenue	7,602	-	-	1,015,253	-	-	1,022,855
Advances from Other Funds	-	-	-	-	15,962,893	3,039,081	19,001,974
OPEB Liability	122,770	31,831	32,340	80,998	-	-	267,939
Retirement Benefits Payable	18,631	39,204	-	-	-	-	57,835
Compensated Absences Payable	408,322	77,452	99,552	234,830	48,245	4,185	872,586
Notes Payable	-	2,325,753	-	885,478	-	-	3,211,231
Bonds and Leases Payable, Net of Unamortized							
Deferred Amounts	16,179,444	2,814,974	-	25,832,496	31,416,878	3,472,325	79,716,117
Landfill Closure Costs	-	-	-	-	5,830,249	-	5,830,249
Total Long-term Liabilities	<u>16,736,769</u>	<u>5,289,214</u>	<u>131,892</u>	<u>28,049,055</u>	<u>53,258,265</u>	<u>6,515,591</u>	<u>109,980,786</u>
<b>TOTAL LIABILITIES</b>	<u>23,262,575</u>	<u>5,739,410</u>	<u>210,986</u>	<u>33,238,776</u>	<u>56,358,181</u>	<u>6,905,749</u>	<u>125,715,677</u>
<b>NET ASSETS</b>							
Invested in Capital Assets, Net of Related Debt							
	21,498,237	6,149,509	9,539,841	29,318,599	(6,851,816)	390,255	60,044,625
Restricted for Debt Service	-	-	-	-	-	9,316	9,316
Unrestricted	<u>11,585,471</u>	<u>2,817,132</u>	<u>4,763,360</u>	<u>5,808,844</u>	<u>(21,442,505)</u>	<u>(2,993,531)</u>	<u>538,771</u>
<b>TOTAL NET ASSETS</b>	<u>\$33,083,708</u>	<u>8,966,641</u>	<u>14,303,201</u>	<u>35,127,443</u>	<u>(28,294,321)</u>	<u>(2,593,960)</u>	<u>60,592,712</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
<b>OPERATING REVENUES</b>							
Charges for Services, Net	\$49,217,850	3,076,751	3,265,730	17,732,873	4,836,055	295,127	78,424,386
Sales	-	-	-	-	62,347	119,934	182,281
Management and Consulting Fees	-	-	-	1,373,795	-	-	1,373,795
Rent from Property	676,939	60,265	-	37,077	-	203,971	978,252
Forfeited Discounts and Penalties	334,161	19,840	23,516	74,969	-	-	452,486
Connections and Transfers	220,763	17,880	2,112	-	-	-	240,755
Grant Revenue	-	-	-	-	-	29,092	29,092
Other Revenue	93,926	4,446	25,555	17,629	2,390	6,215	150,161
<b>TOTAL OPERATING REVENUES</b>	<b>50,543,639</b>	<b>3,179,182</b>	<b>3,316,913</b>	<b>19,236,343</b>	<b>4,900,792</b>	<b>654,339</b>	<b>81,831,208</b>
<b>OPERATING EXPENSES</b>							
Power and Pumping	-	373,571	1,129,414	-	-	-	1,502,985
Purification and Collection System	-	660,921	197,553	-	-	-	858,474
Transmission and Distribution	2,084,507	271,881	-	-	-	-	2,356,388
Telephone Broadband and CATV	-	-	-	8,923,426	-	-	8,923,426
Billing and Collection	1,249,465	254,246	265,559	1,087,925	-	-	2,857,195
Sales Promotion	297,423	-	-	-	-	-	297,423
Purchase of Electricity	37,360,202	-	-	-	-	-	37,360,202

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
OPERATING EXPENSES (CONTINUED)							
Landfill Closure and Post Closure Care	-	-	-	-	351,317	-	351,317
Administrative and General	4,215,084	957,619	975,521	2,370,931	4,105,319	739,977	13,364,451
Depreciation	2,034,330	471,153	630,048	4,143,679	1,122,662	111,487	8,513,359
Amortization	88,019	22,298	-	26,414	-	-	136,731
<b>TOTAL OPERATING EXPENSES</b>	<b>47,329,030</b>	<b>3,011,689</b>	<b>3,198,095</b>	<b>16,552,375</b>	<b>5,579,298</b>	<b>851,464</b>	<b>76,521,951</b>
Operating Income (Loss)	3,214,609	167,493	118,818	2,683,968	(678,506)	(197,125)	5,309,257
NONOPERATING REVENUES (EXPENSES)							
Interest Income	89,994	2,069	4,781	3,547	9,646	-	110,037
Interest Expense	(807,780)	(155,525)	-	(1,070,133)	(1,528,838)	(198,430)	(3,760,706)
Amortization of Bond Costs	-	-	-	-	(144,256)	(43,991)	(188,247)
Gain (Loss) on Disposal of Assets	4,180	-	1,600	(109,026)	(2,339)	-	(105,585)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(713,606)</b>	<b>(153,456)</b>	<b>6,381</b>	<b>(1,175,612)</b>	<b>(1,665,787)</b>	<b>(242,421)</b>	<b>(3,944,501)</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
Net Income (Loss) Before Operating Transfers and Capital Contributions	2,501,003	14,037	125,199	1,508,356	(2,344,293)	(439,546)	1,364,756
TRANSFERS IN (OUT)	(350,000)	429,311	(429,311)	-	1,252,839	450,000	1,352,839
CAPITAL CONTRIBUTIONS AND GRANTS	-	-	-	3,826,270	-	-	3,826,270
Change in Net Assets	2,151,003	443,348	(304,112)	5,334,626	(1,091,454)	10,454	6,543,865
NET ASSETS, JULY 1, 2009	30,932,705	8,523,293	14,607,313	29,792,817	(27,202,867)	(2,604,414)	54,048,847
NET ASSETS, JUNE 30, 2010	<u>\$33,083,708</u>	<u>8,966,641</u>	<u>14,303,201</u>	<u>35,127,443</u>	<u>(28,294,321)</u>	<u>(2,593,960)</u>	<u>60,592,712</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from Customers and Users	\$ 50,953,020	3,174,736	3,291,358	17,844,919	4,931,382	614,253	80,809,668
Payments to Suppliers	(41,824,942)	(1,641,436)	(547,808)	(10,151,161)	(1,702,549)	(246,133)	(56,114,029)
Payments to Employees	(3,381,739)	(876,802)	(890,825)	(2,231,121)	(2,144,371)	(445,217)	(9,970,075)
Interfund Receipts (Payments)	(503,307)	11,406	1,804	149,604	(826)	(36,340)	(377,659)
Other Receipts (Payments)	(238,606)	(58,464)	(1,092,520)	821,241	-	(388)	(568,737)
<b>NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES</b>	<b>5,004,426</b>	<b>609,440</b>	<b>762,009</b>	<b>6,433,482</b>	<b>1,083,636</b>	<b>(113,825)</b>	<b>13,779,168</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Purchase of Capital Assets	(2,873,562)	(448,897)	(242,943)	(3,123,341)	(1,356,132)	-	(8,044,875)
Proceeds from Sale of Property and Equipment	10,000	-	1,600	-	-	-	11,600
Principal Paid on Capital Debt	(627,048)	(151,031)	-	(807,412)	(2,306,828)	(366,354)	(4,258,673)
Proceeds from Borrowings	190,387	279,335	-	425,000	1,125,000	-	2,019,722
Interest Paid on Capital Debt	(835,704)	(225,978)	-	(1,150,319)	(1,544,826)	(200,472)	(3,957,299)
Interfund Loan Receipts	-	-	-	-	2,457,405	648,745	3,106,150
Capital Contributions and Grants	215,208	30,168	9,688	22,925	-	-	277,989
Other Receipts (Payments)	9,000	-	-	-	(88,833)	-	(79,833)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,911,719)</b>	<b>(516,403)</b>	<b>(231,655)</b>	<b>(4,633,147)</b>	<b>(1,714,214)</b>	<b>81,919</b>	<b>(10,925,219)</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>							
Interfund Payments	-	429,311	(429,311)	-	-	-	-
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>429,311</b>	<b>(429,311)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of Investments	(16,287)	(2,452)	-	(6,413)	-	-	(25,152)
Interest Received	89,994	2,069	4,781	3,547	9,646	-	110,037
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>73,707</b>	<b>(383)</b>	<b>4,781</b>	<b>(2,866)</b>	<b>9,646</b>	<b>-</b>	<b>84,885</b>
Net Increase (Decrease) in Cash and Cash Equivalents	1,166,414	521,965	105,824	1,797,469	(620,932)	(31,906)	2,938,834
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>5,276,344</b>	<b>1,885,995</b>	<b>3,443,740</b>	<b>2,229,431</b>	<b>1,316,852</b>	<b>94,630</b>	<b>14,246,992</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 6,442,758</b>	<b>2,407,960</b>	<b>3,549,564</b>	<b>4,026,900</b>	<b>695,920</b>	<b>62,724</b>	<b>17,185,826</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>							
Operating Income (Loss)	\$ 3,214,609	167,493	118,818	2,683,968	(678,506)	(197,125)	5,309,257
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation and Amortization Expense	2,122,349	493,451	630,048	4,170,093	1,122,662	111,487	8,650,090
OPEB Expense	122,770	31,831	32,340	80,998	-	-	267,939
Bad Debt Expense	389,112	28,319	27,759	34,597	-	-	479,787
(Increase) Decrease in Receivables	(746,679)	105,530	(39,872)	(137,937)	30,586	(1,642)	(790,014)
(Increase) Decrease in Inventories	5,362	19,019	7,618	336,066	-	2,210	370,275
(Increase) Decrease in Prepaid Items	(51,469)	(81)	(78)	61,735	-	-	10,107
(Increase) Decrease in Other Assets	6,886	565	1,274	(907)	-	-	7,818
(Increase) Decrease in Due from Other Funds	(97,911)	-	283	51,976	-	(36,340)	(81,992)
(Increase) Decrease in Due from Other Governmental Units	3,479	-	(9,912)	(483,751)	-	-	(490,184)

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
Increase (Decrease) in Accounts Payable	606,590	(242,895)	2,739	(231,852)	230,555	3,924	369,061
Increase (Decrease) in Accrued Liabilities	(10,450)	(5,155)	-	(14,208)	351,317	-	321,504
Increase (Decrease) in Accrued Payroll and Related Deductions	(136,687)	3,921	(10,529)	(117,903)	27,848	6,799	(226,551)
Increase (Decrease) in Retirement Benefits Payable	(31,210)	(3,964)	-	-	-	-	(35,174)
Increase (Decrease) in Deposits	14,157	-	-	(11,300)	-	-	2,857
Increase (Decrease) in Due to Other Funds	(405,396)	11,406	1,521	97,628	(826)	-	(295,667)
Increase (Decrease) in Due to Other Governmental Units	-	-	-	(1,092)	-	-	(1,092)
Increase (Decrease) in Deferred Revenue	(1,086)	-	-	(84,629)	-	(3,138)	(88,853)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 5,004,426</b>	<b>609,440</b>	<b>762,009</b>	<b>6,433,482</b>	<b>1,083,636</b>	<b>(113,825)</b>	<b>13,779,168</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital Asset Acquisitions Financed Through Debt	\$ -	-	-	-	99,047	-	99,047
Capital Asset Acquisitions by Accounts Payable	\$ -	18,900	-	546,155	-	-	565,055
Capitalized Interest	\$ 27,924	70,453	-	80,186	-	-	178,563

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

***Primary Government***

The City of Bristol, Virginia (the “City”) was founded in 1871. It is a political sub-division of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor, vice mayor and three other Council members. The City is not part of a county and has taxing powers subject to statewide restrictions and limits. The City is the primary government of the reporting entity.

The City provides a full range of municipal services including police and fire, sanitation health and social services, public improvements, planning and zoning, general administrative services, education, wastewater, water, electric, telecommunications, landfill, emergency 911 communications, and recreational services. The wastewater, water, electric and OptiNet funds are collectively referred to as Bristol Virginia Utilities (“BVU”) throughout the notes. The OptiNet fund began in January 2001 for the construction and marketing of fiber optic networks in the area.

***Discretely Presented Component Units***

The City of Bristol, Virginia School Board (the “School Board”) is a legally separate entity, which operates elementary schools, a middle school, and a high school for students residing in the City. The citizens elect School board members. City Council approves the School Board’s operational and capital budgets, and must approve the issuance of bonded debt. Based on these facts, the City reports the School Board as a discretely presented component unit. Complete financial statements of the City of Bristol, Virginia School Board can be obtained from its administrative office.

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

The following entities are excluded from the accompanying financial statements:

Joint Ventures

***Jointly Owned Wastewater Facility***

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Joint Ventures (Continued)

***Jointly Owned Regional Airport***

The City, in conjunction with Bristol, Tennessee, Kingsport, Tennessee, Johnson City, Tennessee, Washington County, Tennessee, and Sullivan County, Tennessee established a jointly owned Regional Airport located in Sullivan County, Tennessee. The City maintains a ten percent ownership in the airport and airport facilities; however, the City does not have an entity interest in the Airport and thus, no investment is recorded in the financial statements. A twelve member Airport Commission has administrative authority with respect to the facility. The City appoints one member to the Airport Commission. Complete financial statements of the Airport Commission can be obtained from its corporate office.

***Jointly Owned Public Library***

The City, along with the City of Bristol, Tennessee, established a jointly owned public library located in Bristol, Virginia. Each City Council appoints five members to the library board, on which there is one at-large member appointed by the board itself. Each locality provides equal funding to the library annually and each has fifty percent ownership of the capital assets which are included in capital assets in the Government-Wide statements. During the year, the City contributed \$622,600 to fund operations of the Library. Financial Statements of the Bristol Public Library can be obtained from the Library, located at 701 Goode Street, Bristol, Virginia, 24201.

Related Organizations

***Highlands Juvenile Detention Center***

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Related Organizations (Continued)

***Bristol Redevelopment and Housing Authority***

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

***Other Boards and Commissions***

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

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual government funds and enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenues and receivables when billed, net of allowances of uncollectible amounts. Real and personal property taxes recorded at June 30, and received within the first 60 days after year-end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the City, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting of Federal, State and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation leave, sick leave, and other employee amounts which are recorded as compensated absences are recognized when paid and (2) principal and interest payments on general long-term debt, both of which are recognized when paid.

The City reports two major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *community development block grant fund* accounts for funds received and expended under the federal Community Development Entitlement Grant.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

The *electric fund* accounts for the activities of the electric operations.

The *water fund* accounts for the activities of the water operations.

The *wastewater fund* accounts for the activities of the wastewater distribution operations.

The *Optinet fund* accounts for the activities of the fiber optic network.

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

The *Clear Creek golf course fund* accounts for the operations of the City's golf course.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, wastewater, OptiNet, solid waste disposal, and Clear Creek golf course enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

Investments for the City, as well as for its component unit, are reported at fair value.

2. Receivables and Payables

The two major sources of property taxes are described below:

Real Estate

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute, at a rate enacted by City Council on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of the City of Bristol, Virginia. Public utility property is assessed by the Commonwealth. The tax rate is \$0.94 per \$100 of assessed value.

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

Personal Property

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

Rehabilitation Loans

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

BVU Accounts Receivable

Billings for services rendered by the electric, water and wastewater systems are handled by Central Service Associations (“CSA”). The CSA provides separate revenue billings for each system, but is unable to render separate detailing of accounts receivable. As a result, the electric fund “purchases” the accounts receivable from the water and wastewater funds monthly. Accounts deemed uncollectible attributable to the water or wastewater systems are charged back against those systems as bad debt expense. Billings for the OptiNet system are maintained by BVU.

Energy Conservation Loans

BVU has a program whereby qualifying homeowners may obtain interest-bearing loans to pay for energy conservation measures in their homes. The customer repays the loan over a period of up to ten years at a stated interest rate between 8% and 10%. Payments are made with the customers’ regular monthly bills. Loans are secured by the related real property.

Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. Trade and property tax receivables are shown net of allowances for uncollectible.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Inventories and Prepaid

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

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

4. Restricted Assets

Restricted cash and cash equivalents of the primary government consist primarily of customer deposits, reserve accounts related to revenue and refunding bonds, and funds restricted by state or other legislation for specified purposes. Restricted investments consist of funds restricted for future debt service and utility system capital requirements. Restricted cash and cash equivalents and investments for the discretely presented component unit – School Board consist primarily of amounts restricted by state legislation for specified purposes, such as school construction, site acquisition, renovations, and other amounts related to modernizing classroom equipment, and debt service payments on school projects completed during the last ten years.

5. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined by the City and BVU as assets with an initial, individual cost of more than \$5,000 and \$500, respectively, and an estimated useful life in excess of one and three years, respectively. Capital assets are defined by the School Board as assets with an initial, individual cost of more than \$1,000 with the exception of textbooks, library books and certain technological equipment which are considered a capital asset regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Capital Assets (Continued)

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

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

Capitalization of Interest

The City follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary fixed assets. Interest is not capitalized on the construction of assets used in governmental activities. Interest in the amount of \$178,563 was capitalized for the year ended June 30.

School Board Capital Assets and Related Debt Reporting

Local governments in Virginia now have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one fiscal year. The primary government reports this debt in its financial statements. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the outstanding financial obligation. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.

6. Deferred/Unearned Revenues

Deferred revenue in the general fund consisted primarily of property taxes not collected within 60 days of year-end, property taxes levied as of January 1 but not collected until next fiscal year, funds received in advance for services to be provided subsequent to year-end and receivables to be collected beyond a one-year period.

Deferred revenue in the enterprise funds represents amounts billed and collected on lease agreements prior to the applicable lease period and membership fees. Revenue on leases is recognized ratably over the term of the lease.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Potential Development Credits

The electric fund has a program through which real estate developers may be reimbursed for a portion of the cost of materials and installation of utility services. As developers pay for the services, a portion of their payments is set aside rather than being applied against the fund's cost. If developed properties are sold within a stipulated period of time, a pro-rata portion of the amounts set aside are returned to the developer. If developed properties are not sold within the stipulated time, the set aside payments remaining are retained by the fund and recorded as revenue.

8. Compensated Absences

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

9. Long-Term Obligations

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

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

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

11. Estimates

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

12. Joint Administration

BVU utilizes a joint administrative department for the electric, water, wastewater and OptiNet operations, which includes accounting, administration, billings, and collections. The shared administration, customer service, and other general expenses are allocated monthly based on the number of customers serviced by each fund, operating revenues of each fund, and plant in service of each fund. For the year ended June 30, the expenses of this department were allocated 46% to the electric system, 12% to the water system, 12% to the wastewater system, and 30% to the OptiNet system.

13. Advertising Cost

Advertising and marketing costs are expensed as incurred. Advertising costs for BVU totaled approximately \$660,000 for 2010.

14. Other Post Employment Benefits Than Pensions (OPEB)

The Governmental Accounting Standards Board (“GASB”) Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. The cost of postemployment health care benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability. The OPEB disclosure is documented in Note V.A.

CITY OF BRISTOL, VIRGINIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

---

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 Assets

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable and related premiums, capital leases, and other postemployment benefits are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(23,308,513) difference are as follows:

Bonds Payable	\$ (18,394,451)
Less: Deferred charge on refunding (net of amortization of \$21,369 recorded as interest expense)	199,449
Add: Bond premium (net of amortization of \$5,639 recorded as interest expense)	(48,181)
Literary Fund Loans	(1,920,000)
Capital Lease	(1,187,274)
Other Post-employment Benefits	(300,124)
Compensated Absences	<u>(1,657,932)</u>
 Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	 <u>\$ (23,308,513)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “The net effect of various transactions involving capital assets (i.e., contributions and sales) is to decrease net assets.” The details of this \$(93,871) difference are as follows:

CITY OF BRISTOL, VIRGINIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

---

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)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 65,764
Recovered costs from other governmental entities decreased the cost of capital assets.	(86,314)
The statement of activities reports an adjustment to expenses arising from the disposal of capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.	<u>(73,321)</u>
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (93,871)</u>

Another element of that reconciliation states that “Governmental funds report the effect of issuance costs, 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 \$(1,639) difference are as follows:

Deferred Charges on Refunding, Net of Amortization	\$ 8,572
Bond Issuance Costs, Net of Amortization	(22,136)
Bond Premiums, Net of Amortization	<u>11,925</u>
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.</i>	<u>\$ (1,639)</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

All cash and certificates of deposit of the School Board and IDA, discretely presented component units, are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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

There was no investment activity during the year other than certificates of deposits and a United States Treasury Securities Investment Trust Pool.

The City has no formally adopted deposit and investment policies that limit allowable deposits or investments.

B. Receivables

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

	Primary Government								Component Unit
	General	CDBG	Electric	Water	Wastewater	OptiNet	Solid Waste Disposal	Golf Course	Industrial Development Authority
Receivables									
Taxes	\$ 11,067,295	-	-	-	-	-	-	-	-
Accounts	946,306	223	6,550,230	212,158	220,718	1,066,495	343,912	4,106	-
Energy Conservation									
Loans	-	-	790,693	-	-	-	-	-	-
Rehabilitation Loans	-	193,208	-	-	-	-	-	-	-
Promissory Note	-	-	-	-	-	-	-	-	-
Property Sale	-	-	-	-	-	-	-	-	644,315
Gross Receivables	12,013,601	193,431	7,340,923	212,158	220,718	1,066,495	343,912	4,106	644,315
Less: Allowance for Uncollectibles	(790,988)	(25,000)	(200,614)	-	-	(86,584)	-	-	-
Net Total Receivables	\$ 11,222,613	168,431	7,140,309	212,158	220,718	979,911	343,912	4,106	644,315

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

	Deferred Revenue		
	Unavailable	Unearned	Total
Receivables			
Taxes for Ensuing Fiscal Year	\$ -	8,867,720	8,867,720
Taxes Not Collected during Period of Availability	1,187,989	-	1,187,989
Due from Component Unit	644,315	-	644,315
Rehabilitation Loans	168,208	-	168,208
Notes Receivable	540,000	-	540,000
Other	51,000	-	51,000
	<u>\$ 2,591,512</u>	<u>8,867,720</u>	<u>11,459,232</u>

Unearned revenues reported in the enterprise funds include \$1,707,834 in deferred lease revenue and \$16,662 in membership fees not yet earned.

Receivable on Property Sales

During fiscal year 2005, the City transferred \$1,450,000 to the IDA to fund the purchase of land and building. Subsequent to the acquisition of the property, the IDA began leasing the property under a capital lease (as discussed in Note IV.F) with all monthly lease payments to be remitted to the City as they are collected, resulting in an amount due from the IDA. The remaining interfund balance of \$644,315 has been deferred as unavailable on the General Fund.

Promissory Notes

Two promissory notes were issued by the City in February 2007 to construct/renovate an old school (Douglas) into housing. The notes are for \$350,000 and \$150,000, respectively. Both notes have an interest rate of 4% and have a thirty-one year term. Accrued interest was \$40,000 as of June 30, 2010. All accrued interest and principal is due in one balloon payment at maturity.

During the year ended June 30, 2007, a promissory note was issued for \$100,000 for the purchase of property. The note principal is due on maturity and bears interest at 6% due each year for a three year term. The due date was extended for one year during the year ended June 30, 2010. The balance as of June 30, 2010 is \$25,000.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

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

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 7,528,203	638,782	-	-	8,166,985
Construction in Progress	4,616,696	1,381,039	-	(5,158,684)	839,051
Total Capital Assets, Not Depreciated	<u>12,144,899</u>	<u>2,019,821</u>	<u>-</u>	<u>(5,158,684)</u>	<u>9,006,036</u>
Capital Assets, Being Depreciated					
Buildings and Improvements	13,656,580	-	-	2,189,110	15,845,690
Machinery and Equipment	9,271,614	344,602	164,903	-	9,451,313
Library Assets	6,761,870	65,764	68,229	-	6,759,405
Public Domain Infrastructure	75,275,476	4,375	-	6,271,443	81,551,294
Total Capital Assets, Being Depreciated	<u>104,965,540</u>	<u>414,741</u>	<u>233,132</u>	<u>8,460,553</u>	<u>113,607,702</u>
Less Accumulated Depreciation For					
Buildings and Improvements	5,799,314	344,867	-	(73,507)	6,070,674
Machinery and Equipment	5,488,345	560,556	148,144	-	5,900,757
Library Assets	1,033,564	248,482	11,372	-	1,270,674
Public Domain Infrastructure	52,811,304	2,479,505	-	3,394,856	58,685,665
Total Accumulated Depreciation	<u>65,132,527</u>	<u>3,633,410</u>	<u>159,516</u>	<u>3,321,349</u>	<u>71,927,770</u>
Total Capital Assets, Being Depreciated, Net	<u>39,833,013</u>	<u>(3,218,669)</u>	<u>73,616</u>	<u>5,139,204</u>	<u>41,679,932</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,977,912</u>	<u>(1,198,848)</u>	<u>73,616</u>	<u>(19,480)</u>	<u>50,685,968</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Primary Government (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated				
Land	\$ 4,801,945	9,800	-	4,811,745
Construction in Progress	6,123,752	10,216,634	12,886,451	3,453,935
Total Capital Assets, Not Depreciated	<u>10,925,697</u>	<u>10,226,434</u>	<u>12,886,451</u>	<u>8,265,680</u>
Capital Assets, Being Depreciated				
Land Development Costs	31,897,038	1,096,275	-	32,993,313
Buildings and Improvements	1,958,238	131,363	-	2,089,601
Fiber	34,525,114	4,057,871	20,597	38,562,388
Infrastructure	29,792	-	-	29,792
Plant in Service	97,692,644	4,812,392	211,750	102,293,286
Machinery and Equipment	43,947,748	4,997,937	344,123	48,601,562
Total Capital Assets, Being Depreciated	<u>210,050,574</u>	<u>15,095,838</u>	<u>576,470</u>	<u>224,569,942</u>
Less Accumulated Depreciation For				
Land Development Costs	8,942,465	929,023	-	9,871,488
Buildings and Improvements	463,691	74,226	-	537,917
Fiber	6,099,315	1,504,886	-	7,604,201
Infrastructure	4,131	3,722	-	7,853
Plant in Service	45,331,047	2,866,551	211,750	47,985,848
Machinery and Equipment	18,926,047	3,134,951	247,535	21,813,463
Total Accumulated Depreciation	<u>79,766,696</u>	<u>8,513,359</u>	<u>459,285</u>	<u>87,820,770</u>
Total Capital Assets, Being Depreciated, Net	<u>130,283,878</u>	<u>6,582,479</u>	<u>117,185</u>	<u>136,749,172</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 141,209,575</u>	<u>16,808,913</u>	<u>13,003,636</u>	<u>145,014,852</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

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 Administration	\$ 118,809
Judicial Administration	114,769
Public Safety	445,325
Public Works	2,530,457
Health and Welfare	21,609
Education	41,000
Library	248,482
Parks, Recreations and Cultural	81,609
Transit	31,350
Total Depreciation Expense, Governmental Activities	<u>\$ 3,633,410</u>
Business-Type Activities	
Electric	\$ 2,034,330
Water	471,153
Wastewater	630,048
OptiNet	4,143,679
Solid Waste Disposal	1,122,662
Golf Course	111,487
Total Depreciation Expense, Business-Type Activities	<u>\$ 8,513,359</u>

The equipment category of the primary government includes assets recorded under capital lease with a cost of \$1,400,899 and accumulated depreciation of \$252,160. The equipment category of the business-type activities includes assets recorded under capital lease obligations with a cost of \$349,039 and accumulated depreciation of \$62,498.

Idle property in the amount of \$89,475 was held at June 30, 2010.

Insurance recoveries in the amounts of \$64,495 were received in the general fund during the year as a result of equipment damages.

BVU received contributions in aid of construction of approximately \$278,000 for 2010. This amount is reported as a reduction in costs of the related assets.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Construction Commitments

The City has entered several construction contracts in the General Fund which were not complete at year end.

Discretely Presented Component Unit

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

School Board	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 273,242	-	-	-	273,242
Construction in Progress	188,496	-	-	(188,496)	-
Total Capital Assets, Not Depreciated	<u>461,738</u>	<u>-</u>	<u>-</u>	<u>(188,496)</u>	<u>273,242</u>
Capital Assets, Being Depreciated					
Buildings and Improvements	21,209,995	588,517	-	188,496	21,987,008
Furniture and Fixtures	6,998,441	548,405	103,399	90,249	7,533,696
Transportation Equipment	1,880,916	176,976	-	(90,249)	1,967,643
Total Capital Assets, Being Depreciated	<u>30,089,352</u>	<u>1,313,898</u>	<u>103,399</u>	<u>188,496</u>	<u>31,488,347</u>
Less Accumulated Depreciation For					
Buildings and Improvements	10,192,910	530,384	-	(17,390)	10,705,904
Furniture and Fixtures	4,800,376	572,448	102,218	32,269	5,302,875
Transportation Equipment	1,131,019	146,896	-	(14,879)	1,263,036
Total Accumulated Depreciation	<u>16,124,305</u>	<u>1,249,728</u>	<u>102,218</u>	<u>-</u>	<u>17,271,815</u>
Total Capital Assets, Being Depreciated, Net	<u>13,965,047</u>	<u>64,170</u>	<u>(1,181)</u>	<u>188,496</u>	<u>14,216,532</u>
School Board Capital Assets, Net	<u>\$ 14,426,785</u>	<u>64,170</u>	<u>(1,181)</u>	<u>-</u>	<u>14,489,774</u>

CITY OF BRISTOL, VIRGINIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Unit (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	\$ 2,341,820	-	(321,000)	2,020,820
Accumulated Depreciation	(537,508)	(41,000)	73,507	(505,001)
	\$ 1,804,312	(41,000)	(247,493)	1,515,819

D. Interfund Receivables, Payables and Transfers

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

The composition of the interfund balances is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Electric	OptiNet	\$ 485,190
OptiNet	Electric	142,495
OptiNet	Water	1,790
OptiNet	Wastewater	1,521
General	Electric	155,483
Solid Waste Disposal	Water	68,704
Golf Course	Solid Waste Disposal	36,340

CITY OF BRISTOL, VIRGINIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

---

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers (Continued)

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Disposal	\$ 15,962,893
General	Golf Course	3,039,081

Due to/from balances generally resulted from a time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The advances to the Solid Waste Disposal and the Golf Course Funds from the General Fund represent payments made on behalf of those funds that are to be reimbursed. Fund balance has been reserved by this amount as payment is not expected in the near term.

Transfers between funds are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Golf Course	General	\$ 450,000
General	Electric	350,000
Solid Waste	General	1,252,839
Water	Wastewater	429,311

BVU submits tax equivalent payments to the City. An agreement between the City and BVU determines the amount to be transferred. The amount of tax equivalent payments in the current year totaled \$350,000. The General fund transferred funds to the Solid Waste fund for capital projects and to the Golf Course for operations.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Due To/From Other Governmental Units

Amounts due from other governmental units are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia			
State and Local Sales Tax	\$ 364,740	-	-
Welfare Grants	116,195	-	-
Comprehensive Service Grants	238,246	-	-
Categorical Aid Shared Expenses	223,900	-	-
Virginia Department of Transportation	603,558		
School Grants	-	-	246,865
Other	125,523	-	-
Federal Government			
School Grants	-	-	1,026,339
Welfare Grants	126,270	-	-
Other	28,817	-	-
Other			
Bristol Tennessee (Joint Sewerage System)	-	1,181,706	-
Bristol Public Library	88,250	-	-
Other	-	1,381,007	-
	<u>\$ 1,915,499</u>	<u>2,562,713</u>	<u>1,273,204</u>

Telecommunication System

In August of 2007, BVU entered into a five year contract with a telecommunications system in North Carolina to manage and maintain the telecommunications system. The management agreement resulted in receivables to the Electric and OptiNet fund, at June 30, 2010, of \$1,918 and \$1,014,004 respectively.

BVU and the Cumberland Plateau Commission have an agreement to provide telecommunications infrastructure in areas of Southwest Virginia. The agreement resulted in receivables of \$365,085 and payables of \$32,244 in the OptiNet fund at June 30, 2010.

See Note V.F for more on the Joint Sewerage System.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases

City as Lessor

**IDA** - On December 10, 2004, the IDA entered into a lease agreement with another party to lease certain property for a term of 10 years. The annual rental is one tenth of \$1,450,000, the determined price of the premises, payable in advance monthly installments, plus 10%. The percentage applied to the rental amount is to be adjusted downward from 10% to 5% as the tenant meets specified employment levels. The tenant has an option to purchase the property at the end of the lease term for \$1.00. The option to purchase may be exercised at any time during the term of the lease with specified written notice. The purchase price on the early option is \$12,083 times the number of months remaining in the lease term. The lease has been recorded as a capital lease on the books of the lessee.

The aggregate minimum future lease payments to be received based on the lowest percentage factor of 6% are \$691,650. Future payments are to be received as follows:

Year Ended June 30	
2011	\$ 153,700
2012	153,700
2013	153,700
2014	153,700
2015	<u>29,515</u>
Total	<u>\$ 644,315</u>

**BVU** - BVU leases network fiber optic cable to others. The leases are non-cancelable operating leases with terms of ten to twenty years. The lease terms require the entire lease amount to be paid on acceptance of the fiber. Receipts under these agreements have totaled approximately \$1,619,000 as of June 30, 2010.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

City as Lessor (Continued)

*BVU* - In November 2002, OptiNet entered into a lease agreement with the Electric fund for the use of certain fiber optic cables to allow the Electric Fund to more efficiently operate and monitor the electric distribution system. The lease is a non-cancelable operating lease with an initial term of ten years. The lease terms required the entire lease amount of \$446,400 to be paid on acceptance of the fiber. The amounts received are recorded as deferred revenue in the OptiNet fund with earned revenue recognized ratably over the initial term of the lease. The Electric fund recorded a prepaid for the initial payment with lease expense recognized ratably over the initial term of the lease.

City as Lessee

In April 2010, the City entered into a capital lease for golf carts. The lease is for a 51 month term with an interest rate of 4.69% and requires monthly payments of \$5,395. The assets have a cost of \$249,992 and accumulated depreciation of \$62,498. Further information on the lease amortization is included in Note IV.G.

In February 2006, the City entered into a lease for E-911 operating equipment under an operating lease agreement. The monthly payment is \$3,525 and the service agreement requires an annual payment of \$4,813 in the first year and \$9,626 in subsequent years. The agreement is for 60 months, with the equipment lease automatically renewing for 12 months after the initial term and month to month after the extended term. Total payments over the initial term will be \$254,793.

In September 2007, the City entered into a capital lease for two fire trucks. The lease is for a 10 year term with an interest rate of 4.60% and requires yearly payments of \$180,752. The assets have a cost of \$1,400,899 and accumulated depreciation of \$252,160. Further information on the lease amortization is included in Note IV.G.

In December 2009, the City entered into a capital lease for a brush truck. The lease is for a 3 year term with an interest rate of 4.35% and requires quarterly principal payments of \$8,849. The asset has a cost of \$99,047 and accumulated depreciation of \$0 as of June 30, 2010. Further information on the lease amortization is included in Note IV.G.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Government Activities</b>					
General Obligation Bonds	\$ 18,786,751	630,000	(1,022,300)	18,394,451	598,450
Bond Premiums	60,106	-	(11,925)	48,181	5,159
Deferred Costs	(190,877)	(29,941)	21,369	(199,449)	(22,004)
Tax Anticipation Note	-	6,000,000	(6,000,000)	-	-
Literary Fund Loans	2,172,387	-	(252,387)	1,920,000	240,000
Capital Lease Obligations	1,307,841	-	(120,567)	1,187,274	126,116
Compensated Absences	1,553,682	1,198,865	(1,094,615)	1,657,932	1,168,062
	<u>\$ 23,689,890</u>	<u>7,798,924</u>	<u>(8,480,425)</u>	<u>23,008,389</u>	<u>2,115,783</u>
<b>Governmental Activities, Long-Term Liabilities</b>					
<b>Business-Type Activities</b>					
General Obligation Bonds	\$ 38,993,249	1,125,000	(2,602,700)	37,515,549	2,241,550
Revenue and Refunding Bonds	47,585,500	425,000	(1,450,000)	46,560,500	1,505,000
Bond Premiums	1,438,115	-	(76,212)	1,361,903	70,676
Deferred Restructuring Gain	778,925	-	(61,695)	717,230	61,696
Deferred Costs	(3,421,608)	(22,474)	320,219	(3,123,863)	(319,134)
Total Bonds Payable	85,374,181	1,527,526	(3,870,388)	83,031,319	3,559,788
MI Connection Notes Payable	951,871	-	(32,412)	919,459	33,981
VRA Loans	2,186,733	279,335	(46,031)	2,420,037	94,284
Capital Lease Obligations	235,700	289,434	(127,531)	397,603	153,017
Landfill Closure Liability	5,478,932	351,317	-	5,830,249	-
Compensated Absences	1,365,384	846,091	(775,925)	1,435,550	562,964
	<u>\$ 95,592,801</u>	<u>3,293,703</u>	<u>(4,852,287)</u>	<u>94,034,217</u>	<u>4,404,034</u>
<b>Business-Type Activities, Long-Term Liabilities</b>					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Discretely Presented Component Unit</b>					
Retirement Incentive Liability	\$ 465,510	-	(141,825)	323,685	153,170
Compensated Absences	396,723	194,987	(186,646)	405,064	85,619
	<u>\$ 862,233</u>	<u>194,987</u>	<u>(328,471)</u>	<u>728,749</u>	<u>238,789</u>
<b>Discretely Presented Component Unit, Long-Term Liabilities</b>					

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Series 2003 Revenue and Refunding Bonds

Revenue and Refunding Bonds of \$50,820,000 were issued by the City in 2003 to refund prior utility system bonds of the City and pay costs of improvement to the City's utility system. The bonds were issued in the form of fixed rate revenue bonds to mature on July 15, 2030. The 2003 Bond is a limited obligation of the City payable from certain net revenues to be derived from the ownership or operation of the City's Utility Systems. The fixed interest rate on the bonds ranges from 2% to 5.25% depending on the bond maturity date.

Series 2007 A, B and C Bonds

In 2007, the City issued \$3,245,000 Series 2007A (Taxable Re-Structuring), \$4,055,000 Series 2007B (Tax Exempt) and \$12,050,000 Series 2007C (Taxable) bonds. The Series A bonds were issued to refund \$250,000 in outstanding 1998 Series bonds, \$270,000 in outstanding 2000 Series bonds and \$440,000 in outstanding Series 2003A Library Bonds to be repaid from the General Fund. Also \$1,000,000 in outstanding 1998, \$630,000 in outstanding 2000 and \$520,000 in 2003 Series bonds to be repaid from the Solid Waste Disposal Fund. The Series C bonds were issued to refund \$1,680,733 in outstanding 2004 A Taxable bonds to be repaid from the General Fund and \$10,000,000 in outstanding Series 2004 B Taxable bonds to be repaid from the Solid Waste Disposal Fund. The Series C issue did not result in any advance refunding as the issues were paid in full and new Taxable Bonds issued. The Series A issue did result in an advance refunding.

Series 2007 Revenue Bonds

Revenue Bonds of \$4,500,000 were issued by the City in 2007 to provide for the construction of, and capital improvements to, the City's fiber optic cable and internet, telephone, and cable television infrastructure. The bonds were issued in the form of variable rate revenue bonds to mature on December 1, 2030 and are subject to redemption as a whole or in part, at any time, at the principal amount thereof, plus accrued interest at the City's discretion. The 2007 Bond is a limited obligation of the City payable from certain net revenues to be derived from the ownership or operation of the City's Utility Systems. As of June 30, 2010, \$1,860,500 had been advanced and was outstanding under these revenue bonds.

The interest rate on the bonds is equal to the sum of the LIBOR Market Index Rate minus 1.20% per annum which may change daily in accordance with changes in the LIBOR Market Index Rate. The LIBOR Market Index Rate was 1.20% at June 30, 2010.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Series 2007 Revenue Bonds (Continued)

Interest only on all amounts advanced and outstanding under this 2007 Bond shall be due and payable on the first day of each month until maturity. Principal payments on amounts advanced and outstanding will begin on January 1, 2011 and continue until December 1, 2030 when all amounts under the Bond will be due and payable in full.

Series 2009 General Obligation Bond

General Obligation Refunding Bonds, Series 2009 were issued by the City in the amount of \$1,755,000 on September 17, 2009. The tax-exempt bonds were fixed rate at 3.25% and were issued to refund the 1998 bond payments maturing in fiscal year 2010 and the 2003 bond payments maturing in the fiscal years 2010 and 2011 and to finance the costs of issuance. The refunding escrow was fully funded with \$1,644,931. The bonds were issued to push the payment dates into the future and had a net present value loss of \$71,389. Interest only will be paid on the bonds until the principal payments begin February, 2013. They will continue until 2019 but may be redeemed at any time.

MI Connection Note Payable

In December 2007, BVU agreed to purchase CATV headend equipment from MI Connection Communications System for \$1,000,000. The note associated with the purchase is payable in 240 monthly payments of \$6,600 through December 2027, at a fixed interest rate of 5.00%. This note is secured by the headend equipment.

Virginia Resources Authority Loans Payable

In September 2008, BVU entered into two separate agreements with the Virginia Resources Authority (VRA). Money for these agreements is provided by the Drinking Water State Revolving Funds.

The Bristol View Connector RLF loan was issued in the amount of \$1,289,511, of which \$1,265,441 was outstanding as of June 30, 2010. The Hassan Heights Water Tank RLF loan was issued in the amount of \$1,176,557, of which \$1,154,596 was outstanding as of June 30, 2010. Each note has a 20 year term and a 3.2% interest rate with the first interest payment to commence in October 2009. Principal and interest payments then begin in April 2010 and continue through April 2029.

Compensated Absences

The compensated absences of the governmental activities will be paid from the General Fund. The retirement incentive liability and compensated absences of the discretely presented component unit will be paid from the operating funds of the School Board.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt and related interest are as follows:

Governmental Activities						
Year Ended June 30	General Obligation Bonds		Literary Fund Loans		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 598,450	802,958	240,000	57,600	126,116	54,636
2012	844,925	770,158	240,000	50,400	131,919	48,832
2013	917,013	735,567	240,000	43,200	137,990	42,762
2014	937,225	699,025	240,000	36,000	144,340	36,412
2015	965,675	661,634	240,000	28,800	150,982	29,770
2016-2020	6,332,063	2,491,840	720,000	43,200	495,927	46,328
2021-2025	5,354,100	1,166,323	-	-	-	-
2026-2028	2,445,000	107,950	-	-	-	-
	<u>\$ 18,394,451</u>	<u>7,435,455</u>	<u>1,920,000</u>	<u>259,200</u>	<u>1,187,274</u>	<u>258,740</u>

Business-Type Activities						
Year Ended June 30	General Obligations Bonds		Revenue and Refunding Bonds		MI Connection Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,241,550	1,712,364	1,505,000	2,099,538	33,981	45,219
2012	2,640,075	1,616,363	1,550,000	2,054,388	35,719	43,481
2013	2,812,987	1,513,064	1,600,000	2,006,338	37,547	41,652
2014	2,942,775	1,400,859	1,650,000	1,954,338	39,468	39,732
2015	3,094,325	1,265,749	1,705,000	1,898,238	41,488	37,712
2016-2020	14,062,937	4,284,406	9,945,000	8,085,350	241,542	154,458
2021-2025	9,720,900	1,140,498	12,560,000	5,462,288	309,998	86,002
2026-2030	-	-	13,385,000	1,874,588	179,716	11,465
2031-2035	-	-	800,000	36,000	-	-
	<u>\$ 37,515,549</u>	<u>12,933,303</u>	<u>44,700,000</u>	<u>25,471,066</u>	<u>919,459</u>	<u>459,721</u>

The maturities of the Revenue and Refunding Bonds of the Business-type activities above do not include the \$1,860,500 of the Series 2007 Revenue Bond outstanding as of June 30, 2010.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Year Ended June 30	Business-Type Activities				Discretely Presented Component Unit	
	Virginia Resources Authority Loans		Capital Leases Obligations		Retirement Incentive Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	94,284	76,693	153,017	21,226	153,170	12,631
2012	97,325	73,652	164,050	10,174	165,424	377
2013	100,464	70,512	80,536	1,900	5,091	-
2014	103,705	67,272	-	-	-	-
2015	107,050	63,927	-	-	-	-
2016-2020	589,326	265,556	-	-	-	-
2021-2025	690,705	164,177	-	-	-	-
2026-2029	637,178	46,726	-	-	-	-
	<u>2,420,037</u>	<u>828,515</u>	<u>397,603</u>	<u>33,300</u>	<u>323,685</u>	<u>13,008</u>

The Virginia Resources Authority has issued a total of \$2,444,107 in loans during the year. As of June 30, 2010, \$2,420,037 was outstanding.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

<u>General Obligation Bonds</u>	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Governmental Activities	Business- Type Activities
Public Improvement 1993A Series	5.10-5.50%	04-93	12-12	\$ 990,000	\$ 130,000	-
Public Improvement 2000 Series	5.00-5.50	08-00	08-20	9,000,000	270,000	630,000
Public Improvement 2002 Series	3.00-5.25	02-02	11-22	6,795,000	-	5,485,000
Public Improvement 2003A Series	2.00-5.00	03-03	03-25	9,615,000	3,035,000	3,160,000
Public Improvement 2003B Series	2.99	07-03	02-14	5,280,000	-	2,890,000
Gen Obligation Refunding Bonds 2005 Series	3.34	02-05	08-20	9,575,000	2,230,801	6,969,199
Public Improvement 2006 A Series	7.875	12-06	06-11	1,150,000	177,000	413,000
Public Improvement 2006 B Series	3.5 - 4.0	12-06	6-27	3,675,000	3,530,000	-
Public Improvement 2006 C Series	5.00	12-06	7-16	6,090,000	1,643,700	4,241,300
Taxable Re-Structuring 2007 A Series	5.00-5.375	10-07	7-17	3,245,000	1,005,950	2,239,050
Public Improvement 2007 B Series	4.00-4.25	10-07	7-26	4,055,000	4,055,000	-
Taxable General Obligation 2007 C Series	5.653	10-07	7-23	12,050,000	1,687,000	10,363,000
Gen Obligation Refunding Bonds 2009 Series	3.25	2-09	2-19	1,755,000	630,000	1,125,000
					18,394,451	37,515,549
						61,295
					48,181	(730,302)
					(199,449)	(730,302)
					<u>\$ 18,243,183</u>	<u>36,846,542</u>

Revenue and Refunding Bonds

Series 2003 Revenue and Refunding Bonds						
Electric	2.00-5.25%	07-03	07-30	\$ 19,335,000		\$ 17,145,000
Water	2.00-5.25	07-03	07-30	3,480,000		3,070,000
OptiNet	2.00-5.25	07-03	07-30	27,490,000		24,485,000
Series 2007 Revenue Bonds	Variable	12-07	12-30	1,860,500		1,860,500
						46,560,500
						1,300,608
						717,230
						(2,393,561)
						<u>\$ 46,184,777</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows: (continued)

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Governmental Activities	Business-Type Activities	Component Unit-School Board
<u>Other Long-Term Debt</u>							
Literary Fund Losses - VA Middle School	3.00%	09-97	09-17	\$4,800,000	\$ 1,920,000	-	-
MI Connection Note Payable	5.00%	12-07	12-27	1,000,000	-	919,459	-
VRA RLF Loans	3.20%	09-08	04-29	2,466,068	-	2,420,037	-
					<u>\$ 1,920,000</u>	<u>3,339,496</u>	<u>-</u>
<u>Capital Lease Obligations</u>							
Governmental	4.60%	09-07	01-18	\$1,400,899	\$ 1,187,274	-	-
Clear Creek	4.69%	04-09	07-13	249,992	-	180,846	-
Solid Waste	4.35%	12-09	12-12	99,047	-	83,418	-
Electric	10.36%	01-09	07-12	190,387	-	133,339	-
					<u>\$ 1,187,274</u>	<u>397,603</u>	<u>-</u>
<u>Retirement Incentive Liability</u>							
VRS	8.00%	1994	2014	1,292,244	\$ -	-	323,685

Current portion of long-term debt for business-type activities revenue and refunding bonds are as follows:

Revenue and Refunding Bonds	Principal	Premiums	Deferred Gains	Deferred Costs	Total
Electric	\$ 595,000	24,983	38,695	(129,471)	529,207
Water	105,000	4,856	9,553	(32,387)	87,022
OptiNet	805,000	35,520	13,448	(42,239)	811,729
	<u>\$ 1,505,000</u>	<u>65,359</u>	<u>61,696</u>	<u>(204,097)</u>	<u>1,427,958</u>

Prior Year Defeasance of Debt

In prior years, the City defeased certain general obligation bonds by placing the proceeds in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2010, \$4,500,000 of bonds are considered defeased. The deferred costs are being amortized over the life of the new bonds as a component of interest expense.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Pledged Revenues

The City has pledged future customer revenues, net of specified operating expenses, to repay \$50,800,000 in revenue bonds issued July 2003 and \$1,860,500 in revenue bonds issued in December 2007. Proceeds from the bonds provided financing for the construction of a new Electric System sub-station and the continued development of the City's Telecommunication network. The bonds are payable solely from BVU's net revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 2% of net revenues. The total principal and interest remaining to be paid on the bonds is approximately \$70,171,066. Principal and interest paid for the current year and total customer net revenues were \$3,607,538 and \$76,276,077, respectively.

H. Landfill Closure and Post-Closure Care Costs

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

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

The estimated landfill closure and postclosure care cost liability for the old landfill is \$2,904,115 as of June 30, 2010, which is based on 75% usage (filled) of the landfill. It is estimated that an additional \$968,038 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfills are currently expected to be filled to capacity (the year 2020). The City is mining waste from the old landfill, baling it, and placing it in the quarry balefill. The old landfill is expected to remain open until its mandated closure date in 2020.

The estimated liability for landfill closure and postclosure care costs for the quarry balefill is \$2,785,340 as of June 30, 2010, which is based on 32% usage (filled) of the landfill. It is estimated that an additional \$5,998,450 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfills are currently expected to be filled to capacity (the year 2043).

The estimated liability from landfill closure and postclosure care costs of the compost facility, wood incinerator and the tire shredder as of June 30, 2010 are \$39,391, \$17,461, and \$83,942, respectively. It is estimated that an additional \$5,589 will be recognized for the wood incinerator and \$329,095 for

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Landfill Closure and Post-Closure Care Costs (Continued)

the compost facility as closure expense between the date of the balance sheet and the date the facility is expected to be closed.

It should be recognized that the formula for closure/postclosure costs are based on a prescribed formula established by the Department of Environmental Quality without regard to regions or cost differentials across the State. The estimated total current cost of the landfill closure and postclosure care (\$13,132,970) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2010. However, the actual costs of closure will be paid out at the time of closure of each facility and postclosure will be paid out in the thirty years following the closure of each facility. The actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Federal and state regulations require owners of permitted solid waste landfills to provide financial assurance to assure that funds are available to properly close the facility to protect human health and the environment. The City qualifies to use the allowable financial assurances test in order to demonstrate financial responsibility, and those calculations are in compliance with the applicable regulations.

I. Net Assets

The solid waste disposal fund has an accumulated deficit in net assets of (\$28,294,321). The City is currently funding the operating losses out of the general fund; however, it continues to monitor the operations of the landfill and is exploring opportunities to produce operating surpluses in future years to reduce the deficit.

The Clear Creek golf course fund has an accumulated deficit in net assets of (\$2,593,960). The City is currently funding the operating losses out of the general fund. Management is currently monitoring operations of the golf course and is considering methods to produce operating surpluses in the future to reduce the deficit.

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION

A. Post-employment Health Care Benefits (OPEB)

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of the pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated for prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan Description

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

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

For the City and School Board, the medical coverage for retirees is as follows: (1) the retiree pays 100% of the employee premium if retired with less than 25 years of service, (2) the retiree pays the employee premium less \$100 monthly credit if retired with 25 or more years of service but less than 30 years of service, (3) the retiree pays the employee premium less \$200 monthly credit if retired with 30 or more years of service but less than 35 years of service or (4) the retiree pays the employee premium less \$300 monthly credit if retired with 35 or more years of service. For all spouses, the retiree pays 100% of the employee's spousal premium. Coverage continues to age 65 for retirees.

For BVU, if the retiree has completed 30 years of service, the entire health insurance premium is paid by BVU. If the retiree has less than 20 years of service, the retiree must pay the entire health insurance premium. If years of services are between 20 and 30 years, BVU pays a portion of insurance based on years of services. The amount paid by BVU is 3% per year of service. All retirees pay 100% of dental insurance premium.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-employment Health Care Benefits (Continued)

Funding Policy

The contribution requirements of plan members and the City and School Board are based on pay-as-you go financing requirements with the risk shared equally among the participants.

The funding policy of BVU is to contribute to the plan the net claims paid during the year. BVU is considering funding the Annual Required Contribution (ARC) as determined under GASB No.45.

Annual OPEB Cost and Net OPEB Obligation

The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation.

	<u>City</u>	<u>BVU</u>	<u>School Board</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 241,800	246,800	170,300	658,900
Interest on Net OPEB Pension Obligation (NPO)	-	-	-	-
Adjustment to Annual Required Contribution	-	-	-	-
Annual OPEB Cost (Expense)	<u>241,800</u>	<u>246,800</u>	<u>170,300</u>	<u>658,900</u>
Contributions Made	<u>(73,876)</u>	<u>(103,361)</u>	<u>(54,800)</u>	<u>(232,037)</u>
Increase in Net OPEB Pension Obligation	167,924	143,439	115,500	426,863
Net OPEB Obligation—Beginning of Year	<u>132,200</u>	<u>124,500</u>	<u>-</u>	<u>256,700</u>
Net OPEB Obligation—End of Year	<u>\$ 300,124</u>	<u>267,939</u>	<u>115,500</u>	<u>683,563</u>

CITY OF BRISTOL, VIRGINIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-employment Health Care Benefits (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 658,900	35.0%	\$ 683,563

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$7,543,900.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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 June 30, 2009 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 10% initially, decreasing at a rate of .5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over 30 years beginning with July 1, 2009.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan

Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with 30 years of service if elected by the employer (age 50 with 25 years of service for participating local law enforcement officers and firefighters), payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and, if the employer elects, other employees in hazardous duty positions receiving enhance benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Sheriffs and participating eligible law enforcement officers and firefighters may also receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available on their website at <http://www.varetire.org/pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual reported compensation to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The City’s contribution rate for the fiscal year ended 2010 was 15.98% of annual covered payroll (including the employee share of 5% paid by the employer). The School Board’s contribution rate for the first ten months of the fiscal year was 13.81% (including the employee share of 5% paid by the employer) and 0% for the last two months.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Funding Policy (Continued)

For the three years ended June 30, 2010, 2009, and 2008, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$1,472,929, \$1,728,504, and \$1,846,694, and represented 13.81%, 13.81%, and 15.30% of annual covered payroll, respectively, and 100% of required contributions for 2010, 2009, and 2008.

Annual Pension Cost

For the fiscal year ended June 30, 2010, the City's and the School Board's annual pension cost of \$3,616,914 and \$37,317, respectively, were equal to their required and actual contributions. The FY2010 required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhance benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases also include an inflation component of 2.50%. The actuarial value of the City's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of the short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2007 actuarial valuation was 20 years.

Three-Year Trend Information for the City

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 3,616,914	100%	\$ -
June 30, 2009	3,577,725	100%	-
June 30, 2008	3,221,694	100%	-

Three-Year Trend Information for the School Board

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 37,317	100%	\$ -
June 30, 2009	38,520	100%	-
June 30, 2008	48,789	100%	-

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 81.09% funded. The actuarial accrued liability for benefits was \$94,846,567, and the actuarial value of assets was \$76,906,435, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,940,132. The covered payroll (annual payroll of active employees covered by the plan) was \$23,007,636, and the ratio of the UAAL to the covered payroll was 77.97%.

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

C. Termination of Benefits Payable

At June 30, 2010, BVU has a liability for voluntary termination benefits payable resulting from early retirement incentives to three individuals until they reach retirement age under the Virginia Retirement System. The liability is measured at the discounted present value of expected future benefit payments, computed with an effective annual discount rate of 6%.

D. Service Contracts

The following is a summary of significant service contracts:

Electrical Service

In September 2006, BVU entered into an agreement with the Tennessee Valley Authority for the purchase of wholesale power for distribution. This contract began on January 1, 2008 and will end December 31, 2027. For the year ended June 30, 2010, \$37,360,202 was expensed under this contract.

Housing of Prisoners

The City has entered into contracts with the U.S. Marshall's office and several neighboring localities to house prisoners at the City Jail based on per prisoner, per day charges.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

E. Risk Management

The Risk Management Programs of the City are as follows:

Workmen's Compensation

Workmen's Compensation Insurance is provided through the Virginia Municipal Self Insurance Association for the City and through School Systems of Virginia Group Self Insurance Association for the School Board. Benefits are those afforded through State of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience. BVU maintains commercial insurance with USF&G to cover workmen's compensation claims. This insurance is a retrospectively rated policy. Management believes that any adjustment resulting from retrospective rating based on actual experience would not be material.

General Liability and Other

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

Healthcare

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

E. Risk Management

Dental

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

Reconciliation of claim liabilities is as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Balance July 1	\$ 8,481	7,943	3,908
Claims Incurred	127,434	113,667	122,476
Claims Paid	<u>127,972</u>	<u>117,702</u>	<u>119,595</u>
Balance, June 30	<u>\$ 7,943</u>	<u>3,908</u>	<u>6,789</u>

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

F. Jointly-Owned Wastewater Facility

In 1979, the City and the City of Bristol, Tennessee, entered into a contract for operation of a jointly-owned wastewater facility. The two cities are joint equitable owners in the facility, with ownership percentages determined by usage. Usage is determined by a cost sharing formula included in the contract. Each City's share of future principal payments is determined yearly to reflect usage of the facility by each of the two cities during the fiscal year. The City's share of debt applicable to the facility at June 30 was approximately 45%. The plant's operating expenses are allocated between the two cities based on usage.

Audits of the facility are performed each year. At that time, amounts due to or from each locality are determined based on the yearly expenses allocated to each City and the contributions made by each. Separate financial statements of the Joint Sewerage System are available and may be obtained by writing to Bristol Virginia Utilities at 15550 Lee Highway, Bristol, Virginia 24202.

The City's portion of the Joint Sewerage System is disclosed on the business-type activity – wastewater fund's statement of net assets as follows:

Due from Other Governments	
Contributions in Excess of Allocated Capital Outlays	\$ 899,192
Due from Joint Sewerage System	<u>282,514</u>
Total Due from Other Governments	<u>\$ 1,181,706</u>
Due from Joint Sewerage System consisted of the following:	
Contributions to Joint Wastewater	\$ 1,457,101
Other Income	<u>34,063</u>
Total Contributions and Other Income	1,491,164
Expenditures - Bristol, Virginia's Portion	<u>1,208,650</u>
Total Due from Joint Sewerage System	<u>\$ 282,514</u>
Land	\$ 181,015
Equipment, Treatment and Composing Plant	18,518,455
Accumulated Depreciation	<u>(12,434,834)</u>
Net Capital Assets	<u>\$ 6,264,636</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

G. Revenue Sharing Agreement

Washington County

Effective December 31, 1998, the City entered into an agreement with Washington County, Virginia, whereby the City pays a share of real estate, personal property and machinery and tools tax revenues derived from certain areas. Payments are to be 60% of the related tax for years 1-5, 40% for 6-10 years and 25% for years 11 and beyond. Amounts paid to Washington County during the year were approximately \$59,660.

H. Capital Contributions

BVU Capital Contributions consist of grants from the Virginia Tobacco Community Revitalization Commission and the U.S. Department of Commerce for the fiber optic infrastructure expansion in Southwest Virginia.

I. Commitments and Contingencies

Revenue bonds in the amount of \$7,500,000 were issued by Sullivan County, Tennessee, in July 1999, for capital projects for the jointly owned Regional Airport. The City has agreed to pay its pro rata share of 10% of principal and interest on the bonds in the event that the Airport revenues are insufficient to meet debt obligations. The City's management does not feel that any default is likely.

During a prior year, a joint plan with the City of Bristol, Tennessee to control flooding was approved with the City agreeing to pay one half of the cost. Estimated cost to the City is \$700,000 if the plan is implemented.

The City has committed to serve as fiscal agent for the Train Station's Historic District Revitalization Project and has received approximately \$2,680,644 from the State for the train station enhancement project on behalf of the Train Station as of June 30, 2010. The City is the guarantor of the repayment of these funds should the project not be completed. The project was completed in fiscal year 2010.

Special Purpose Grants

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

Litigation and Regulatory Issues

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

I. Commitments and Contingencies (Continued)

Economic Development Performance Agreement

In April 2010, the City entered into an agreement with a Company to pay from its Economic Development Funds. The City received \$1,000,000 as Governor's Development Opportunity Fund grant and remitted it to the Company during the year ended June 30, 2010. The City transferred land to the Company and will make a local match of \$1,166,444 which will be paid in increments of \$116,000 over 10 years beginning in fiscal year 2012. As a Jobs Creation and Capital Investment Grant for the promotion of economic development within the City, BVU will make annual payments over 11 years from 2011 through 2021, according to the following schedule:

2011	\$83,356
2012	\$200,000
2013 – 2016	\$283,356
2017 – 2021	\$83,356

The Company plan to construct a building in the City of Bristol, Virginia where it will locate its corporate headquarters, employees, and corporate operations. All payments are expressly subject to the Company achieving certain milestones on capital investment and employment obligations through the end of the payment period. Under the agreement, BVU will install underground electric, water, wastewater and fiber-optical lines to the planned building. BVU will incur the cost for the installation of these services.

J. Prior Period Adjustments

A prior period adjustment was recorded in the financial records for the government-wide level financial statements.

Government-wide only was adjusted for retroactive recording of infrastructure:

Infrastructure	\$ 3,709,183
Accumulated Depreciation	<u>(3,394,858)</u>
Total Adjustments to Government-wide Statement	\$ <u>314,325</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

K. Subsequent Events

Refinancing of Debt

In September 2010, the City issued General Obligation Public Improvement and Refunding Bonds, Series 2010 in the amount of \$16,655,000. The Bonds mature in 2027, with semi-annual interest payments beginning in July 2011. The proceeds will be used to (1) refund GO Bonds, Series 2003; GO Bonds, Series 2000; GO Public Improvement Refunding Bonds, Series 2003B; and GO Refunding Bonds, Series 2005A; (2) to finance certain capital improvements related to the landfill operations; and (3) pay the costs of the issuance of the Bonds.

Office of Economic Development

Effective July 1, 2010, the oversight of the Office of Economic Development was transferred from BVU to the City.

Organizational Change

As of July 1, 2010, the BVU Authority was created from the separately managed and financed division of the City of Bristol, Virginia, formerly know as Bristol Virginia Utilities, by an act of the General Assembly of the Commonwealth of Virginia. The Authority has a six month time period from July 1, 2010 in which to issue bonds to acquire the utility system assets from the City of Bristol, Virginia. The Authority is in the process of issuing its bonds through the Virginia Resources Authority (VRA) in the VRA's 2010 Fall Pooled Financing Program to provide sufficient funds necessary to acquire the assets of the utility system. The City will use the funds provided from the Authority to defease the City of Bristol, Virginia Utility System Revenue and Refunding Bonds, Series 2003. The Authority will also refinance its 2007 line of credit on a permanent basis with the 2010 VRA transaction.

Broadband Technology Opportunities Program (BTOP)

On July 1, 2010, BVU Authority was awarded \$22,698,010 of American Recovery and Reinvestment Act (ARRA) funds by the Department of Commerce's National Telecommunications and Information Administration, through the Broadband Technology Opportunities Program (BTOP). BVU Authority's award project, the Southwest Virginia Middle Mile Project, will cost \$36,220,536 over the course of three years. Funding for the project will include, in addition to the ARRA funds, a cash –match grant of \$5,659,502 from the Virginia Tobacco Indemnification and Community Revitalization Commission and an in-kind match from BVU of \$7,863,024. While BTOP awards funds for many types of broadband-related projects, this project is strictly for construction of middle-mile fiber optic infrastructure. The proposed network will be approximately 388 miles in length through eight Southwest Virginia counties, and will bring broadband service near 120 educational institutions, health clinics and other community facilities, and within 2 miles of more than 18,000

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

---

NOTE V - OTHER INFORMATION (CONTINUED)

K. Subsequent Events (Continued)

Broadband Technology Opportunities Program (BTOP) (Continued)

homes and more than 500 businesses. It aims to spur connections and improved service to these anchor institutions, households, and businesses (through BVU and others as eventual last mile providers) within 5 years.

L. New Accounting Standards

There are several new GASB Statements that have been issued that will be effective in future years. Management has not yet evaluated the effects, if any, of adopting these standards, but does not expect them to be material.

CITY OF BRISTOL, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN  
 AND OTHER POST-EMPLOYMENT BENEFITS  
 June 30, 2010

City Employees - Pension Plan

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	( c ) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ 76,906,435	\$ 94,846,567	\$ 17,940,132	81.09%	\$ 23,007,636	77.97%
June 30, 2008	76,388,428	89,356,032	12,967,604	85.49%	21,330,684	60.79%
June 30, 2007	69,942,221	83,147,259	13,205,038	84.12%	18,511,695	71.33%
June 30, 2006	62,611,996	74,634,326	12,022,330	83.89%	18,327,331	65.60%

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	( c ) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ 2,513,650	\$ 2,773,058	\$ 259,408	90.65%	\$ 383,828	67.58%
June 30, 2008	2,664,621	2,678,727	14,105	99.47%	383,642	3.68%
June 30, 2007	2,502,225	2,542,385	40,160	98.42%	387,291	10.37%
June 30, 2006	2,306,498	2,451,809	145,311	94.07%	386,165	37.63%
June 30, 2005	2,267,493	2,482,429	214,936	91.34%	366,358	58.67%

(Continued)

CITY OF BRISTOL, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN  
 AND OTHER POST-EMPLOYMENT BENEFITS  
 June 30, 2010

City Employees - Other Post-Employment Benefits

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	( c ) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2008	\$ -	\$ 7,543,900	\$ 7,543,900	0.00%	N/A	N/A

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	( c ) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2008	\$ -	\$ 2,099,200	\$ 2,099,200	0.00%	N/A	N/A

Note: Data is not available for the two preceding years.

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
BALANCE SHEET  
INDUSTRIAL DEVELOPMENT AUTHORITY  
DISCRETELY PRESENTED COMPONENT UNIT  
June 30, 2010

---

ASSETS	
Cash	\$ 16,994
Receivables	<u>644,315</u>
 TOTAL ASSETS	 <u><u>\$ 661,309</u></u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 12,808
Due to Primary Government	<u>644,315</u>
 TOTAL LIABILITIES	 <u>657,123</u>
 FUND BALANCES	
Undesignated	<u>4,186</u>
 TOTAL FUND BALANCES	 <u>4,186</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 661,309</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
INDUSTRIAL DEVELOPMENT AUTHORITY  
DISCRETELY PRESENTED COMPONENT UNIT  
For the Fiscal Year Ended June 30, 2010

REVENUES	
Investment Earnings	<u>\$ 153,700</u>
TOTAL REVENUES	<u>153,700</u>
EXPENDITURES	
Industrial Development	<u>153,700</u>
TOTAL EXPENDITURES	<u>153,700</u>
Net Change in Fund Balances	-
FUND BALANCE, JULY 1, 2009	<u>4,186</u>
FUND BALANCE, JUNE 30, 2010	<u><u>\$ 4,186</u></u>

Amounts reported in the Statement of Activities are different because:

Net Change in Fund Balance	\$ -
Revenues in the funds are recorded when they provide current financial resources to the government while in the Statement of Activities, those revenues were recorded at the time when they were considered earned.	(145,000)
Expenditures are reported in the funds when they require the use of current financial resources while in the Statement of Activities those expenses are recorded when incurred.	<u>145,000</u>
Change in Net Assets	<u><u>\$ -</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<b>PRIMARY GOVERNMENT</b>			
<u>Department of Agriculture</u>			
State Administrative Matching Grant for Food Stamp Program	Department of Social Services	10.561	\$ 355,945
<u>Department of Education</u>			
ARRA - State Fiscal Stabilization Fund-Government Services, Recovery Act	Compensation Board	84.397	87,636
<u>Department of Health and Human Services</u>			
Family Preservation and Support	Department of Social Services	93.556	20,381
Temporary Assistance to Needy Families	Department of Social Services	93.558	358,069
Refugee and Entrant Assistance - State Administered Programs	Department of Social Services	93.566	793
Low-Income Home Energy Assistance	Department of Social Services	93.568	20,882
Child Care and Development Block Grant	Department of Social Services	93.575	94,952
ARRA - Child Care and Development Block Grant	Department of Social Services	93.713	26,974
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	162,554
ARRA - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	12,460
Chafee Education and Training Vouchers Program	Department of Social Services	93.599	2,799
Adoption Incentives	Department of Social Services	93.603	1,360
Child Welfare Services - State Grants	Department of Social Services	93.645	1,098
Foster Care - Title IV-E	Department of Social Services	93.658	309,204
ARRA - Foster Care - Title IV-E	Department of Social Services	93.658	26,508
Adoption Assistance	Department of Social Services	93.659	65,107
ARRA - Adoption Assistance	Department of Social Services	93.659	6,990
Social Services Block Grant	Department of Social Services	93.667	142,018
Independent Living	Department of Social Services	93.674	12,408
State Children's Insurance Program	Department of Social Services	93.767	16,489
Medical Assistance Program	Department of Social Services	93.778	196,381
Other	Department of Social Services	N/A	654
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant - Entitlement Grants	N/A	14.218	321,570
ARRA - Community Development Block Grant - Entitlement Grants	N/A	14.253	75,858
<u>Department of Homeland Security</u>			
Emergency Management Performance Grant	Department of Emergency Mangement	97.042	15,500
State Homeland Security Program Grant	Department of Emergency Mangement	97.073	35,746
Bomb Squad Equipment and Training for Police and Fire Grant	Department of Emergency Mangement	97.073	195,337
Citizen's Corp Program	Department of Emergency Mangement	97.053	11,674

(Continued)

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<b>PRIMARY GOVERNMENT (Continued)</b>			
<u>Department of Justice</u>			
Violence Against Women Formula Grants	Department of Criminal Justice Services	16.588	19,551
Edward Byrne Memorial Grant	Department of Justice Services	16.738	10,618
ARRA - Pilot Drug Court and Bomb Squad Enhancement Project	Department of Justice Services	16.738	30,367
<u>Department of Transportation</u>			
Drive Hammered Get Nailed	Department of Transportation	20.600	24,865
ARRA - Transit Capital Assistance Grant - Urbanized Area Funding Program	Department of Transportation	20.600	24,160
Total Primary Government			2,686,908
<b>COMPONENT UNIT</b>			
<u>Department of Agriculture</u>			
Food Distribution - Commodities	Department of Agriculture	10.555	64,565
National School Lunch Program	Department of Education	10.555	544,812
National School Breakfast Program	Department of Education	10.553	211,944
Child Nutrition Discretionary Grant	Department of Agriculture	10.579	94,864
<u>Department of Education</u>			
Title I, Part A - Improving Basic Programs	Department of Education	84.010	816,497
ARRA - Title I, Part A - Improving Basic Programs	Department of Education	84.389	455,440
Title I, Part D - Neglected and Delinquent Children	Department of Education	84.013	28,237
Title II, Part A - Improving Teacher Quality State Grants	Department of Education	84.367	224,987
Title II, Part D - Enhancing Education Through Technology	Department of Education	84.318	5,684
ARRA - Title II, Part D - Enhancing Education Through Technology	Department of Education	84.318	8,618
Special Education - Preschool (IDEA, Preschool)	Department of Education	84.173	16,807
ARRA - Special Education - Preschool (IDEA, Preschool)	Department of Education	84.392	7,870
Special Education - Grants to States (IDEA, Part B)	Department of Education	84.027	586,185
ARRA - Special Education - Grants to States (IDEA, Part B)	Department of Education	84.391	434,394
Safe and Drug Free Schools and Communities	Department of Education	84.186	10,553

(Continued)

CITY OF BRISTOL, VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Fiscal Year Ended June 30, 2010

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<b>COMPONENT UNIT (Continued)</b>			
<u>Department of Education (Continued)</u>			
Title V, Part A - Innovative Programs	Department of Education	84.298	2,879
Carl Perkins - Vocational Education	Department of Education	84.048	67,742
Reading First State Grants	Department of Education	84.357	44,676
ARRA - State Fiscal Stabilization Fund-Government Services, Recovery Act	Department of Education	84.397	1,004,858
State Academic Achievement	Department of Education	84.xxx	19,736
<u>Department of Health and Human Services</u>			
Medicaid	N/A	93.000	22,806
Total Component Unit			<u>4,674,154</u>
Total Federal Award Expenditures			<u><u>\$ 7,361,062</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
NOTES TO SCHEDULE OF FEDERAL AWARDS  
June 30, 2010

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICY

Basis of Accounting

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

NOTE 2 - NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities disbursed. The School Board had food commodities totaling \$4,144 in inventory at June 30, 2010.

NOTE 3 - SUBGRANTEES

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

Birthplace of Country Music	\$ 25,000
Bristol Redevelopment & Housing Authority	15,000
Court Appointed Special Advocate	5,000
CDBG-R	75,858
D.A.R.E.	5,000
Emergency Home Rehab	14,624
Infrastructure Improvements	16,381
Main Street Bristol	22,500
Neighborhood Revitalization	56,954
Other	2,241
Virginia High School	4,377
Patricia Freedman Literacy Academy	30,000
People, Inc.	<u>78,550</u>
	<u>\$ 351,485</u>

NOTE 4 - PROGRAM INCOME

In accordance with terms of the Community Development Block Grant Program, program income totaling \$17,547 was used to reduce the amount of federal funds used in conjunction with the program's objective.

See Independent Auditors' Report.

SECTION III  
STATISTICAL SECTION

CITY OF BRISTOL, VIRGINIA  
NET ASSETS BY COMPONENT (UNAUDITED)  
Last Eight Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental Activities</b>								
Invested in Capital Assets, Net of Related Debt	\$ 29,401,065	29,915,337	23,694,648	28,512,940	13,804,929	10,555,902	6,094,345	6,967,702
Restricted	1,614,580	2,073,182	2,842,539	-	119,144	335,787	362,658	226,090
Unrestricted	22,824,118	23,274,681	26,693,206	22,233,712	11,079,991	13,999,679	17,748,246	15,144,530
<b>Total Governmental Activities Net Assets</b>	<b>\$ 53,839,763</b>	<b>55,263,200</b>	<b>53,230,393</b>	<b>50,746,652</b>	<b>25,004,064</b>	<b>24,891,368</b>	<b>24,205,249</b>	<b>22,338,322</b>
<b>Business-type Activities</b>								
Invested in Capital Assets, Net of Related Debt	\$ 60,044,625	54,845,271	51,272,867	42,606,561	52,758,724	43,849,657	34,322,730	41,807,583
Restricted	9,316	10,322	17,176	14,814	9,374	9,374	9,374	87,093
Unrestricted	538,771	(806,746)	(855,858)	97,397	(10,103,653)	(6,521,057)	1,369,722	(3,402,853)
<b>Total Business-type Activities Net Assets</b>	<b>\$ 60,592,712</b>	<b>54,048,847</b>	<b>50,434,185</b>	<b>42,718,772</b>	<b>42,664,445</b>	<b>37,337,974</b>	<b>35,701,826</b>	<b>38,491,823</b>
<b>Primary Government</b>								
Invested in Capital Assets, Net of Related Debt	\$ 89,445,690	84,760,608	74,967,515	71,119,501	66,563,653	54,405,559	40,417,075	48,775,285
Restricted	1,623,896	2,083,504	2,859,715	14,814	128,518	345,161	372,032	353,183
Unrestricted	23,362,889	22,467,935	25,837,348	22,331,109	976,338	7,478,622	19,117,968	11,741,677
<b>Total Primary Government Net Assets</b>	<b>\$ 114,432,475</b>	<b>109,312,047</b>	<b>103,664,578</b>	<b>93,465,424</b>	<b>67,668,509</b>	<b>62,229,342</b>	<b>59,907,075</b>	<b>60,870,145</b>

Note:

The City began to report accrual information when it implemented GASB 34 in fiscal year 2003.

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
 CHANGES IN NET ASSETS (UNAUDITED)  
 Last Eight Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>EXPENSES</b>								
<b>Governmental Activities</b>								
General Government	\$ 2,978,720	2,661,457	2,802,250	3,054,842	2,601,267	2,427,473	2,389,899	1,818,580
Judicial Administration	1,509,552	1,296,392	1,157,293	1,143,616	1,069,265	957,804	841,884	822,106
Public Safety	12,357,339	12,896,808	12,319,196	12,203,912	12,289,639	11,592,580	10,904,991	10,698,402
Public Works	6,659,981	6,353,187	6,462,708	5,920,702	3,629,910	3,617,194	3,466,809	3,336,047
Health and Welfare	5,495,954	5,645,470	6,229,012	5,202,426	5,918,891	4,900,033	4,487,386	4,168,656
Education	9,265,259	9,307,322	8,996,957	8,338,635	9,200,388	8,541,575	9,503,133	8,857,599
Parks, Recreation, and Cultural	2,835,079	2,882,840	2,813,305	2,717,968	2,810,812	2,549,563	2,380,739	2,214,028
Community Development	2,867,133	1,692,851	1,474,618	2,593,211	1,630,732	3,850,009	3,613,557	1,049,646
Transit	552,312	552,299	534,060	502,415	521,312	657,059	489,900	460,781
Interest on Long-Term Debt	925,339	1,156,243	939,447	873,403	754,571	677,586	643,352	511,155
<b>Total Governmental Activities Expenses</b>	<b>45,446,668</b>	<b>44,444,869</b>	<b>43,728,846</b>	<b>42,551,130</b>	<b>40,426,787</b>	<b>39,770,876</b>	<b>38,721,650</b>	<b>33,937,000</b>
<b>Business-type Activities</b>								
Electric	48,136,810	51,968,590	43,059,795	37,947,763	37,996,520	29,674,864	22,877,316	22,642,934
Water	3,167,214	3,021,749	2,752,272	2,696,045	2,542,253	2,582,115	2,758,274	2,416,096
Wastewater	3,198,095	3,123,505	2,993,874	3,075,293	3,033,617	3,061,934	3,167,805	2,599,846
OptiNet	17,622,508	16,476,305	14,227,775	11,806,290	10,732,027	10,200,551	8,068,127	5,269,808
Solid Waste Disposal	7,252,392	7,020,171	6,718,162	7,199,284	7,009,844	7,071,098	7,140,610	6,629,493
Golf Course	1,093,885	1,117,334	1,129,135	1,186,216	1,266,691	1,170,971	1,111,281	1,104,581
<b>Total Business-type Activities Expenses</b>	<b>80,470,904</b>	<b>82,727,654</b>	<b>70,881,013</b>	<b>63,910,891</b>	<b>62,580,952</b>	<b>53,761,533</b>	<b>45,123,413</b>	<b>40,662,758</b>
<b>Total Primary Government Expenses</b>	<b>\$ 125,917,572</b>	<b>127,172,523</b>	<b>114,609,859</b>	<b>106,462,021</b>	<b>103,007,739</b>	<b>93,532,409</b>	<b>83,845,063</b>	<b>74,599,758</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
 CHANGES IN NET ASSETS (UNAUDITED)  
 Last Eight Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>PROGRAM REVENUES</b>								
<b>Governmental Activities</b>								
Charges for Services								
General Government Administration	\$ 316,195	277,958	257,859	261,452	165,907	202,410	156,240	129,575
Judicial Administration	279,718	230,806	250,633	214,632	258,272	275,919	314,482	273,541
Public Safety	174,210	274,435	473,704	708,593	759,331	729,335	807,140	741,289
Public Works	2,861	547	882,538	733,494	853,049	625,035	546,176	577,051
Health and Welfare	-	-	-	-	118,140	122,273	126,710	-
Parks, Recreation, and Cultural	97,233	91,769	98,123	103,223	114,107	108,966	108,142	115,344
Other Activities	34,769	39,318	37,804	41,145	36,831	38,829	43,001	38,022
Operating Grants and Contributions	13,868,952	13,325,110	14,337,295	12,670,217	11,487,441	10,672,859	9,661,849	9,986,788
Capital Grants and Contributions	3,730,705	2,656,318	1,565,583	4,549,390	1,798,859	490,464	353,992	15,732
<b>Total Governmental Activities Program Revenues</b>	<b>18,504,643</b>	<b>16,896,261</b>	<b>17,903,539</b>	<b>19,282,146</b>	<b>15,591,937</b>	<b>13,266,090</b>	<b>12,117,732</b>	<b>11,877,342</b>
<b>Business-type Activities</b>								
Charges for Services								
Electric	50,543,639	54,844,870	46,489,221	39,857,424	39,870,170	34,258,137	27,903,957	27,742,189
Water	3,179,182	3,530,035	3,337,032	3,341,488	3,191,277	2,932,032	2,627,925	2,539,450
Wastewater	3,316,913	3,197,360	3,329,804	3,264,167	3,287,249	3,177,476	3,492,236	3,153,548
OptiNet	19,236,343	17,234,687	14,525,312	10,973,174	8,633,285	7,272,254	4,654,103	754,192
Solid Waste Disposal	4,900,792	4,755,432	4,311,968	4,254,511	4,155,851	4,278,408	4,404,205	3,849,225
Golf Course	654,339	695,125	750,047	748,699	734,213	796,174	842,672	780,859
Capital Grants and Contributions	3,826,270	2,341,810	5,648,768	1,180,429	7,263,779	2,809,297	1,128,919	301,000
<b>Total Business-type Activities Program Revenues</b>	<b>85,657,478</b>	<b>86,599,319</b>	<b>78,392,152</b>	<b>63,619,892</b>	<b>67,135,824</b>	<b>55,523,778</b>	<b>45,054,017</b>	<b>39,120,463</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 104,162,121</b>	<b>103,495,580</b>	<b>96,295,691</b>	<b>82,902,038</b>	<b>82,727,761</b>	<b>68,789,868</b>	<b>57,171,749</b>	<b>50,997,805</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
 CHANGES IN NET ASSETS (UNAUDITED)  
 Last Eight Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
NET (EXPENSE)/REVENUE								
Governmental Activities	\$ (26,942,025)	(27,548,608)	(25,825,307)	(23,268,984)	(24,834,850)	(26,504,786)	(26,603,918)	(22,059,658)
Business-type Activities	5,186,574	3,871,665	7,511,139	(290,999)	4,554,872	1,762,245	(69,396)	(1,542,295)
Total Primary Government Net Expense	<u>\$ (21,755,451)</u>	<u>(23,676,943)</u>	<u>(18,314,168)</u>	<u>(23,559,983)</u>	<u>(20,279,978)</u>	<u>(24,742,541)</u>	<u>(26,673,314)</u>	<u>(23,601,953)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS								
Governmental Activities								
Taxes								
Property Taxes	\$ 12,651,353	12,686,832	13,392,015	16,359,843	11,222,394	9,932,616	10,094,587	9,388,596
Other Taxes	11,448,949	11,613,383	12,046,825	11,690,941	10,494,811	10,365,709	9,697,950	9,370,443
Payments from Component Unit	-	-	-	-	14,016	1,808,068	2,777,778	-
Intergovernmental revenue Not Restricted	2,393,388	2,262,805	2,333,394	2,352,125	3,007,102	3,852,074	2,635,195	2,459,312
Investment Earnings	34,069	125,736	214,667	187,409	108,697	97,677	7,266	14,065
Gain (Loss) on Sale of Property	29,343	(2,343,748)	(27,853)	117,601	(152,889)	8,693	(27,003)	-
Other	-	-	-	-	21,572	8,568	30,985	425,659
Transfers	(1,352,839)	458,300	350,000	350,000	350,000	1,117,500	3,581,484	3,636,117
Total Governmental Activities	<u>25,204,263</u>	<u>24,803,308</u>	<u>28,309,048</u>	<u>31,057,919</u>	<u>25,065,703</u>	<u>27,190,905</u>	<u>28,798,242</u>	<u>25,294,192</u>
Business-type Activities								
Investment Earnings	110,037	175,516	524,052	697,018	1,454,416	1,050,095	766,991	1,219,169
Gain (Loss) on Sale of Property	(105,585)	25,781	17,048	(1,692)	(406)	(58,692)	(31,329)	-
Other	-	-	-	-	-	-	-	(83,641)
Transfers	1,352,839	(458,300)	(350,000)	(350,000)	(350,000)	(1,117,500)	(3,581,484)	(3,636,117)
Total Business-type Activities	<u>1,357,291</u>	<u>(257,003)</u>	<u>191,100</u>	<u>345,326</u>	<u>1,104,010</u>	<u>(126,097)</u>	<u>(2,845,822)</u>	<u>(2,500,589)</u>
Total Primary Government	<u>\$ 26,561,554</u>	<u>24,546,305</u>	<u>28,500,148</u>	<u>31,403,245</u>	<u>26,169,713</u>	<u>27,064,808</u>	<u>25,952,420</u>	<u>22,793,603</u>

(Continued)

CITY OF BRISTOL, VIRGINIA  
 CHANGES IN NET ASSETS (UNAUDITED)  
 Last Eight Fiscal Years  
 (Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
CHANGE IN NET ASSETS								
Governmental Activities	(1,737,762)	2,032,807	2,483,741	7,788,935	230,853	686,119	2,194,324	3,234,534
Business-type Activities	6,543,865	3,614,662	7,702,239	54,327	5,658,882	1,636,148	(2,915,218)	(4,042,884)
Total Primary Government	<u>\$ 4,806,103</u>	<u>5,647,469</u>	<u>10,185,980</u>	<u>7,843,262</u>	<u>5,889,735</u>	<u>2,322,267</u>	<u>(720,894)</u>	<u>(808,350)</u>

Note:  
 The City began to report accrual information when it implemented GASB 34 in fiscal year 2003.

See Independent Auditors' Report.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>General Fund</b>										
Reserved	\$ 20,656,132	19,727,559	17,445,721	11,292,989	7,883,336	3,302,676	6,904,013	14,022,517	8,525,437	126,047
Unreserved	3,130,749	4,714,935	8,715,759	7,938,332	787,983	7,795,789	9,179,187	2,097,917	2,253,333	10,188,985
Total General Fund	<u>\$ 23,786,881</u>	<u>24,442,494</u>	<u>26,161,480</u>	<u>19,231,321</u>	<u>8,671,319</u>	<u>11,098,465</u>	<u>16,083,200</u>	<u>16,120,434</u>	<u>10,778,770</u>	<u>10,315,032</u>
 <b>All Other Governmental Funds</b>										
Reserved	\$ -	-	-	-	27,870	-	-	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	18,364	24,532	87,935	9,627	(26,385)	28,317	11,171	2,178	21,994	48,896
Total All Other Governmental Funds	<u>\$ 18,364</u>	<u>24,532</u>	<u>87,935</u>	<u>9,627</u>	<u>1,485</u>	<u>28,317</u>	<u>11,171</u>	<u>2,178</u>	<u>21,994</u>	<u>48,896</u>

See Independent Auditors' Report.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>REVENUES</b>										
Taxes	\$ 24,620,177	24,918,957	26,309,728	28,220,221	21,752,273	20,298,325	19,727,411	18,721,767	18,427,511	18,078,767
Permits, Privilege Fees, and Licenses	31,359	43,601	55,367	88,032	86,288	93,415	74,017	91,709	54,294	95,662
Fines and Forfeitures	175,137	134,421	148,419	146,528	186,976	214,507	247,654	214,474	224,643	183,006
Investment Earnings	360,088	409,244	536,400	523,313	489,918	267,281	168,309	179,337	189,690	357,059
Charges for Services	332,728	400,203	1,273,679	1,116,025	1,430,179	1,287,715	1,307,061	1,354,406	1,218,576	1,124,896
Other	972,769	388,716	595,798	627,169	350,328	534,222	509,655	465,555	1,280,481	1,037,697
Intergovernmental	18,532,759	16,829,007	17,071,694	16,971,145	15,403,804	15,058,282	12,487,916	12,404,438	11,990,030	11,087,937
<b>Total Revenues</b>	<b>45,025,017</b>	<b>43,124,149</b>	<b>45,991,085</b>	<b>47,692,433</b>	<b>39,699,766</b>	<b>37,753,747</b>	<b>34,522,023</b>	<b>33,431,686</b>	<b>33,385,225</b>	<b>31,965,024</b>
<b>EXPENDITURES</b>										
General Government Administration	2,587,737	2,556,942	2,854,121	2,949,908	2,500,908	2,299,735	2,285,132	1,799,817	1,550,393	1,525,667
Judicial Administration	1,401,759	1,271,989	1,127,182	1,120,914	1,039,768	955,437	815,370	792,736	829,610	883,959
Public Safety	12,199,613	12,511,555	12,041,017	12,854,163	12,295,870	11,646,734	10,895,628	10,349,840	10,655,647	9,347,562
Public Works	4,136,424	4,033,008	4,193,526	3,866,181	3,990,794	4,143,388	4,012,670	3,199,012	3,659,133	3,281,606
Health and Welfare	5,507,342	5,623,301	6,222,774	5,201,697	5,911,003	4,907,608	4,462,085	4,145,290	4,187,124	3,863,385
Education	8,976,766	9,009,699	8,690,721	8,019,557	8,868,472	8,196,819	9,145,537	8,481,114	8,312,125	8,392,289
Parks, Recreation, and Cultural	2,514,823	2,849,361	2,484,434	2,420,945	2,736,703	2,521,567	2,311,299	2,121,099	2,232,282	2,031,184
Community Development	2,867,133	1,692,851	1,474,618	2,593,211	1,600,291	3,847,048	6,083,691	1,149,646	1,515,709	1,062,924
Transit	520,962	623,487	520,894	477,949	528,463	628,542	511,667	427,446	845,667	529,760
Capital Projects	2,024,195	3,343,054	1,183,154	2,915,828	1,903,490	3,323,348	1,052,674	1,857,599	668,331	251,814
Debt Service:										
Principal	7,354,194	1,282,171	5,436,521	3,959,810	1,574,531	1,116,698	585,883	705,712	687,272	4,143,400
Interest	979,386	983,772	731,396	756,711	734,986	707,047	616,466	494,100	444,980	362,096
<b>Total Expenditures</b>	<b>51,070,334</b>	<b>45,781,190</b>	<b>46,960,358</b>	<b>47,136,874</b>	<b>43,685,279</b>	<b>44,293,971</b>	<b>42,778,102</b>	<b>35,523,411</b>	<b>35,588,273</b>	<b>35,675,646</b>
Excess (Deficiency) of Revenues										
Over/(Under) Expenditures	(6,045,317)	(2,657,041)	(969,273)	555,559	(3,985,513)	(6,540,224)	(8,256,079)	(2,091,725)	(2,203,048)	(3,710,622)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceed from Borrowing	6,630,569	-	6,747,950	7,422,000	724,750	2,321,500	4,475,000	4,413,354	-	2,700,000
Payments to Bond Escrow Agents	-	-	-	-	-	(2,302,887)	-	-	-	-
Sale of Capital Assets	105,806	65,630	78,891	2,151,267	418,349	436,522	34,455	-	505,396	274,433
Insurance Recoveries	-	-	-	-	38,436	-	-	-	-	-
Capital Lease	-	-	1,400,899	-	-	-	-	-	-	-
Transfers In	-	809,023	350,000	350,000	350,000	1,291,004	3,863,484	3,204,815	2,241,048	2,418,358
Transfers Out	(1,352,839)	-	-	-	-	(173,504)	(282,000)	(200,000)	(143,403)	(73,414)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,383,536</b>	<b>874,653</b>	<b>8,577,740</b>	<b>9,923,267</b>	<b>1,531,535</b>	<b>1,572,635</b>	<b>8,090,939</b>	<b>7,418,169</b>	<b>2,603,041</b>	<b>5,319,377</b>
<b>Net Change in Fund Balances</b>	<b>\$ (661,781)</b>	<b>(1,782,388)</b>	<b>7,608,467</b>	<b>10,478,826</b>	<b>(2,453,978)</b>	<b>(4,967,589)</b>	<b>(165,140)</b>	<b>5,326,444</b>	<b>399,993</b>	<b>1,608,755</b>
Debt Service as a Percentage of Noncapital Expenditures	16.99%	5.34%	13.47%	10.67%	5.53%	4.45%	2.88%	3.56%	3.24%	12.72%

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Real Estate (1)	Personal Property (2)	Machinery and Tools (2)	Public Service Corporation (3)	Mobile Homes (4)	Total Assessed Value	Tax Rate (per \$100)	
							Real Estate	Personal Property
2010	\$ 1,037,501,250	36,755,193	10,657,820	15,375,438	1,534,142	1,101,823,843	0.94%	7.00%
2009	932,366,500	40,381,108	10,815,071	15,573,204	1,495,279	1,000,631,162	1.05%	7.00%
2008	918,459,200	38,417,934	12,790,535	14,250,641	1,505,142	985,423,452	1.05%	7.00%
2007	874,768,300	35,898,923	17,593,513	19,560,928	1,664,016	949,485,680	0.98%	6.00%
2006	767,041,575	34,747,388	17,859,218	16,764,883	*	836,413,064	0.98%	6.00%
2005	754,670,575	36,732,886	18,095,654	18,955,042	*	828,454,157	0.98%	6.00%
2004	738,938,475	36,048,456	15,856,600	20,181,818	*	811,025,349	0.98%	6.00%
2003	724,965,475	35,896,104	19,565,734	16,686,749	*	797,114,062	1.10%	6.00%
2002	590,454,560	36,021,529	18,991,926	12,302,386	*	657,770,401	1.10%	6.00%
2001	583,294,560	33,475,986	17,620,252	12,653,313	*	647,044,111	1.10%	6.00%

\* - Not available

(1) Assessed at 100% of fair market value

(2) Vehicles are assessed at loan value as determined by the National Automobile Dealers Association (NADA); other personal property for which there is no industry guide is assessed at 11% of there original cost

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

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

**Note:** Reassessments occur every four years

**Source:** Commissioner of Revenue

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
 PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)  
 Current Year and Ten Years Ago

<u>Taxpayer</u>	2010			2001		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Trammel Hotel Investments LLC	\$ 17,437,600	1	20.7%	16,532,300	2	21.3%
Bristol Mall Associates	16,999,900	2	20.1%	21,330,400	1	27.4%
HD Development of MD (Home Depot)	8,629,900	3	10.2%	-		0.0%
Debora Jean Limited (Tinseltown)	7,432,000	4	8.8%	6,591,300	4	8.5%
Apple Nine SPE Bristol (Marriott)	6,502,700	5	7.7%	-		0.0%
Yale Linden Associates LLC (Linden Dr)	5,836,000	6	6.9%	-		0.0%
Ventas Realty (Liberty Place)	5,780,000	7	6.8%	-		0.0%
Ball Metal Beverage Container Corp.	5,733,000	8	6.8%	4,890,900	6	6.3%
Euclid Center PC	5,186,600	9	6.1%	-		0.0%
Pacific Capital Group (Post Office/Food I	4,897,000	10	5.8%	-		0.0%
Electrolux LLC	-		0.0%	7,082,300	3	9.1%
C&J Bristol Plaza	-		0.0%	5,423,400	5	7.0%
Liberty Place Associates	-		0.0%	4,447,800	7	5.7%
The United Company	-		0.0%	3,938,000	8	5.1%
Leisure Park Towers	-		0.0%	3,841,600	9	4.9%
Bristol Associates	-		0.0%	3,658,600	10	4.7%
	<u>\$ 84,434,700</u>		<u>100.0%</u>	<u>77,736,600</u>		<u>100.0%</u>

**Source:** Commissioner of Revenue

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Adjusted Levy		Amount	Percentage of Levy
2010	\$ 13,454,389	\$ 12,123,993	90.11%	\$ -	\$ 12,123,993	90.11%
2009	13,552,799	12,281,799	90.62%	271,686	12,553,485	92.63%
2008	13,397,350	12,060,750	90.02%	252,622	12,313,372	91.91%
2007	12,294,395	11,351,927	92.33%	753,825	12,105,752	98.47%
2006	11,769,692	11,281,140	95.85%	299,732	11,580,872	98.40%
2005	10,748,059	10,370,212	96.48%	206,204	10,576,416	98.40%
2004	9,962,418	9,551,491	95.88%	229,390	9,780,881	98.18%
2003	10,258,771	9,910,443	96.60%	190,779	10,101,222	98.46%
2002	10,508,221	10,161,021	96.70%	221,946	10,382,967	98.81%
2001	9,818,321	9,461,146	96.36%	266,580	9,727,726	99.08%

Note: Beginning fiscal year 2000, the Commonwealth of Virginia began directly reimbursing localities a percentage of certain personal property taxes. These reimbursements have been excluded from the above information.

See Independent Auditors' Report.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Legal Debt Margin</b>										
Debt Limit	\$ 103,750,125	93,236,650	91,845,920	87,476,830	76,704,158	75,467,058	73,893,848	72,496,548	59,045,456	58,329,456
Total Net Debt Applicable to Limit	57,830,000	59,952,387	62,287,820	59,894,556	61,713,861	51,753,727	42,985,000	39,855,000	31,010,000	36,054,699
Legal Debt Margin	<u>\$ 45,920,125</u>	<u>33,284,263</u>	<u>29,558,100</u>	<u>27,582,274</u>	<u>14,990,297</u>	<u>23,713,331</u>	<u>30,908,848</u>	<u>32,641,548</u>	<u>28,035,456</u>	<u>22,274,757</u>

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed Value	\$ 1,037,501,250
Debt Limit (10% of assessed value)	103,750,125
Less Debt Applicable to Limit:	
General Obligation Bonds	(55,910,000)
Other Long-Term Obligations	<u>(1,920,000)</u>
Legal Debt Margin	<u>\$ 45,920,125</u>

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

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)  
Last Five Fiscal Years

Fiscal Year	General Obligation Bonds				Other Governmental Activities		
	Governmental General Obligation Bonds	Business-Type General Obligation Bonds	Total General Obligation Bonds	Percentage of Actual Value of Taxable Property	Per Capita	Notes Payable	Other Debt
2010	\$ 18,394,451	37,515,549	55,910,000	5.07%	3,161	-	1,920,000
2009	18,786,751	38,993,249	57,780,000	5.77%	3,313	-	2,172,387
2008	19,534,789	40,320,211	59,855,000	6.07%	3,440	-	2,432,820
2007	16,277,411	40,913,325	57,190,736	6.02%	3,287	-	2,703,820
2006	12,345,291	41,868,500	54,213,791	6.48%	3,116	2,775,000	2,974,820

Fiscal Year	Business-Type Activities			Total Debt		
	Revenue Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
2010	46,560,500	-	397,603	104,788,103	*	5,924
2009	47,585,500	-	235,702	107,773,589	*	6,180
2008	48,095,500	-	101,655	110,484,975	*	6,350
2007	48,950,000	-	155,545	109,000,101	*	6,264
2006	50,310,000	-	201,497	110,475,108	*	6,349

\* Not available

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

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

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
 PLEDGED-REVENUE COVERAGE (UNAUDITED)  
 Last Seven Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	\$ 76,273,222	62,675,248	13,597,974	1,585,491	2,212,001	3.58
2009	78,982,185	65,559,941	13,422,244	1,440,837	2,204,681	3.68
2008	68,241,785	54,611,848	13,629,937	1,407,292	2,037,484	3.96
2007	57,436,253	47,466,650	9,969,603	1,360,000	2,079,352	2.90
2006	54,981,981	46,185,286	8,796,695	560,000	2,929,254	2.52
2005	47,639,899	37,664,128	9,975,771	480,000	2,853,393	2.99
2004	38,678,221	29,696,345	8,981,876	700,000	2,579,103	2.74

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, amortization, or depreciation expenses.

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)  
 Last Six Fiscal Years

Fiscal Year	Population (1)	Per Capita Personal Income (3)	Public School Enrollment	Unemployment Rate
2010	17,690	*	2,244	9.2%
2009	17,516	*	2,265	10.5%
2008	17,429	32,454	2,272	5.9%
2007	17,571	30,895	2,308	5.2%
2006	17,425	29,880	2,302	4.8%
2005	17,479	27,657	2,295	5.3%
2004	17,433	25,982	2,324	6.0%

\*Not available

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

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

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

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
 PRINCIPAL EMPLOYERS (UNAUDITED)  
 Current Year

<u>EMPLOYER</u>	<u>2010</u>		<u>Percentage of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
City of Bristol	700	1	16.54%
Electro Mechanical Corp.	600	2	14.18%
Office Max	500	3	11.82%
Sprint PCS	500	4	11.82%
US Solutions	400	5	9.45%
Strongwell Corp	321	6	7.59%
United Parcel Service	300	7	7.09%
Commonwealth of Virginia	250	8	5.91%
Aerus (formerly Electrolux)	227	9	5.37%
Ball Corp (formerly Reynolds Metal)	218	10	5.15%
Snack Alliance (formerly Moore's Snack Foods)	215	11	5.08%
	<u>4,231</u>		<u>100.00%</u>

Source: Andrew Trivette, Community Development Director

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES  
 BY FUNCTION/PROGRAM (UNAUDITED)  
 LAST FIVE FISCAL YEARS

<u>FUNCTION/PROGRAM</u>	<u>Fiscal Year</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Government	23	23	27	30	32
Judicial Government	16	16	15	31	19
Public Safety	172	173	172	161	188
Public Works	22	23	21	34	41
Solid Waste	41	45	46	41	45
Health and Welfare	39	39	41	41	41
Parks, Recreation, and Cultural	22	21	22	22	22
Clear Creek Golf Course	5	5	5	4	5
Library	22	24	27	22	32
Community Development	7	9	8	10	11
Transit	9	9	10	9	9
Water	6	6	6	6	6
Sewer	8	8	8	7	7
OptiNet	99	106	102	31	31
Electric	79	71	70	66	64
Total	<u>570</u>	<u>578</u>	<u>580</u>	<u>515</u>	<u>553</u>

\*Comparable information was not available for prior years.

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
 OPERATING INDICATORS BY FUNCTION (UNAUDITED)  
 Last Five Fiscal Years

<u>Function/Program</u>	Fiscal Year				
	2010	2009	2008	2007	2006
<u>Judicial Administration</u>					
Sheriff					
Inmates Housed (Daily)	131	126	136	147	144
Inmate Transports	353	512	1,095	1,095	1,063
Courts Worked	661	628	615	584	452
<u>Public Safety</u>					
Police					
Criminal Warrants	3,126	2,978	2,954	2,852	2,655
Parking Violations	611	500	776	649	798
Traffic Violations	5,244	3,803	3,738	4,319	8,091
Fire					
Fire Responses	171	183	197	175	128
EMS Responses	1,410	1,262	1,264	998	1,019
Hazmat Responses	80	97	88	79	78
Other Responses	780	768	513	537	573
<u>Public Works</u>					
Refuse Collected (tons per day)	32	33	33	33	34
Recyclables collected (tons per day)	13	10	8	13	17
<u>Library</u>					
Volumes in collection	165,858	164,494	159,547	144,558	149,100
Total Circulated	390,382	371,697	340,937	359,248	340,900
<u>Electric</u>					
Number of Customer Accounts	16,397	16,363	16,381	16,258	16,125
Miles of Distribution Lines	549	549	549	549	549
Miles of Transmission Lines	29	29	29	29	29
<u>Water</u>					
Number of Customer Accounts	8,008	7,971	7,963	7,993	7,961
Miles of Distribution Lines	144	135	135	135	135
Volume Pumped (million gallons per day average)	3,497	3,602	3,842	3,680	3,565
<u>Sewer</u>					
Number of Customer Accounts	7,775	7,739	7,723	7,740	7,745
Waste/Water Treated (million gallons per day)	4,680	4,293	3,874	3,870	4,129
<u>OptiNet</u>					
Number of Customer Accounts	10,030	9,779	8,526	7,782	7,509
Plant Fiber Miles	372	372	372	372	372

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
 CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)  
 Last Five Fiscal Years

<b>Function/Program</b>	Fiscal Year				
	2010	2009	2008	2007	2006
<u>Public Safety</u>					
Law Enforcement Vehicles	76	73	79	80	94
Fire Stations	3	3	3	3	3
<u>Public Works</u>					
Primary Streets (lane miles)	50.64	50.64	48.80	49.00	48.00
Secondary Streets (lane miles)	208.55	208.23	208.23	208.00	204.00
<u>Parks, Recreation, and Cultural</u>					
Community Center	1	1	1	1	1
Parks/Athletic Fields	18	18	18	18	18

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF ELECTRIC FUND REVENUE AND PURCHASED POWER (UNAUDITED)  
Last Two Fiscal Years

Customer Type	Revenue	Percentage of Total Revenue	Average Number of Customers Per Month	Percentage of Total Customers	Revenue Per Customers	Kilowatt Hours Sold	Revenue Per Kilowatt Hour
<u>Residential</u>							
2010	<u>\$ 20,882,090</u>	42.43%	13,742	78.93%	<u>1,519.58</u>	213,303,624	<u>\$0.0979</u>
2009	<u>\$ 22,002,846</u>	41.00%	13,699	78.84%	<u>1,606.16</u>	211,328,777	<u>\$0.1041</u>
<u>Small Commercial</u>							
2010	<u>\$ 4,254,412</u>	8.64%	2,197	12.62%	<u>\$ 1,936.46</u>	39,507,926	<u>\$0.1077</u>
2009	<u>\$ 4,628,782</u>	8.63%	2,199	12.65%	<u>\$ 2,104.95</u>	40,105,068	<u>\$0.1154</u>
<u>Large Commercial and Industrial</u>							
2010	<u>\$ 22,939,989</u>	46.61%	325	1.87%	<u>\$ 70,584.58</u>	296,710,223	<u>\$0.0773</u>
2009	<u>\$ 25,856,200</u>	48.19%	333	1.92%	<u>\$ 77,646.25</u>	297,369,596	<u>\$0.0869</u>
<u>Street and Outdoor Lighting</u>							
2010	<u>\$ 1,141,359</u>	2.32%	1,146	6.58%	<u>\$ 995.95</u>	6,091,169	<u>\$0.1874</u>
2009	<u>\$ 1,170,876</u>	2.18%	1,145	6.59%	<u>\$ 1,022.60</u>	5,798,391	<u>\$0.2019</u>
<u>Totals</u>							
2010	<u>\$ 49,217,850</u>	100.00%	17,410	100.00%	<u>\$ 2,826.99</u>	555,612,942	<u>\$0.0886</u>
2009	<u>\$ 53,658,704</u>	100.00%	17,376	100.00%	<u>\$ 3,088.09</u>	554,601,832	<u>\$0.0968</u>

PURCHASED POWER

	Cost	Kilowatt Hours Purchased	Cost Per Kilowatt Hour
2010	<u>\$ 37,360,202</u>	587,764,963	\$ 0.0636
2009	<u>\$ 42,361,855</u>	579,034,053	\$ 0.0732

See Independent Auditors' Report.

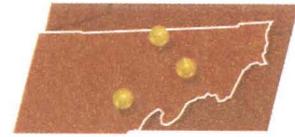
CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF WATER REVENUE STATISTICS (UNAUDITED)  
Last Two Fiscal Years

	2010			
	Average Number of Customers Per Month	Revenue Per Customer	Gallons (000's) Sold	Revenue Per 1,000 Gallons
Residential	6,862	\$ 214.27	302,614	\$ 4.859
Commercial and Industrial	1,111	\$ 978.43	350,039	\$ 3.105
Other Water Authorities	<u>11</u>	<u>\$ 47,218.27</u>	<u>278,131</u>	<u>\$ 1.867</u>
Totals	<u><u>7,984</u></u>	<u><u>\$ 385.36</u></u>	<u><u>930,784</u></u>	<u><u>\$ 3.306</u></u>
	2009			
	Average Number of Customers Per Month	Revenue Per Customer	Gallons (000's) Sold	Revenue Per 1,000 Gallons
Residential	6,861	\$ 209.51	334,650	\$ 4.295
Commercial and Industrial	1,119	\$ 968.12	359,747	\$ 3.011
Other Water Authorities	<u>12</u>	<u>\$ 41,194.97</u>	<u>288,852</u>	<u>\$ 1.711</u>
Totals	<u><u>7,992</u></u>	<u><u>\$ 377.27</u></u>	<u><u>983,249</u></u>	<u><u>\$ 3.067</u></u>
			2010 (000's)	2009 (000's)
Total Gallons Pumped			1,294,538	1,332,917
Gallons Used in Operations			<u>3,721</u>	<u>2,457</u>
Gallons Available for Sale			1,290,817	1,330,460
Total Gallons Sold			<u>930,784</u>	<u>983,249</u>
Gallons Lost			<u><u>360,033</u></u>	<u><u>347,211</u></u>
Loss as a Percentage of Gallons Pumped			<u><u>27.81%</u></u>	<u><u>26.05%</u></u>

See Independent Auditors' Report.

## SECTION IV

### INTERNAL CONTROL AND COMPLIANCE



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

Honorable Members of City Council  
City of Bristol  
Bristol, Virginia

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units and each major fund of the City of Bristol, Virginia (the "City") as of and for the year ended June 30, 2010 which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited the financial statements of Bristol Virginia Utilities, which is comprised of the Electric, Water, Wastewater and OptiNet funds, as described in our report on the City of Bristol, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies and material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement

of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 07-1.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 06-1, 10-1, and 10-2.

#### Compliance and Other Matters

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

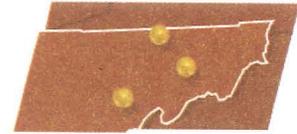
We noted certain matters that we reported to management of the City, in a separate letter dated November 29, 2010.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Blackburn, Childers and Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 29, 2010



American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Honorable Members of City Council  
City of Bristol  
Bristol, Virginia

Compliance

We have audited the compliance of the City of Bristol, Virginia (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Blackburn, Childers and Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 29, 2010

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2010

---

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements.
2. Three significant deficiencies in internal control were disclosed in the audit of financial statements, of which one was considered a material weakness.
3. One instance of noncompliance material to the basic financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs of the City expresses an unqualified opinion.
6. The audit disclosed no audit findings relating to major programs.
7. The programs tested as major programs include:

National School Breakfast Program	10.553
National School Lunch Program	10.555
State Administrative Matching Grant for Food Stamp Program	10.561
ARRA – Equipment Assistance Grant	10.579
Community Development Block Grant	14.218
ARRA – Community Development Block Grant	14.253
ARRA – Pilot Drug Court and Bomb Squad Enhancement Project	16.738
ARRA - Title I, Part A	84.389
ARRA – Title VI-B	84.391
ARRA – State Fiscal Stabilization Fund, Education Services	84.394
Temporary Assistance to Needy Families	93.558
Foster Care, Title IV-E	93.658
ARRA – Foster Care, Title IV-E	93.658
Bomb Squad Equipment and Training for Police and Fire Grant	97.004

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2010

---

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

07-1 Material Weakness – Fund Deficits (Repeated from 6/30/07 audit)

*Condition:* The Solid Waste Disposal Fund and Clear Creek Golf Course Fund both have fund deficits.

*Criteria:* Proprietary funds are required to maintain positive net assets.

*Effect:* The Solid Waste and Clear Creek funds have received continuous advances from the General Fund resulting in significant inter-fund balances consuming almost all of the unreserved fund balance of the General Fund.

*Recommendation:* Management should consider plans to make proprietary funds self-sufficient and repay the General fund for the advances.

*Management response:* Management and members of City Council are aware of these proprietary funds which have deficits and continue to monitor results of these funds. Current year changes in operations and budget applications have been initiated to help these deficits. Plans for fiscal year 2010-11 are to initiate major operational changes at the Solid Waste Disposal Fund for operational costs savings. The Clear Creek Golf Course Fund is initiating a request for proposal for possible sale and developing residential land use.

06-1 Significant Deficiency – Conflicts of Interest (Repeated from 6/30/06 audit)

Section 2.2 of the Code of Virginia: The State and Local Government Conflicts of Interest Act

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

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

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

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

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2010

---

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)

06-1 Significant Deficiency – Conflicts of Interest (Repeated from 6/30/06 audit) (Continued)

*Management response:* Disclosure forms are mailed to each official 45 days prior to the deadline. Included in the packet mailed to officials is a memo from The Commonwealth Attorney's office emphasizing the officials' responsibility to follow state requirements. A second notice is sent to officials who have not filed 15 days prior to the deadline, along with a generated list sent to the Commonwealth Attorney's office for follow-up. In addition the generated list is forwarded to Office of Community Development for personal contact.

10-1 Significant Deficiency – Purchasing Policy and Procedures

*Condition:* Several disbursements were noted during testing that did not have a purchase order.

*Criteria:* The Virginia Public Procurement Act requires purchase orders to be obtained before purchase and proper approval of those purchases.

*Effect:* The City is not in compliance with the Virginia Public Procurement Act.

*Recommendation:* We recommend a written purchasing policy be adopted by the City Council that includes policies on use of purchase orders, including a minimum threshold.

*Management response:* Management agrees with the recommendation. The City has had a procurement act adopted by City Council in 2005. An addendum to include policy and procedures will be in place by January 2011 to address these uses including thresholds.

10-2 Significant Deficiency – Reconciliations of Bank Accounts and Taxes Receivable

*Condition:* Bank accounts and taxes receivable have not been reconciled monthly on a timely basis.

*Criteria:* Bank accounts and taxes receivable should be timely reviewed, reconciled to the corresponding subsidiary reports and adjusted.

*Effect:* Creates the possibility that misstatements may not be timely noted or corrected.

*Recommendation:* We recommend monthly reconciliations be performed timely.

*Management response:* The City Treasurer is responsible for these reconciliations. This position was newly installed in January 2010. In addition there has been turnover in personnel within this group. Steps are being taken by the City Treasurer to work thru this process. Management recognizes the importance of these reconciliations and will strongly encourage the Treasurer to submit reconciliation reports monthly.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT  
None