



**CITY OF BRISTOL, VIRGINIA**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**



CITY OF BRISTOL, VIRGINIA  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
AND SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2011

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June 30, 2011

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CITY OF BRISTOL, VIRGINIA  
DISTRICT OFFICIALS  
June 30, 2011

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**MEMBERS OF CITY COUNCIL**

Mayor  
Vice Mayor

Don Ashley  
Ed Harlow  
Guy Odum  
Jim Steele  
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  
Terry Frye  
Terry Rohr  
Jack Weisenburger  
Jerry A. Wolfe

**BVU AUTHORITY**

Chairman  
Vice-Chairman

Paul Hurley  
Faith Esposito  
Ed Harlow  
Dulcie Mumpower  
James Rector  
Jim Steele  
Doug Fleenor  
Archie Hubbard, III  
Jim Clifton

**BVU AUTHORITY OFFICIALS**

President and CEO  
Executive Vice President and CFO  
Attorney

Wes Rosenbalm  
Stacey Pomrenke  
G. Walter Bressler

**SCHOOL BOARD MEMBERS**

Chair  
Vice-Chair

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

CITY OF BRISTOL, VIRGINIA  
DISTRICT OFFICIALS  
June 30, 2011

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**SCHOOL OFFICIALS**

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

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

**INDUSTRIAL DEVELOPMENT AUTHORITY BOARD**

Chairman  
Vice-Chairman

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

## 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 (the City) as of and for the year ended June 30, 2011, 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 BVU Authority, a discretely presented component unit. 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 BVU Authority, 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. An 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, 2011, 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.

As described in Note V.M, the City has implemented the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, 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 79 through 80 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, Industrial Development Authority (IDA) 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 IDA 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 them.

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

November 29, 2011



CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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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, 2011.

**Financial Highlights**

- Effective July 1, 2010 Bristol Virginia Utilities became an Authority (BVU Authority) and is no longer consider to be an enterprise fund of the City. However due to the financial benefit of the BVU Authority to the City, it is being presented as a component unit.
- The assets of the City exceeded its liabilities at the close of the 2011 fiscal year by \$25,387,295 (*net assets*). Of this amount, \$26,663,740 of the Governmental Activities (*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 \$2,435,813. Of this amount \$1,946,846 is attributable to current year activities and \$488,967 is the result of an adjustment made for revenues 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 \$26,670,597, an increase of \$2,865,352 in comparison with the prior year. Approximately 19% of this total amount, \$5,056,131, is available for spending at the government's discretion (unassigned fund balance) which is an increase of 6% over last year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,056,131 or 9.5% of total general fund expenditures.
- The City's total debt decreased by \$218,779 during the current fiscal year. General Obligation Bonds (bonded debt) decreased \$271,288. Other Debt which is comprised of capital lease obligations, long term loans, notes payables, and compensated absences increased \$52,509.

**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, 2011

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***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 the 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, BVU Authority and Industrial Development Authority for which the City is financially accountable. Financial information for the School Board and BVU Authority are reported separately from the financial information presented for the primary government itself. Complete financial statements for the School Board can be obtained from the Finance Department, Bristol Virginia Public Schools at (276) 821-5600. Financial Statements for BVU Authority can be obtained from the Finance Department at (276) 821-6200. 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*.

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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

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

The basic governmental fund financial statements and the budgetary comparison statements can be found on pages 18 - 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 solid waste disposal fund and golf course fund.

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

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

The basic proprietary fund financial statements can be found on pages 26 - 30 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 31 - 78 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 and other post-employment benefits to its employees. Required supplementary information can be found on pages 79 - 80 of this report.

The statements referred to earlier in connection with discretely presented component units are presented immediately following the required supplementary information. The discretely presented component unit statements can be found on pages 81 - 82 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 \$25,387,295 at the close of the most recent fiscal year.

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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

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

An additional portion of the City's net assets (\$964,757) represents resources that are subject to external restrictions on how they may be used. These resources are comprised of funds for Capital Projects (\$56,086) and the Commonwealth Attorney Federal Sharing Revenue (\$899,355). The remaining balance of *unrestricted net assets* may be used to meet the government's ongoing obligations to citizens and creditors. The City's net assets increased by \$2,435,813. This is comprised of an increase in net assets from governmental activities of \$4,557,254 and a decrease in net assets from business-type activities of \$2,121,441.

During the 2010 fiscal year, the activities of Bristol Virginia Utilities were included as funds of the City. Since BVU Authority was formed July 1, 2010 and is not reported as funds of the City, only the activities of the Solid Waste Disposal fund and Clear Creek Golf Course fund are included below for 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and Other Assets	\$ 37,507	\$ 41,092	\$ 2,337	\$ 2,348	\$ 39,844	\$ 43,440
Capital Assets	50,686	51,990	30,039	30,075	80,725	82,065
Total Assets	88,193	93,082	32,376	32,423	120,569	125,505
Long-Term Liabilities Outstanding	23,008	22,578	43,145	43,356	66,153	65,934
Other Liabilities	11,345	12,107	20,119	22,076	31,464	34,183
Total Liabilities	34,353	34,685	63,264	65,432	97,617	100,117
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	29,401	30,778	(6,461)	513	22,940	31,291
Restricted	1,615	955	9	9	1,624	964
Unrestricted	22,824	26,664	(24,436)	(33,531)	(1,612)	(6,867)
Total Net Assets	\$ 53,840	\$ 58,397	\$ (30,888)	\$ (33,009)	\$ 22,952	\$ 25,388

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

The City's Changes in Net Assets (in thousands 000's)						
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues						
Program Revenue						
Charges for Services	\$ 905	\$ 939	\$ 5,555	\$ 6,033	\$ 6,460	\$ 6,972
Operating Grants and Contributions	13,869	16,737	-	-	13,869	16,737
Capital Grants and Contributions	3,731	2,948	-	-	3,731	2,948
General Revenues						
Property Taxes	12,651	13,428	-	-	12,651	13,428
Other Taxes	11,449	11,722	-	-	11,449	11,722
Grants and Contributions						
Not Restricted	2,393	3,313	-	-	2,393	3,313
Unrestricted Investment Earnings	34	58	10	2	44	60
Gain (Loss) on Sale of Property	29	(99)	(2)	(19)	27	(118)
Other	-	-	-	-	-	-
Total Revenues	<u>45,061</u>	<u>49,046</u>	<u>5,563</u>	<u>6,016</u>	<u>50,624</u>	<u>55,062</u>
Expenses						
General Government						
Administration	2,979	2,701	-	-	2,979	2,701
Judicial Administration	1,510	1,598	-	-	1,510	1,598
Public Safety	12,357	12,556	-	-	12,357	12,556
Public Works	6,660	4,951	-	-	6,660	4,951
Health and Welfare	5,496	5,626	-	-	5,496	5,626
Education	9,265	8,549	-	-	9,265	8,549
Parks, Recreation, and Cultural	2,835	2,784	-	-	2,835	2,784
Community Development	2,867	4,609	-	-	2,867	4,609
Transit	552	555	-	-	552	555
Interest on Long-Term Debt	925	1,049	-	-	925	1,049
Solid Waste Disposal	-	-	7,252	7,118	7,252	7,118
Golf Course	-	-	1,094	1,019	1,094	1,019
Total Expenses	<u>45,446</u>	<u>44,978</u>	<u>8,346</u>	<u>8,137</u>	<u>53,792</u>	<u>53,115</u>
Excess (Deficiency)						
Before Transfers	(385)	4,068	(2,783)	(2,121)	(3,168)	1,947
Transfers	(1,353)	-	1,702	-	349	-
Change in Net Assets	(1,738)	4,068	(1,081)	(2,121)	(2,819)	1,947
Net Assets -- July 1, as Restated	<u>55,578</u>	<u>54,329</u>	<u>(29,807)</u>	<u>(30,888)</u>	<u>25,771</u>	<u>23,441</u>
Net Assets -- June 30	<u>\$ 53,840</u>	<u>\$ 58,397</u>	<u>\$ (30,888)</u>	<u>\$ (33,009)</u>	<u>\$ 22,952</u>	<u>\$ 25,388</u>

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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**Governmental Activities.** Governmental activities increased the City's net assets by \$4,557,254. Of this amount, current year activities resulted in an increase of \$4,068,287 with an additional \$488,967 for a prior period adjustment for revenue attributed to activities in a prior year. Factors contributing to this increase are noted below.

Revenues from governmental activities totaled \$49,046,507 which was an increase of \$3,984,762 over last year. Operating Grants and Contributions (34%), Property taxes (27%), and Other Local Taxes (24%) were the major sources of revenues. The increase of Operating Grants and Contributions was predominately due to \$3,400,000 received from the Commonwealth of Virginia that was passed on to Alpha Natural Resources. The City also received \$355,000 from the Urban Mass Transportation Administration for transit operating expenses. Property Taxes increased approximately \$777,000 as a result of collection of past due taxes and associated interest and penalty charges.

Expenses for governmental activities totaled \$44,978,220. This is a \$468,448 decrease over last year. Public safety (28%), education (19%), health and welfare (13%), public works (11%) and community development (10%) account for 81% of total governmental expenses. The decrease in expenses is comprised of a reduction in professional services, educational funding and a decrease in capital projects. The following capital projects were completed in the previous fiscal year: the Train station, the Pedestrian Safety Project and the improvements made to the Lee Highway Bridge.

**Business-type Activities.** Net assets of the business-type activities decreased \$2,121,441 from the prior year. The following highlights the activities that impacted this net change:

- The Solid Waste Disposal fund and the Clear Creek Golf Course operating revenues increased \$450,965 and \$26,730, respectively, over the previous year.
- The Solid Waste Disposal fund operating expenses decreased approximately \$83,000 and the Clear Creek Golf Course operating expenses increased approximately \$53,000.
- The Solid Waste Disposal fund's non-operating expenses such as interest expense (\$1,548,719) and amortization costs (\$72,939) contributed to an overall operating loss which resulted in a \$1,783,070 decrease in net assets over the previous year.
- The Clear Creek Golf Course's non-operating expenses such as interest expense (\$176,880) and amortization costs (\$43,991) contributed to an overall operating loss which resulted in a \$338,371 decrease in net assets over the previous year.

Program revenues for the business-type funds totaled \$6,032,826 of which 99% was Charges for Services. Expenses totaled \$8,137,207.

**Component Units.** The School Board's total net assets increased by \$955,382. This increase is attributable to the increase in current year funding, primarily related to stimulus funding. BVU Authority increased its net assets by \$10,677,221. Of this approximately \$6,400,000 is attributable to grants from the Virginia Tobacco Commission and the U.S. Department of Commerce for fiber optic infrastructure expansion in Southwest Virginia.



CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,670,597 an increase of \$2,865,352 in comparison with the prior year. Approximately 19% of this total amount, \$5,056,131 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is shown as *nonspendable, restricted or assigned* to indicate that it is not available for new spending because primarily it represents advances to other funds which are not expected to be collected in the near term.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,056,131, while total fund balance reached \$26,653,440. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.5% of total general fund expenditures, while total fund balance represents 50.4% of that same amount.

The fund balance of the City's general fund increased by \$2,377,592 during the current fiscal year. This increase is due primarily to revenues exceeding expenses.

***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 solid waste disposal and golf course funds amounted to (\$30,077,391) and (\$2,932,331), respectively. The total decrease in net assets was \$2,121,441.

Solid Waste Disposal net assets decreased \$1,783,070 as compared with a decrease of \$1,091,454 in fiscal year 2010.

The Golf Course fund net assets decreased by \$338,371 as compared with an increase of \$10,454 in fiscal year 2010.

**General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was approximately a \$4,427,272 increase in appropriated revenues and \$5,050,982 increase in appropriated expenses which can be briefly summarized as follows:

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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**General Fund Budgetary Highlights (Continued)**

- 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 Virginia Tobacco/Community Revitalization Commission awarded Alpha Natural Resources \$3,400,000. This funding was received by the City and passed onto Alpha Natural Resources and therefore was added to the budget. Other budget additions in funding were for grants awarded to the drug court program (\$349,989) and to the fire department (\$608,492). City Council approved the appropriation of \$150,000 to fund the purchase of the Crowley Food building for economic development.
- In the area of expenses the main increase in the budget was the result of the award and grant funding mentioned above. Expenses increased due to the pass thru payment to Alpha Natural Resources (\$3,400,000), drug court expenses (\$349,989) and fire department grant expenses (\$608,492). The City Council appropriated \$331,000 to be expended for the Bristol Flood Study and \$188,000 for the purchase of the Crowley Food building. Funding for education was also increased by \$94,465 due to the re-allocation of 2009-2010 balance.

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 \$4,720,000. This difference is primarily attributable to Intergovernmental Revenues being less than budgeted. 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 (\$2,925,000), various signalization projects (\$707,000), traffic signal LED Replacement (\$400,000) and the Downtown Street Lighting Project (\$360,317). Budgeted grant funding for the drug court program (\$281,595) and the fire department grants (\$249,938) were not expended and therefore not received.
- Actual expenditures were less than budgeted expenditures by approximately \$4,220,284, not including the \$6,000,000 Tax Anticipation Note which was not budgeted. The primary difference for actual expenses being less than budget is due to special projects and grant expenses not occurring in this fiscal year as mentioned in the revenue section above.
- Other financing sources in revenues as well as expenses were over budget by approximately \$6,000,000 due to Tax Anticipation Notes.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$82,064,986 (net of accumulated depreciation). This total is comprised of land, buildings, machinery and equipment, and infrastructure. The total increase in the City's in capital assets for the current fiscal year was 1.66%.

CITY OF BRISTOL, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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**Capital Asset and Debt Administration (Continued)**

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

- Police Equipment purchased by grant and federal sharing funds:  
Armored Vehicle-\$272,169, Dispatch Upgrade-\$105,047, Computer Equipment for Police Cars-\$141,900
- Landfill Development Costs-\$873,646 (construction of new road)
- Infrastructure-Construction In Progress-Resting Tree/Bonham Road-\$1,824,473

Additional information on the City's capital assets can be found in Note IV on pages 47 through 51 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$65,934,547. Of this amount, \$54,818,436 (83%) comprises debt backed by the full faith and credit of the government.

- The City's total bonded debt decreased by \$271,288. Other long-term debt which is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, and compensated absences increased \$52,509.
- The City maintains the states intercept rating of Aa3 from Moody's for general obligation debt. The underlying rating for the city is A1 from Moody's and A for Standard and Poor's.

Additional information on the City's long-term debt can be found in Note IV on pages 55 through 62 of this report.

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

- Concerns of the national economy and the impact federal and state funding will have on local governments.
- During the first half of fiscal year 2011-2012 Alpha Natural Resources will open its corporate headquarters near Sugar Hollow Park. This should have a positive impact on Real Estate, Personal Property and Meals Taxes.
- Employee costs which relate to health care, compensation and retirement.
- Operational efficiencies put into place at the Solid Waste Disposal Facility and the marketing of the landfill methane gas.
- Renovation of Central Office for the School Board and potential related tax credits.

**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, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	BVU Authority	Industrial Development Authority
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 3,918,579	509,180	4,427,759	863,086	18,486,690	4,186
Investments	-	-	-	112,051	-	-
Receivables, Net of Allowance	11,490,183	374,231	11,864,414	-	9,712,887	499,315
Notes Receivable	560,000	-	560,000	-	-	-
Due from Component Unit	976,218	68,704	1,044,922	-	-	-
Due from Primary Government	-	-	-	26,512	-	-
Due from Other Governments	2,055,258	-	2,055,258	1,588,142	2,506,959	-
Internal Balances	20,597,176	(20,597,176)	-	-	-	-
Prepays	-	-	-	-	1,381,868	-
Inventories	44,692	38,996	83,688	37,586	2,727,861	-
Residential Lots for Sale	-	470,140	470,140	-	-	-
Bond Issuance Costs, Net	407,373	716,572	1,123,945	-	782,534	-
Other Current Assets	-	-	-	-	70,576	-
Restricted Assets						
Cash and Cash Equivalents	1,042,475	-	1,042,475	1,256,193	982,829	-
Investments	-	-	-	258,236	1,533,572	-
Capital Assets, Net	51,990,345	30,074,641	82,064,986	15,254,556	120,795,555	-
<b>TOTAL ASSETS</b>	<b>93,082,299</b>	<b>11,655,288</b>	<b>104,737,587</b>	<b>19,396,362</b>	<b>158,981,331</b>	<b>503,501</b>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	1,284,107	417,059	1,701,166	1,046,388	7,680,279	-
Accrued Interest Payable	335,666	841,836	1,177,502	-	475,489	-
Accrued Payroll and Related Liabilities	223,527	33,824	257,351	1,230,184	90,856	-
Due to Primary Government	-	-	-	138,199	433,920	499,315
Due to Other Governmental Units	-	-	-	-	31,956	-
Unearned Revenue	9,754,567	15,938	9,770,505	6,266	1,561,072	-
Potential Development Credits	-	-	-	-	64,000	-
Customer Deposits Payable	-	-	-	-	982,829	-
Assets Held in an Agency Capacity	93,397	-	93,397	-	-	-
Other Post-employment Benefits	415,824	-	415,824	81,300	502,500	-
Retirement Benefits Payable	-	-	-	-	55,371	-
Long-Term Liabilities						
Due Within One Year	1,752,770	1,022,435	2,775,205	70,661	1,575,887	-
Due in More Than One Year	20,825,424	42,333,918	63,159,342	314,445	43,368,958	-
<b>TOTAL LIABILITIES</b>	<b>34,685,282</b>	<b>44,665,010</b>	<b>79,350,292</b>	<b>2,887,443</b>	<b>56,823,117</b>	<b>499,315</b>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF NET ASSETS  
June 30, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	BVU Authority	Industrial Development Authority
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	30,777,836	512,547	31,290,383	15,254,556	78,006,074	-
Restricted For						
Commonwealth Attorney	899,355	-	899,355	-	-	-
Capital Projects	56,086	-	56,086	1,295,775	-	-
Specified Purposes	-	9,316	9,316	-	-	-
Unrestricted	26,663,740	(33,531,585)	(6,867,845)	(41,412)	24,152,140	4,186
TOTAL NET ASSETS	<u>\$ 58,397,017</u>	<u>(33,009,722)</u>	<u>25,387,295</u>	<u>16,508,919</u>	<u>102,158,214</u>	<u>4,186</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011

		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS								
Functions/Programs	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	BVU Authority	Industrial Development Authority
Primary Government										
Governmental Activities										
General Government	\$ 2,700,711	280,751	1,946,123	-	(473,837)	-	(473,837)	-	-	-
Judicial Administration	1,597,660	332,140	743,866	-	(521,654)	-	(521,654)	-	-	-
Public Safety	12,555,922	183,343	2,748,942	1,306,687	(8,316,950)	-	(8,316,950)	-	-	-
Public Works	4,951,172	1,647	2,973,639	1,509,409	(466,477)	-	(466,477)	-	-	-
Health and Welfare	5,625,680	-	4,408,247	-	(1,217,433)	-	(1,217,433)	-	-	-
Education	8,548,977	-	-	-	(8,548,977)	-	(8,548,977)	-	-	-
Parks, Recreation, and Cultural	2,784,258	101,527	5,000	60,758	(2,616,973)	-	(2,616,973)	-	-	-
Community Development	4,609,396	2,912	3,617,237	-	(989,247)	-	(989,247)	-	-	-
Transit	555,189	36,953	294,345	70,768	(153,123)	-	(153,123)	-	-	-
Interest on Long-Term Debt	1,049,255	-	-	-	(1,049,255)	-	(1,049,255)	-	-	-
Total Governmental Activities	44,978,220	939,273	16,737,399	2,947,622	(24,353,926)	0	(24,353,926)	0	0	0
Business-type Activities										
Solid Waste Disposal	7,117,767	5,351,757	-	-	-	(1,766,010)	(1,766,010)	-	-	-
Golf Course	1,019,440	681,069	-	-	-	(338,371)	(338,371)	-	-	-
Total Business-type Activities	8,137,207	6,032,826	0	0	0	(2,104,381)	(2,104,381)	0	0	0
Total Primary Government	\$ 53,115,427	6,972,099	16,737,399	2,947,622	(24,353,926)	(2,104,381)	(26,458,307)	0	0	0

(Continued)



CITY OF BRISTOL, VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011

		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS								
Functions/Programs	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	BVU Authority	Industrial Development Authority
Component Unit										
School Board	\$ 23,739,387	473,489	9,027,668	-	-	-	-	(14,238,230)	-	-
BVU Authority	77,223,073	81,389,934	-	6,369,344	-	-	-	-	10,536,205	-
Industrial Development Authority	152,975	-	-	-	-	-	-	-	-	(152,975)
Total Component Units	<u>\$ 101,115,435</u>	<u>81,863,423</u>	<u>9,027,668</u>	<u>6,369,344</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,238,230)</u>	<u>10,536,205</u>	<u>(152,975)</u>
General Revenues										
Property Taxes					13,427,997	-	13,427,997	-	-	-
Other Taxes					11,722,627	-	11,722,627	-	-	-
State Aid					-	-	-	6,578,751	-	-
Payments from Primary Government					-	-	-	8,475,366	-	-
Grants and Contributions Not Restricted to Specific Programs					3,312,837	-	3,312,837	-	-	-
Unrestricted Investment Earnings					58,232	2,094	60,326	12,668	97,865	152,975
Gain (Loss) on Sale of Property					(99,480)	(19,154)	(118,634)	(14,267)	39,644	-
Other					-	-	-	141,097	3,507	-
Transfers					-	-	-	-	-	-
Total General Revenues and Transfers					<u>28,422,213</u>	<u>(17,060)</u>	<u>28,405,153</u>	<u>15,193,615</u>	<u>141,016</u>	<u>152,975</u>
Change in Net Assets					<u>4,068,287</u>	<u>(2,121,441)</u>	<u>1,946,846</u>	<u>955,385</u>	<u>10,677,221</u>	<u>-</u>
Net Assets, Beginning					53,839,763	(30,888,281)	22,951,482	15,553,534	91,480,993	4,186
Prior Period Adjustments					488,967	-	488,967	-	-	-
Net Assets, Beginning - Restated					<u>54,328,730</u>	<u>(30,888,281)</u>	<u>23,440,449</u>	<u>15,553,534</u>	<u>91,480,993</u>	<u>4,186</u>
Net Assets, Ending					<u>\$ 58,397,017</u>	<u>(33,009,722)</u>	<u>25,387,295</u>	<u>16,508,919</u>	<u>102,158,214</u>	<u>4,186</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,901,080	17,499	3,918,579
Cash and Cash Equivalents, Restricted	1,042,475	-	1,042,475
Receivables, Net	11,324,298	165,885	11,490,183
Due from Other Funds	342	(342)	-
Due from Component Units	976,218	-	976,218
Due from Other Governmental Units	2,055,258	-	2,055,258
Inventories	44,692	-	44,692
Advances to Other Funds	20,597,176	-	20,597,176
Notes Receivable	560,000	-	560,000
<b>TOTAL ASSETS</b>	<u>\$ 40,501,539</u>	<u>183,042</u>	<u>40,684,581</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 1,284,107	-	1,284,107
Accrued Payroll and Related Liabilities	223,527	-	223,527
Deferred Revenue	12,247,068	165,885	12,412,953
Assets Held in Agency Capacity	93,397	-	93,397
<b>TOTAL LIABILITIES</b>	<u>13,848,099</u>	<u>165,885</u>	<u>14,013,984</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventories	44,692	-	44,692
Advances to Other Funds	20,597,176	-	20,597,176
Restricted For			
Commonwealth Attorney	899,355	-	899,355
Capital Projects	56,086	-	56,086
Assigned to			
Community Development	-	17,157	17,157
Unassigned	5,056,131	-	5,056,131
<b>TOTAL FUND BALANCES</b>	<u>26,653,440</u>	<u>17,157</u>	<u>26,670,597</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 40,501,539</u>	<u>183,042</u>	<u>40,684,581</u>

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, 2011

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

Fund Balances - Total Governmental Funds	\$ 26,670,597
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,990,345
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	2,658,386
Interest on long-term debt is not accrued in the funds as in the government-wide statements.	(335,666)
Long-term liabilities, including bonds payable and related premiums, capital leases, and other post-employment benefits are not due and payable in the current period and therefore are not reported in the funds.	(22,994,018)
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>407,373</u>
Net Assets of Governmental Activities	<u><u>\$ 58,397,017</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, 2011

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
<b>REVENUES</b>			
General Property Taxes	\$ 14,007,725	-	14,007,725
Other Local Taxes	11,722,627	-	11,722,627
Intergovernmental	20,494,481	197,238	20,691,719
Charges for Services	274,959	-	274,959
Revenue from Use of Property	313,350	-	313,350
Permits, Privilege Fees, and Regulatory Licenses	104,035	-	104,035
Fines and Forfeitures	222,367	-	222,367
Investment Earnings	38,040	192	38,232
Other	1,671,932	2,322	1,674,254
<b>TOTAL REVENUES</b>	<b>48,849,516</b>	<b>199,752</b>	<b>49,049,268</b>
<b>EXPENDITURES</b>			
Current			
General Government	2,425,753	-	2,425,753
Judicial Administration	1,485,763	-	1,485,763
Public Safety	12,908,930	-	12,908,930
Public Works	4,267,752	-	4,267,752
Health and Welfare	5,635,487	-	5,635,487
Education	8,298,377	-	8,298,377
Parks, Recreation, and Cultural	2,504,239	-	2,504,239
Community Development	4,596,437	200,959	4,797,396
Transit	598,985	-	598,985
Capital Projects	2,259,068	-	2,259,068
Debt Service			
Principal Retirement	6,876,400	-	6,876,400
Interest and Fiscal Charges	923,095	-	923,095
<b>TOTAL EXPENDITURES</b>	<b>52,780,286</b>	<b>200,959</b>	<b>52,981,245</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,930,770)	(1,207)	(3,931,977)

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2011

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Proceeds from Bond Issuances	6,234,584	-	6,234,584
Proceeds from Bond Restructuring	35,889	-	35,889
Insurance Recoveries	21,468	-	21,468
Sale of Capital Assets	16,421	-	16,421
TOTAL OTHER FINANCING SOURCES (USES)	6,308,362	-	6,308,362
Net Change in Fund Balances	2,377,592	(1,207)	2,376,385
FUND BALANCE, JULY 1, 2010	23,786,881	18,364	23,805,245
Prior Period Adjustment	488,967	-	488,967
FUND BALANCE, JULY 1, 2010 - RESTATED	24,275,848	18,364	24,294,212
FUND BALANCE, JUNE 30, 2011	\$ 26,653,440	17,157	26,670,597

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, 2011

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

Net Change in Fund Balances - Total Governmental Funds	\$ 2,376,385
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, \$3,560,585 exceed depreciation (\$1,933,284) in the current period.	1,627,301
The net effect of various transactions involving capital assets (contributions and sales) is to decrease net assets.	(107,524)
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.	(215,400)
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.	66,874
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.	2,927
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.	(322,493)
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.	799,333
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.	(159,116)
Change in Net Assets of Governmental Activities	<u><u>\$ 4,068,287</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
General Property Taxes	\$ 13,808,990	13,808,990	14,007,725	198,735
Other Local Taxes	11,800,000	11,800,000	11,722,627	(77,373)
Intergovernmental	21,385,863	25,556,135	20,494,481	(5,061,654)
Charges for Services	379,425	379,425	274,959	(104,466)
Revenue from Use of Property	296,696	296,696	313,350	16,654
Permits, Privilege Fees, and Regulatory Licenses	38,300	38,300	104,035	65,735
Fines and Forfeitures	305,000	305,000	222,367	(82,633)
Investment Earnings	30,000	30,000	38,040	8,040
Other	1,098,230	1,355,230	1,671,932	316,702
<b>TOTAL REVENUES</b>	<b>49,142,504</b>	<b>53,569,776</b>	<b>48,849,516</b>	<b>(4,720,260)</b>
<b>EXPENDITURES</b>				
Current				
General Government	2,380,939	2,380,939	2,425,753	(44,814)
Judicial Administration	1,160,227	1,533,516	1,485,763	47,753
Public Safety	12,666,705	13,327,588	12,908,930	418,658
Public Works	4,100,616	4,100,616	4,267,752	(167,136)
Health and Welfare	6,123,659	6,123,659	5,635,487	488,172
Education	8,396,292	8,490,757	8,298,377	192,380
Parks, Recreation, and Cultural	2,485,077	2,485,077	2,504,239	(19,162)
Community Development	844,850	4,432,850	4,596,437	(163,587)
Transit	529,194	532,316	598,985	(66,669)
Capital Projects	5,511,992	5,843,215	2,259,068	3,584,147
Debt Service				
Principal Retirement	856,367	856,367	6,876,400	(6,020,033)
Interest and Fiscal Charges	893,670	893,670	923,095	(29,425)
<b>TOTAL EXPENDITURES</b>	<b>45,949,588</b>	<b>51,000,570</b>	<b>52,780,286</b>	<b>(1,779,716)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,192,916	2,569,206	(3,930,770)	(6,499,976)

(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, 2011

	<u>Budgeted</u>	<u>Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In/Out	(3,192,916)	(3,042,916)	-	3,042,916
Proceeds from Bond Issuances	-	-	6,234,584	6,234,584
Proceeds from Bond Restructuring	-	-	35,889	35,889
Insurance Recoveries	-	10,022	21,468	11,446
Sale of Capital Assets	-	-	16,421	16,421
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,192,916)</u>	<u>(3,032,894)</u>	<u>6,308,362</u>	<u>9,341,256</u>
Net Change in Fund Balances	<u>-</u>	<u>(463,688)</u>	<u>2,377,592</u>	<u>2,841,280</u>
FUND BALANCE, JULY 1, 2010	8,754,813	7,249,974	23,786,881	16,536,907
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>488,967</u>	<u>488,967</u>
FUND BALANCE, JULY 1, 2010 - RESTATED	<u>8,754,813</u>	<u>7,249,974</u>	<u>24,275,848</u>	<u>17,025,874</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 8,754,813</u>	<u>6,786,286</u>	<u>26,653,440</u>	<u>19,867,154</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 312,158	392,945	197,238	(195,707)
Investment Earnings	-	-	192	192
Other	16,531	16,531	2,322	(14,209)
TOTAL REVENUES	328,689	409,476	199,752	(209,724)
EXPENDITURES				
Current				
Community Development	328,689	409,476	200,959	208,517
TOTAL EXPENDITURES	328,689	409,476	200,959	208,517
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(1,207)	(1,207)
FUND BALANCE, JULY 1, 2010	-	-	18,364	18,364
FUND BALANCE, JUNE 30, 2011	\$ -	0	17,157	17,157

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011

	Business-type Activities - Enterprise Funds		
	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 439,825	69,355	509,180
Accounts Receivable, Net	374,231	-	374,231
Due from Other Funds	170,063	-	170,063
Due from Component Unit	68,704	-	68,704
Inventories	-	38,996	38,996
Residential Lots for Sale	-	470,140	470,140
Total Current Assets	<u>1,052,823</u>	<u>578,491</u>	<u>1,631,314</u>
Noncurrent Assets			
Capital Assets, Net	26,535,432	3,539,209	30,074,641
Bond Issuance Costs, Net	671,897	44,675	716,572
Total Other Noncurrent Assets	<u>27,207,329</u>	<u>3,583,884</u>	<u>30,791,213</u>
<b>TOTAL ASSETS</b>	<u>28,260,152</u>	<u>4,162,375</u>	<u>32,422,527</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable and Accrued Liabilities	387,693	29,366	417,059
Accrued Interest Payable	813,460	28,376	841,836
Accrued Payroll and Related Liabilities	30,673	3,151	33,824
Due to Other Funds	-	170,063	170,063
Deferred Revenue	-	15,938	15,938
Bonds and Leases Payable	497,666	394,888	892,554
Compensated Absences Payable	115,788	14,093	129,881
Total Current Liabilities	<u>1,845,280</u>	<u>655,875</u>	<u>2,501,155</u>

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011

	Business-type Activities - Enterprise Funds		
	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	Total Enterprise Funds
LIABILITIES (CONTINUED)			
Long-term Liabilities			
Advances from Other Funds	17,241,096	3,356,080	20,597,176
Compensated Absences Payable	53,798	9,213	63,011
Bonds and Leases Payable, Net of Unamortized Deferred Amounts	33,083,195	3,073,538	36,156,733
Landfill Closure Costs	6,114,174	-	6,114,174
Total Long-term Liabilities	56,492,263	6,438,831	62,931,094
TOTAL LIABILITIES	58,337,543	7,094,706	65,432,249
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	512,547	512,547
Restricted for Debt Service	-	9,316	9,316
Unrestricted	(30,077,391)	(3,454,194)	(33,531,585)
TOTAL NET ASSETS	\$ (30,077,391)	(2,932,331)	(33,009,722)

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, 2011

	Business-type Activities - Enterprise Funds		
	Solid Waste Disposal	Clear Creek Golf Course	Total Enterprise Funds
OPERATING REVENUES			
Charges for Services, Net	\$ 5,061,662	307,166	5,368,828
Sales	59,588	129,732	189,320
Rent from Property	-	225,351	225,351
Grant Revenue	-	7,438	7,438
Other Revenue	230,507	11,382	241,889
TOTAL OPERATING REVENUES	5,351,757	681,069	6,032,826
OPERATING EXPENSES			
Landfill Closure and Post Closure Care	283,925	-	283,925
Administrative and General	4,025,579	687,082	4,712,661
Depreciation	1,186,605	111,487	1,298,092
TOTAL OPERATING EXPENSES	5,496,109	798,569	6,294,678
Operating Income (Loss)	(144,352)	(117,500)	(261,852)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	2,094	-	2,094
Interest Expense	(1,548,719)	(176,880)	(1,725,599)
Amortization of Bond Costs	(72,939)	(43,991)	(116,930)
Gain (Loss) on Disposal of Assets	(19,154)	-	(19,154)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,638,718)	(220,871)	(1,859,589)
Change in Net Assets	(1,783,070)	(338,371)	(2,121,441)
NET ASSETS, JULY 1, 2010	(28,294,321)	(2,593,960)	(30,888,281)
NET ASSETS, JUNE 30, 2011	\$ (30,077,391)	(2,932,331)	(33,009,722)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Solid Waste Disposal	Clear Creek Golf Course	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 5,090,961	665,630	5,756,591
Payments to Suppliers	(1,740,866)	(279,276)	(2,020,142)
Payments to Employees	(1,993,771)	(412,735)	(2,406,506)
Interfund Receipts (Payments)	(170,063)	206,403	36,340
Other Receipts	-	18,820	18,820
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,186,261	198,842	1,385,103
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net Proceeds from Bond Debt	12,624,490	-	12,624,490
Purchase of Capital Assets	(1,352,515)	-	(1,352,515)
Principal Paid on Capital Debt	(13,213,183)	(330,483)	(13,543,666)
Interest Paid on Capital Debt	(1,384,894)	(178,727)	(1,563,621)
Interfund Loan Receipts	1,241,864	316,999	1,558,863
Other Receipts	639,788	-	639,788
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(1,444,450)	(192,211)	(1,636,661)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	2,094	-	2,094
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	2,094	0	2,094
Net Increase (Decrease) in Cash and Cash Equivalents	(256,095)	6,631	(249,464)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	695,920	62,724	758,644
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 439,825	69,355	509,180

(Continued)

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Solid Waste	Clear Creek	Total
	Disposal	Golf Course	Enterprise Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (144,352)	(117,500)	(261,852)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation Expense	1,186,605	111,487	1,298,092
(Increase) Decrease in Receivables	(30,320)	4,106	(26,214)
(Increase) Decrease in Inventories	-	(198)	(198)
(Increase) Decrease in Due from Other Funds	(101,359)	206,403	105,044
(Increase) Decrease in Due from Component Unit	(68,704)	-	(68,704)
Increase (Decrease) in Accounts Payable	62,705	(1,046)	61,659
Increase (Decrease) in Accrued Liabilities	283,925	-	283,925
Increase (Decrease) in Accrued Payroll and Related Deductions	12,056	(6,991)	5,065
Increase (Decrease) in Compensated Absences Payable	(14,295)	3,305	(10,990)
Increase (Decrease) in Deferred Revenue	-	(724)	(724)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,186,261</u>	<u>198,842</u>	<u>1,385,103</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Asset Acquisitions Financed Through Debt	<u>\$ 209,490</u>	<u>-</u>	<u>209,490</u>

See accompanying notes to the financial statements.



CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

***Primary Government***

The City of Bristol, Virginia (the “City”) was founded in 1890. It is a political 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, landfill, emergency 911 communications, and recreational services.

***Discretely Presented Component Units***

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

As of July 1, 2010, the BVU Authority (BVU) was created from the separately managed and financed division of the City of Bristol, Virginia, formerly known as Bristol Virginia Utilities, by an act of the General Assembly of the Commonwealth of Virginia. BVU provides electric, water, wastewater, and OptiNet services to Bristol, Virginia. BVU provides a financial benefit to the City; therefore, the City reports BVU as a discretely presented component unit. Complete financial statements may be obtained from BVU Authority at 15550 Lee Highway, Bristol, Virginia 24202.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The following entities are excluded from the accompanying financial statements:

Joint Ventures

***Jointly Owned Wastewater Facility***

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

***Jointly Owned 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 \$609,990 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, 2011

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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, 2011

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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, 2011

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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 *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 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, 2011

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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 School Board and BVU, discretely presented component units, 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, 2011

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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.

Allowance for Uncollectible Accounts

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

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 funds restricted by state or other legislation for specified purposes. Restricted cash and cash equivalents and investments for the 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. Restricted cash and cash equivalents for BVU consist primarily of customer deposits and reserve accounts related to revenue and refunding bonds, and amounts for the costs of improvements.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 \$1,000, 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.

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

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

Capitalization of Interest

BVU capitalizes interest cost incurred on funds used to construct property, plant, and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$235,168 for the year ended June 30, 2011.



CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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 Clear Creek golf course fund represents membership fees.

BVU recognizes revenue on leases ratably over the term of the lease. Amounts billed and collected before the applicable lease periods are deferred.

7. Compensated Absences

The City, BVU 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.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations (Continued)

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

9. Fund Equity

As of these financial statements, the City has adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2011, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City, their highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the City Council.

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

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Equity (continued)

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

10. 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.

11. Advertising Cost

Advertising and marketing costs are expensed as incurred. Advertising expense for BVU totaled approximately \$412,904 for the year ended June 30, 2011.

12. 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, 2011

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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 \$(22,994,018) difference are as follows:

Bonds Payable	\$ (17,961,234)
Less: Deferred charge on refunding (net of amortization of \$15,868 recorded as interest expense)	137,230
Add: Bond premium (net of amortization of \$24,288 recorded as interest expense)	(311,684)
Literary Fund Loans	(1,680,000)
Capital Lease	(1,061,158)
Other Post-employment Benefits	(415,824)
Compensated Absences	<u>(1,701,348)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (22,994,018)</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 \$(107,524) difference are as follows:

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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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.	\$ 60,758
Recovered costs from other governmental entities decreased the cost of capital assets.	(52,381)
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>(115,901)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (107,524)</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 \$(322,493) difference are as follows:

Deferred Charges on Refunding, Net of Amortization	\$ (62,219)
Bond Issuance Costs, Net of Amortization	3,229
Bond Premiums, Net of Amortization	<u>(263,503)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> .	<u>\$ (322,493)</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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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.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the General fund by \$1,779,716 due to the tax anticipation note of \$6,000,000 not being included in the budget.

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, BVU, 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, 2011

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”).

BVU had no investment activity during the year other than certificates of deposit 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 Units	
	General	CDBG	Solid Waste Disposal	Bristol Virginia Utilities	Industrial Development Authority
Receivables					
Taxes	\$ 11,062,112	-	-	-	-
Accounts	917,285	-	374,231	9,263,881	-
Energy Conservation					
Loans	-	-	-	808,968	-
Rehabilitation Loans	-	190,885	-	-	-
Property Sale	-	-	-	-	499,315
Gross Receivables	11,979,397	190,885	374,231	10,072,849	499,315
Less: Allowance for Uncollectibles	(655,099)	(25,000)	-	(359,962)	-
Net Total Receivables	<u>\$ 11,324,298</u>	<u>165,885</u>	<u>374,231</u>	<u>9,712,887</u>	<u>499,315</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

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:

	Deferred Revenue		
	Unavailable	Unearned	Total
Receivables			
Taxes for Ensuing Fiscal Year	\$ -	8,854,567	8,854,567
Taxes Not Collected during Period of Availability	1,331,015	-	1,331,015
Due from Component Unit	499,315	-	499,315
Rehabilitation Loans	165,885	-	165,885
Notes Receivable	560,000	-	560,000
Bristol Utilities Board	-	900,000	900,000
Other	102,171	-	102,171
	<u>\$ 2,658,386</u>	<u>9,754,567</u>	<u>12,412,953</u>

Unearned revenues reported in the enterprise funds include \$15,938 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 \$499,315 has been deferred as unavailable on the General Fund.

Notes Receivable

Two promissory notes were issued by the City in February 2007 to construct/renovate an old school (Douglas) into housing. The notes are for \$350,000 and \$150,000, respectively. Both notes have an interest rate of 4% and have a thirty-one year term. Accrued interest was \$60,000 as of June 30, 2011. All accrued interest and principal is due in one balloon payment at maturity.



CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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	\$ 8,166,985	-	-	-	8,166,985
Construction in Progress	839,051	1,824,473	-	-	2,663,524
Total Capital Assets, Not Depreciated	9,006,036	1,824,473	0	0	10,830,509
Capital Assets, Being Depreciated					
Buildings and Improvements	15,845,690	213,000	-	(290,000)	15,768,690
Machinery and Equipment	9,451,313	1,088,548	666,856	-	9,873,005
Library Assets	6,759,405	60,758	-	-	6,820,163
Public Domain Infrastructure	81,551,294	382,183	-	-	81,933,477
Total Capital Assets, Being Depreciated	113,607,702	1,744,489	666,856	(290,000)	114,395,335
Less Accumulated Depreciation For					
Buildings and Improvements	6,070,674	339,121	-	(74,600)	6,335,195
Machinery and Equipment	5,900,757	586,524	550,955	-	5,936,326
Library Assets	1,270,674	245,446	-	-	1,516,120
Public Domain Infrastructure	58,685,665	762,193	-	-	59,447,858
Total Accumulated Depreciation	71,927,770	1,933,284	550,955	(74,600)	73,235,499
Total Capital Assets, Being Depreciated, Net	41,679,932	(188,795)	115,901	(215,400)	41,159,836
Governmental Activities Capital Assets, Net	\$ 50,685,968	1,635,678	115,901	(215,400)	51,990,345

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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	\$ 3,601,645	-	-	3,601,645
Total Capital Assets, Not Depreciated	<u>3,601,645</u>	<u>0</u>	<u>0</u>	<u>3,601,645</u>
Capital Assets, Being Depreciated				
Land Development Costs	32,993,313	873,646	-	33,866,959
Buildings and Improvements	585,834	-	-	585,834
Infrastructure	29,792	-	-	29,792
Plant in Service	1,557,039	-	-	1,557,039
Machinery and Equipment	<u>6,384,389</u>	<u>479,096</u>	<u>193,793</u>	<u>6,669,692</u>
Total Capital Assets, Being Depreciated	<u>41,550,367</u>	<u>1,352,742</u>	<u>193,793</u>	<u>42,709,316</u>
Less Accumulated Depreciation For				
Land Development Costs	9,871,488	963,968	-	10,835,456
Buildings and Improvements	232,350	17,727	-	250,077
Infrastructure	7,853	3,722	-	11,575
Plant in Service	600,186	45,090	-	645,276
Machinery and Equipment	<u>4,400,764</u>	<u>267,585</u>	<u>174,413</u>	<u>4,493,936</u>
Total Accumulated Depreciation	<u>15,112,641</u>	<u>1,298,092</u>	<u>174,413</u>	<u>16,236,320</u>
Total Capital Assets, Being Depreciated, Net	<u>26,437,726</u>	<u>54,650</u>	<u>19,380</u>	<u>26,472,996</u>
Business-Type Activities Capital Assets, Net	<u>\$ 30,039,371</u>	<u>54,650</u>	<u>19,380</u>	<u>30,074,641</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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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	\$ 115,842
Judicial Administration	111,897
Public Safety	476,165
Public Works	828,994
Health and Welfare	21,810
Education	35,200
Library	249,137
Parks, Recreations and Cultural	67,267
Transit	26,972
Total Depreciation Expense, Governmental Activities	<u>\$ 1,933,284</u>
Business-Type Activities	
Solid Waste Disposal	\$ 1,186,605
Golf Course	111,487
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,298,092</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 \$378,240. The equipment category of the business-type activities includes assets recorded under capital lease obligations with a cost of \$558,529 and accumulated depreciation of \$134,900.

Insurance recoveries in the amounts of \$21,468 were received in the general fund during the year as a result of equipment damages.

Construction Commitments

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Units

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

*School Board*

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Capital Assets, Not Being Depreciated					
Land	273,242	-	-	-	273,242
Total Capital Assets, Not Being Depreciated	273,242	0	0	0	273,242
Capital Assets, Being Depreciated					
Building and Improvements	21,987,008	337,120	-	290,000	22,614,128
Furniture, Books and Equipment	7,533,696	1,224,459	(430,384)	1,256	8,329,027
Vehicles and Buses	1,967,643	162,457	(71,791)	-	2,058,309
Total Capital Assets, Being Depreciated	31,488,347	1,724,036	(502,175)	291,256	33,001,464
Less Accumulated Depreciation for					
Building and Improvements	(10,740,684)	(507,297)	-	(39,400)	(11,287,381)
Furniture, Books and Equipment	(5,238,337)	(527,438)	403,783	-	(5,361,992)
Vehicles and Buses	(1,292,794)	(149,167)	71,184	-	(1,370,777)
Total Accumulated Depreciation	(17,271,815)	(1,183,902)	474,967	(39,400)	(18,020,150)
Total Capital Assets, Being Depreciated, Net	14,216,532	540,134	(27,208)	251,856	14,981,314
Governmental Activities Capital Assets, Net	\$ 14,489,774	540,134	(27,208)	251,856	15,254,556

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	\$ 2,020,820	-	(290,000)	1,730,820
Accumulated Depreciation	(505,001)	(35,200)	74,600	(465,601)
	\$ 1,515,819	(35,200)	(215,400)	1,265,219

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Units (Continued)

*BVU Authority*

BVU	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 1,210,100	238,457	-	1,448,557
Construction in Progress	3,453,935	11,020,411	4,260,829	10,213,517
Total Capital Assets, Not Depreciated	4,664,035	11,258,868	4,260,829	11,662,074
Capital Assets, Being Depreciated				
Buildings and Improvements	1,503,767	258,032	-	1,761,799
Fiber	38,562,388	857,016	20,372	39,399,032
Plant in Service	102,368,500	2,949,130	574,305	104,743,325
Machinery and Equipment	40,584,919	2,600,752	540,176	42,645,495
Total Capital Assets, Being Depreciated	183,019,574	6,664,930	1,134,853	188,549,651
Less Accumulated Depreciation For				
Buildings and Improvements	305,567	62,987	-	368,554
Fiber	7,604,201	1,637,242	830	9,240,613
Plant in Service	48,241,158	2,884,397	574,305	50,551,250
Machinery and Equipment	16,557,203	2,949,827	251,277	19,255,753
Total Accumulated Depreciation	72,708,129	7,534,453	826,412	79,416,170
Total Capital Assets, Being Depreciated, Net	110,311,445	(869,523)	308,441	109,133,481
Business-Type Activities				
Capital Assets, Net	114,975,480	10,389,345	4,569,270	120,795,555

BVU received contributions in aid of construction of approximately \$1,338,000 for 2011. This amount is reported as a reduction in costs of the related assets.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

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

The composition of the interfund balances is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Disposal	Golf Course	\$ 170,063
General	Community Development	342

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Disposal	\$ 17,241,096
General	Golf Course	3,356,080

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 classified as nonspendable for this amount as payment is not expected in the near term.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Due To/From Other Governmental Units

Amounts due from other governmental units are as follows:

	Governmental Activities	Component Unit School Board	Component Unit BVU
Commonwealth of Virginia			
State and Local Sales Tax	\$ 368,218	-	-
Welfare Grants	136,950	-	-
Comprehensive Service Grants	216,120	-	-
Categorical Aid Shared Expenses	215,061	-	-
School Grants	-	805,109	-
Other	295,703	-	-
Federal Government			
School Grants	-	783,033	-
Welfare Grants	148,542	-	-
Department of Transportation Grants	355,242	-	-
Other	232,429	-	-
Other			
Bristol Public Library	86,993	-	-
Bristol, Tennessee (Joint Sewerage System)	-	-	1,370,723
Other	-	-	1,136,236
	<u>\$ 2,055,258</u>	<u>1,588,142</u>	<u>2,506,959</u>

F. Leases

City as Lessor

**IDA** - On December 10, 2004, the IDA entered into a lease agreement with another party to lease certain property for a term of 10 years. The annual rental is one tenth of \$1,450,000, the determined price of the premises, payable in advance monthly installments, plus 10%. The percentage applied to the rental amount is to be adjusted downward from 10% to 5% as the tenant meets specified employment levels. The tenant has an option to purchase the property at the end of the lease term for \$1.00. 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 leasee.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

City as Lessor (Continued)

The aggregate minimum future lease payments to be received based on the lowest percentage factor of 5% are \$546,428. Future payments are to be received as follows:

Year Ended June 30	
2012	\$ 152,250
2013	152,250
2014	152,250
2015	<u>42,565</u>
Total	<u>\$ 499,315</u>

City as Lessee

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 \$378,240. Further information on the lease amortization is included in Note IV.G.

In April 2009, 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 \$124,996. 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 \$9,904 as of June 30, 2011. Further information on the lease amortization is included in Note IV.G.



CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

City as Lessee (Continued)

In December 2010, the City entered into a capital lease for an excavator. The lease is for a 60 month term with an interest rate of 4% and requires monthly payments of \$3,727. The assets have a cost of \$93,136 and accumulated depreciation of \$0. Further information on the lease amortization is included in Note IV.G.

In October 2010, the City entered into a capital lease for an air compressor. The lease is for a 24 month term with an interest rate of 4.93% and requires monthly payments of \$312. The assets have a cost of \$7,136 and accumulated depreciation of \$0. Further information on the lease amortization is included in Note IV.G.

Discretely Presented Component Unit – 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, 2011.

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
Government Activities					
General Obligation Bonds	\$ 18,394,451	4,009,584	(4,442,801)	17,961,234	312,900
Bond Premiums	48,181	300,783	(37,280)	311,684	-
Deferred Costs	(199,449)	(47,313)	109,532	(137,230)	-
Tax Anticipation Note	-	6,000,000	(6,000,000)	-	-
Literary Fund Loans	1,920,000	-	(240,000)	1,680,000	240,000
Capital Lease Obligations	1,187,274	-	(126,116)	1,061,158	131,919
Compensated Absences	1,657,932	1,084,114	(1,040,698)	1,701,348	1,067,951
Governmental Activities, Long-Term Liabilities	<u>\$ 23,008,389</u>	<u>11,347,168</u>	<u>(11,777,363)</u>	<u>22,578,194</u>	<u>1,752,770</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
General Obligation Bonds	\$ 37,515,549	12,415,000	(13,232,199)	36,698,350	757,100
Bond Premiums	61,294	907,707	(82,666)	886,335	-
Deferred Costs	(730,302)	(279,289)	107,654	(901,937)	-
Capital Lease Obligations	264,265	209,490	(107,216)	366,539	135,454
Landfill Closure Liability	5,830,249	283,925	-	6,114,174	-
Compensated Absences	203,882	116,893	(127,883)	192,892	129,881
Business-Type Activities, Long-Term Liabilities	<u>\$ 43,144,937</u>	<u>13,653,726</u>	<u>(13,442,310)</u>	<u>43,356,353</u>	<u>1,022,435</u>
Discretely Presented					
Component Units - BVU					
Revenue and Refunding Bonds	\$ 46,560,500	44,545,000	(46,560,500)	44,545,000	1,160,000
MI Connection Notes Payable	919,459	-	(34,068)	885,391	35,719
VRA Loans	2,420,037	-	(94,283)	2,325,754	97,325
Capital Lease Obligations	133,339	-	(63,244)	70,095	70,095
Compensated Absences	1,231,668	778,261	(637,099)	1,372,830	457,875
BVU, Long-Term Liabilities	<u>\$ 51,265,003</u>	<u>45,323,261</u>	<u>(47,389,194)</u>	49,199,070	1,821,014
Bond Premiums				2,645,299	118,006
Deferred Restructuring Costs				(6,899,524)	(363,133)
BVU, Long-Term Liabilities, Net				<u>44,944,845</u>	<u>1,575,887</u>
Discretely Presented					
Component Units - School Board					
Retirement Incentive Liability	\$ 323,685	-	(323,685)	-	-
Compensated Absences	405,064	116,943	(136,901)	385,106	70,661
School Board, Long-Term Liabilities	<u>\$ 728,749</u>	<u>116,943</u>	<u>(460,586)</u>	<u>385,106</u>	<u>70,661</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

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 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.

Series 2010 General Obligation Public Improvement Refunding Bonds

General Obligation Public Improvement Refunding Bonds, Series 2010 were issued by the City in the amount of \$16,190,000 on November 9, 2010. The tax-exempt bonds were issued to refund certain maturities of the \$9,615,000 General Obligation Bonds, Series 2003; \$9,000,000 General Obligation bonds, Series 2000; \$5,280,000 General Obligation Public Improvement Refunding Bonds, Series 2003B; and \$9,575,000 General Obligation Refunding Bonds, Series 2005A; Included in the issuance was \$1,015,000 of new debt to finance certain capital improvements related to landfill operations and funds to finance the costs of the issuance. The interest rate is variable from 2.00% - 5.00%. Interest payments begin July 2011 and principal payments begin July 2012. As a result of the refunding, there was \$11,451,468 used to pay off bonded debt and related interest that was due or callable as of November 10, 2010. The refunding escrow for the remaining debt was fully refunded with \$4,596,583. The bonds were issued to push the payment dates into the future and had a net present value loss of \$71,157. The deferred costs of the bonds which were advanced refunded are being amortized over the shorter of the life of the new bonds or the bonds which were refunded as a component of interest expense.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Defeasance of Debt

The City defeased certain general obligation bonds by placing the proceeds in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2011, \$3,355,000 of bonds are considered defeased. The deferred costs are being amortized over the life of the new bonds as a component of interest expense.

Compensated Absences

The compensated absences of the governmental activities will be paid from the General Fund. The compensated absences of the discretely presented component units will be paid from the operating funds of the component units.

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

Year Ended June 30	Governmental Activities					
	General Obligation Bonds		Literary Fund Loans		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 312,900	817,614	240,000	50,400	131,916	48,832
2013	569,950	772,438	240,000	43,200	137,990	42,762
2014	631,000	751,113	240,000	36,000	144,340	36,412
2015	483,050	729,074	240,000	28,800	150,982	29,770
2016	792,100	699,585	240,000	21,600	157,930	22,822
2017-2021	5,229,000	2,857,651	480,000	21,600	338,000	23,506
2022-2026	7,780,734	1,483,795	-	-	-	-
2027-2028	2,162,500	50,913	-	-	-	-
	<u>\$ 17,961,234</u>	<u>8,162,183</u>	<u>1,680,000</u>	<u>201,600</u>	<u>1,061,158</u>	<u>204,104</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Year Ended June 30	Business-Type Activities			
	General Obligations		Capital Leases	
	Bonds		Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 757,100	1,833,960	135,454	13,152
2013	1,590,050	1,699,088	121,501	7,221
2014	1,859,000	1,637,271	41,087	3,639
2015	2,091,950	1,551,750	42,762	1,963
2016	1,942,900	1,453,458	25,735	394
2017-2021	11,976,000	5,685,170	-	-
2022-2026	13,668,850	2,380,525	-	-
2027-2031	2,812,500	69,844	-	-
	<u>\$ 36,698,350</u>	<u>16,311,066</u>	<u>366,539</u>	<u>26,369</u>

Details of long-term indebtedness are as follows:

General Obligation Bonds	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Governmental Activities	Business- Type Activities
Public Improvement 1993A Series	5.10-5.50%	04-93	12-12	\$ 990,000	\$ 80,000	-
Public Improvement 2002 Series	3.00-5.25	02-02	11-22	6,795,000	-	5,095,000
Public Improvement 2003A Series	2.00-5.00	03-03	03-25	9,615,000	1,515,000	1,325,000
Public Improvement 2006 B Series	3.50 - 4.00	12-06	6-27	3,675,000	3,380,000	-
Public Improvement 2006 C Series	5.00	12-06	7-16	6,090,000	1,598,700	4,136,300
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
Gen Obligation Refunding Bonds, Series 2010	2.00-5.00	11-10	2-26	1,015,000	-	1,015,000
Gen Obligation Refunding Bonds, Series 2010	2.00-5.00	11-10	2-26	15,175,000	3,775,000	11,400,000
2011 Qualified School Construction Bond	4.50	6-11	6-27	234,584	234,584	-
					17,961,234	36,698,350
				Bond Premiums	311,684	886,335
				Less Deferred Costs	(137,230)	(901,937)
					<u>\$18,135,688</u>	<u>36,682,748</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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
<u>Other Long-Term Debt</u>						
Literary Fund Losses - VA Middle School	3.00%	09-97	09-17	\$ 4,800,000	\$ 1,680,000	-
<u>Capital Lease Obligations</u>						
Governmental	4.60%	09-07	01-18	\$ 1,400,899	\$ 1,061,158	-
Clear Creek	4.69%	04-09	07-13	249,992	-	123,363
Solid Waste	4.35%	12-09	12-12	99,047	-	243,176
					<u>\$ 1,061,158</u>	<u>366,539</u>

Component Unit - BVU

Current Year Defeasance of Debt

During October 2010, BVU issued \$44,545,000 in Revenue and Refunding Bonds with interest rates ranging between 2.35% and 6.14%. Proceeds from the Series 2010 bonds issued will be used to refund \$44,700,000 of Utility System Revenue and Refunding Bonds, Series 2003, maturing on dates from July 2011 to July 2030, with interest rates ranging from 2.00% to 5.25%, and \$1,860,500 Revenue Bonds, Series 2007, maturing on dates from January 2011 to December 2030, with an interest rate equal to the sum of LIBOR Market Index rate minus 1.20% annum, which may change daily in accordance with changes in the LIBOR Market Index Rate. The revenue and refunding bonds were issued at a new premium and, after paying issuance costs of \$797,860, the net proceeds were \$9,195. The amounts to be used for the early retirement of the previously issued bonds have been placed in escrow to purchase direct, non-callable obligations of the United States Treasury until the term bonds are called for redemption. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the financial statements.

As a result of the advance refunding, BVU increased its total debt service requirements by \$9,413,021, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$278,864.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit - BVU (Continued)

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 \$1,216,145 was outstanding as of June 30, 2011. The Hassan Heights Water Tank RLF loan was issued in the amount of \$1,176,557, of which \$1,109,609 was outstanding as of June 30, 2011. 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.

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

Year Ended June 30	Discretely Presented Component Unit					
	BVU Authority					
	Virginia Resources Authority Loans		Revenue and Refunding Bonds		MI Connection Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 97,325	73,652	1,160,000	2,314,766	35,719	43,481
2013	100,464	70,512	1,200,000	2,275,841	37,547	41,652
2014	103,705	67,272	1,255,000	2,219,891	39,468	39,732
2015	107,050	63,927	1,320,000	2,163,991	41,488	37,712
2016	110,503	60,474	1,375,000	2,105,266	43,611	35,589
2017-2021	608,335	246,547	8,015,000	9,449,778	253,902	142,098
2022-2026	712,984	141,898	9,890,000	7,262,324	325,860	70,140
2027-2031	485,388	27,539	11,930,000	4,291,651	107,796	4,099
2032-2036	-	-	8,400,000	762,020	-	-
	<u>\$ 2,325,754</u>	<u>751,821</u>	<u>44,545,000</u>	<u>32,845,528</u>	<u>885,391</u>	<u>414,503</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit - BVU (Continued)

Details of long-term indebtedness for BVU are as follows:

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Business- Type Activities
<u>Revenue and Refunding Bonds</u>					
Series 2010 Revenue and Refunding Bonds	2.51-6.14%	10-10	10-33	\$44,545,000	\$44,545,000
Capital Lease Obligation	10.36%	01-09	07-12	190,387	70,095
VRA RLF Loans	3.20%	09-08	04-29	2,466,068	2,325,754
MI Connection Note Payable	5.00%	12-07	12-27	1,000,000	885,391
					<u>\$47,826,240</u>
				Bond Premiums	2,645,299
				Deferred Restructuring Costs	<u>(6,899,524)</u>
					<u>\$43,572,015</u>

Current portion of long-term debt for the BVU Series 2010 Revenue and Refunding Bond is as follows:

<u>Principal</u>	<u>Premiums</u>	<u>Deferred Costs</u>	<u>Total</u>
<u>\$ 1,160,000</u>	<u>118,006</u>	<u>(363,133)</u>	<u>914,873</u>

Pledged Revenues

BVU has pledged future customer revenues, net of specified operating expenses, to repay \$44,545,000 in revenue bonds issued October 2010. Proceeds from the bonds provided financing for the refinancing of the Series 2003 Revenue and Refunding bonds along with the Series 2007 Revenue Bonds. The bonds are payable solely from BVU's net revenues and are payable through 2033. 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 \$77,390,528. Principal and interest paid for the current year and total customer net revenues were \$1,258,964 and \$81,389,934, respectively.



CITY OF BRISTOL, VIRGINIA  
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NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Landfill Closure and Post-Closure Care Costs

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

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

The estimated landfill closure and postclosure care cost liability for the old landfill is \$2,938,965 as of June 30, 2011, which is based on 75% usage (filled) of the landfill. It is estimated that an additional \$979,655 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 \$3,022,327 as of June 30, 2011, which is based on 32% usage (filled) of the landfill. It is estimated that an additional \$5,866,869 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, 2011 are \$50,263, \$17,670, and \$84,949 respectively. It is estimated that an additional \$5,760 will be recognized for the wood incinerator and \$324,108 for the compost facility as closure expense between the date of the balance sheet and the date the facility is expected to be closed.

It should be recognized that the formula for closure/postclosure costs are based on a prescribed formula established by the Department of Environmental Quality without regard to regions or cost differentials across the State. The estimated total current cost of the landfill closure and postclosure care (\$13,290,566) 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, 2011. However, the actual costs of closure will be paid out at the time of closure of each facility and postclosure will be paid out in the thirty years following the closure of each facility. The actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

I. Net Assets

The solid waste disposal fund has an accumulated deficit in net assets of (\$30,077,391). 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 (\$2,932,331). 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.

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.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE V - OTHER INFORMATION

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

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.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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.

	City	School Board	Total
Annual Required Contribution (ARC)	\$ 258,900	194,000	452,900
Interest on Net OPEB Pension Obligation (NPO)	-	-	-
Adjustment to Annual Required Contribution	-	-	-
Annual OPEB Cost (Expense)	258,900	194,000	452,900
Contributions Made	(143,200)	(228,200)	(371,400)
Increase (Decrease) in Net OPEB Pension Obligation	115,700	(34,200)	81,500
Net OPEB Obligation—Beginning of Year	300,200	115,500	415,700
Net OPEB Obligation—End of Year	<u>\$ 415,900</u>	<u>81,300</u>	<u>497,200</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 is as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 452,900	82.0%	\$ 497,200

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$5,692,600

CITY OF BRISTOL, VIRGINIA  
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NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-Employment Health Care Benefits (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year.

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

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

In the June 30, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return and medical and dental trend rate of 9.00% for pre-Medicare coverage, decreasing at a rate of 0.5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over 30 years beginning with July 1, 2010.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-Employment Health Care Benefits (Continued)

*Discretely Presented Component Unit - BVU*

Plan Description

BVU administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and their spouses through BVU's group health insurance plan, which covers both active and retired members. BVU allows retirees 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 rates go from employee/spouse rates to a single member rate once one of the individuals reaches the age of 65. If the retiree has completed 30 years of service, BVU pays the entire health insurance premium. If the retiree has less than 20 years of service, they must pay the entire health insurance premium. If years of services are between 20 and 30 years, BVU pays a portion of insurance based on years of service. The amount paid by BVU is 3% per year of service. All retirees pay 100% of dental insurance premium.

Funding Policy

The funding policy of BVU is to contribute to the plan the net claims paid during the year.

Annual OPEB Cost and Net OPEB Obligation

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year.

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

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Liabilities and costs shown are net of any retiree contributions. The following schedules show the funding progress, schedule of contributions, and the annual pension OPEB cost summary.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-Employment Health Care Benefits (Continued)

*Discretely Presented Component Unit – BVU (Continued)*

Annual OPEB Cost and Net OPEB Obligation (Continued)

Annual Required Contribution (ARC)	\$ 360,600
Interest on Net OPEB Pension Obligation (NPO)	11,400
Adjustment to Annual Required Contribution	<u>(11,500)</u>
Annual OPEB Cost (Expense)	360,500
Contributions Made	<u>(125,939)</u>
Increase in Net OPEB Pension Obligation	234,561
Net OPEB Obligation—Beginning of Year	<u>267,939</u>
Net OPEB Obligation—End of Year	<u><u>\$ 502,500</u></u>

The schedule of funding progress and schedule of contributions to the plan for fiscal year 2011 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Actual Contribution</u>	<u>% Contributed</u>
June 30, 2011	\$ 360,500	\$ 125,939	34.9%
June 30, 2010	246,800	103,361	41.9%
June 30, 2009	246,800	122,300	49.6%

B. Pension Plan

Plan Description

The City and BVU contribute to the Virginia Retirement System (“VRS”), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “System”). In addition, professional and non-professional employees of the School Board are covered by 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.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

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/2010-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Beginning in the current year upon the creation of BVU Authority, BVU moved from the plan administered as part of the City of Bristol, Virginia. However, the actuarial valuation for BVU's defined benefit pension plan was not completed as of the date of this report. Therefore, in the subsequent year BVU will begin reporting its VRS separately from the City.

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 2011 was 16.02% of annual covered payroll (including the employee share of 5% paid by the employer). The School Board's contribution rate for the fiscal year ended June 30, 2011 was 9.21% of annual covered payroll.



CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Funding Policy (Continued)

For the three fiscal years ended June 30, 2011, 2010, and 2009, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$1,042,839, \$1,472,929, and \$1,728,504, and represented 8.93%, 13.81%, and 13.81%, of annual covered payroll, respectively, and 100% of required contributions for 2011, 2010 and 2009.

Annual Pension Cost

For the fiscal year ended June 30, 2011, the City's and the School Board's annual pension cost of \$2,233,529 and \$43,787, respectively, were equal to their required and actual contributions. The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 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, 2009 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, 2011	\$ 2,233,529	100%	\$ -
June 30, 2010	3,616,914	100%	-
June 30, 2009	3,577,725	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, 2011	\$ 43,787	100%	\$ -
June 30, 2010	37,317	100%	-
June 30, 2009	38,520	100%	-

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 74.76% funded. The actuarial accrued liability for benefits was \$102,996,280, and the actuarial value of assets was \$77,002,838, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,993,442. The covered payroll (annual payroll of active employees covered by the plan) was \$22,355,474, and the ratio of the UAAL to the covered payroll was 116.27%.

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, 2011, 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:

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.

Wholesale Power

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, 2011, \$42,501,261 was expensed under this contract.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

E. Risk Management

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 Commerce and Industry Insurance Company 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 and BVU 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 and BVU are also covered by the program provided they pay a premium to the provider.

Dental

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

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

E. Risk Management (Continued)

Dental (Continued)

Reconciliation of claim liabilities is as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Balance July 1	\$ 7,943	3,908	6,789
Claims Incurred	113,667	122,476	108,486
Claims Paid	<u>117,702</u>	<u>119,595</u>	<u>111,356</u>
Balance, June 30	<u><u>\$ 3,908</u></u>	<u><u>6,789</u></u>	<u><u>3,919</u></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.

F. Jointly-Owned Wastewater Facility

In 1979, the City of Bristol, Virginia and the City of Bristol, Tennessee, entered into a contract for operation of a jointly-owned wastewater facility. The ownership interest in the facility moved to BVU Authority upon its creation. The two are joint equitable owners in the facility, with ownership percentages determined by usage. Usage is determined by a cost sharing formula included in the contract. The share of future principal payments is determined yearly to reflect usage of the facility by each of the two cities during the fiscal year. BVU's share of debt applicable to the facility at June 30 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 BVU Authority at 15550 Lee Highway, Bristol, Virginia 24202.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

F. Jointly-Owned Wastewater Facility (Continued)

BVU's portion of the Joint Sewerage System is disclosed in the statement of net assets (discretely presented component unit) as follows:

Due from Other Governments	
Contributions in Excess of Allocated Capital Outlays	\$ 1,079,989
Due from Joint Sewerage System	<u>290,734</u>
Total Due from Other Governments	<u>\$ 1,370,723</u>
Due from Joint Sewerage System consisted of the following:	
Contributions to Joint Wastewater	\$ 1,383,617
Other Income	<u>86,428</u>
Total Contributions and Other Income	1,470,045
Expenditures - BVU's Portion	<u>(1,179,311)</u>
Total Due from Joint Sewerage System	<u>\$ 290,734</u>

Capital assets of the Joint Sewerage System reported by BVU are as follows:

Land	\$ 181,015
Equipment, Treatment and Composing Plant	18,562,583
Accumulated Depreciation	<u>(12,836,114)</u>
Net Capital Assets	<u>\$ 5,907,484</u>

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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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 \$18,750.

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. During the year ended June 30, 2011, \$331,223 was paid to the City of Bristol, Tennessee for the project and is included in construction in progress.

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, 2011

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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, 2011. The City transferred land to the Company and will make a local match of \$1,166,444 which will be paid in increments of \$116,000 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:

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

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

J. Economic Dependency

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

K. Prior Period Adjustments

During the current year, it was determined that certain prior year grant revenues totaling \$488,967 were incorrectly recorded in the current year rather than the prior year. To correct this error, the beginning fund balance of the General Fund of \$23,786,881, as originally reported, has been increased to \$24,275,848. In addition, beginning net assets for governmental activities of \$53,839,763, as originally reported, have been increased to \$54,328,730.

CITY OF BRISTOL, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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NOTE V - OTHER INFORMATION (CONTINUED)

L. Subsequent Events

As of July 1, 2011, the Clear Creek Golf Course fund will merge into the General fund. This merger will move all related financial information to be restated in the General fund.

On October 17, 2011, the City Council approved the selection of a firm to convert the methane gas emanating at the Solid Waste Disposal Landfill to an alternate source of energy. This conversion has the projected potential to increase revenues in excess of \$25 million over the next 20 years. Negotiations are ongoing with the projected completion date to occur in fiscal year 2013.

On September 19, 2011, the Virginia Tobacco Commission awarded \$1,800,000 to BVU, subject to an unqualified opinion from the Commission's bond counsel that the intended use is eligible under the terms of the bond issue. The funds intended use is the expansion of Last Mile Fiber in Southwest Virginia.

BVU's MI Connection Agreement with the telecommunication system in North Carolina to manage and maintain the telecommunications system is currently being revised. The final revisions to this contract have not been finalized as of the date of this report. However, it is believed that the revisions will reduce the expenses incurred and the revenue generated.

M. Accounting Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and special revenue, capital projects, debt service, and permanent fund types. The City and School Board have implemented provisions of this statement in the financial statements of this report for their governmental funds.

N. 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  
June 30, 2011

City Employees - Pension Plan

	(a)	(b)	(b-a)	(a/b)	( c )	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 77,002,838	\$ 102,996,280	\$ 25,993,442	74.76%	\$ 22,355,474	116.27%
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%

BVU Authority was a fund of the City of Bristol, Virginia, and is included in the City's funding progress for the defined benefit pension plan. Beginning in the subsequent year, BVU Authority will not be included in the City's defined benefit pension plan.

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

	(a)	(b)	(b-a)	(a/b)	( c )	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 2,368,412	\$ 2,936,997	\$ 568,585	80.64%	\$ 361,980	157.08%
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%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
ANALYSIS OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS  
June 30, 2011

City and School Board - Other Post-Employment Benefits

	(a)	(b)	(b-a)	(a/b)	( c )	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ -	\$ 5,692,600	\$ 5,692,600	0.00%	\$25,883,600	22.00%
June 30, 2008	-	5,084,800	5,084,800	0.00%	28,051,700	18.10%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
BALANCE SHEET  
INDUSTRIAL DEVELOPMENT AUTHORITY  
DISCRETELY PRESENTED COMPONENT UNIT  
June 30, 2011

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ASSETS	
Cash	\$     4,186
Receivables	<u>499,315</u>
TOTAL ASSETS	<u><u>\$   503,501</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to Primary Government	<u>\$   499,315</u>
TOTAL LIABILITIES	<u>499,315</u>
FUND BALANCES	
Unassigned	<u>4,186</u>
TOTAL FUND BALANCES	<u>4,186</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$   503,501</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
INDUSTRIAL DEVELOPMENT AUTHORITY  
DISCRETELY PRESENTED COMPONENT UNIT  
For the Fiscal Year Ended June 30, 2011

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REVENUES	
Investment Earnings	<u>\$ 152,975</u>
TOTAL REVENUES	<u>152,975</u>
EXPENDITURES	
Industrial Development	<u>152,975</u>
TOTAL EXPENDITURES	<u>152,975</u>
Net Change in Fund Balances	-
FUND BALANCE, JULY 1, 2010	<u>4,186</u>
FUND BALANCE, JUNE 30, 2011	<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, 2011

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	\$ 335,246
<u>Department of Education</u>			
Safe and Drug-Free Schools and Communities	Governor's Office for Substance Abuse Prevention	84.186	13,806
<u>Department of Health and Human Services</u>			
Family Preservation and Support	Department of Social Services	93.556	16,921
Temporary Assistance to Needy Families	Department of Social Services	93.558	368,267
Refugee and Entrant Assistance - State Administered Programs	Department of Social Services	93.566	589
Low-Income Home Energy Assistance	Department of Social Services	93.568	27,295
Child Care and Development Block Grant	Department of Social Services	93.575	138,822
ARRA - Child Care and Development Block Grant	Department of Social Services	93.713	11,093
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	166,902
ARRA - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	2,478
Chafee Education and Training Vouchers Program	Department of Social Services	93.599	4,513
Child Welfare Services - State Grants	Department of Social Services	93.645	1,341
Foster Care - Title IV-E	Department of Social Services	93.658	404,630
ARRA - Foster Care - Title IV-E	Department of Social Services	93.658	21,171
Adoption Assistance	Department of Social Services	93.659	67,672
ARRA - Adoption Assistance	Department of Social Services	93.659	4,009
Social Services Block Grant	Department of Social Services	93.667	239,827
Independent Living	Department of Social Services	93.674	8,157
State Children's Insurance Program	Department of Social Services	93.767	9,859
Medical Assistance Program	Department of Social Services	93.778	193,253
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant - Entitlement Grants	N/A	14.218	200,959

(Continued)

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<b>PRIMARY GOVERNMENT (Continued)</b>			
<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	29,796
Bomb Squad Equipment and Training for Police and Fire Grant	Department of Emergency Mangement	97.073	36,288
State Homeland Security Program Grant Crime Records Information Sharing Network Expansion	Department of Criminal Justice Services	97.067	1,545
State Homeland Security Program Grant CBRNE Armored Incident Response Vehicle	Department of Criminal Justice Services	97.067	335,000
Law Enforcement Terrorism Prevention Program	Department of Criminal Justice Services	97.067	96,029
<u>Department of Justice</u>			
Violence Against Women Formula Grants	Department of Criminal Justice Services	16.588	21,771
Edward Byrne Memorial Justice Assitance Police Cruiser Project	N/A	16.738	14,405
ARRA - Pilot Drug Court and Bomb Squad Enhancement Project	N/A	16.804	26,140
Drug Court Discretionary Grant Program	N/A	16.585	68,394
<u>Department of Transportation</u>			
Drive Hammered Get Nailed	Department of Transportation	20.600	29,647
Transit Operating Assistance Grant	Department of Transportation	20.507	671,094
ARRA - Transit Operating Assistance Grant	Department of Transportation	20.507	21,560
ARRA - Transit Capital Assistance Grant	Department of Transportation	20.500	70,768
Total Primary Government			<u>3,674,747</u>
<b>COMPONENT UNITS</b>			
<i>City of Bristol, Virginia School Board</i>			
<u>Department of Agriculture</u>			
Food Distribution - Commodities	Department of Agriculture	10.555	83,836
National School Lunch Program	Department of Education	10.555	578,064
National School Breakfast Program	Department of Education	10.553	230,912
<u>Department of Education</u>			
Title I, Part A - Improving Basic Programs	Department of Education	84.010	1,048,502
ARRA - Title I, Part A - Improving Basic Programs	Department of Education	84.389	276,695
Title II, Part A - Improving Teacher Quality State Grants	Department of Education	84.367	156,572
Title II, Part D - Enhancing Education Through Technology	Department of Education	84.318	13,482
ARRA - Title II, Part D - Enhancing Education Through Technology	Department of Education	84.386	224
Special Education - Preschool (IDEA, Preschool)	Department of Education	84.173	16,617
ARRA - Special Education - Preschool (IDEA, Preschool)	Department of Education	84.392	2,267

(Continued)

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<b>COMPONENT UNITS (Continued)</b>			
<i>City of Bristol, Virginia School Board (Continued)</i>			
<u>Department of Education (Continued)</u>			
Special Education - Grants to States (IDEA, Part B)	Department of Education	84.027	563,033
ARRA - Special Education - Grants to States (IDEA, Part B)	Department of Education	84.391	121,757
Safe and Drug Free Schools and Communities	Department of Education	84.186	16,173
Carl Perkins - Vocational Education	Department of Education	84.048	80,524
Education Jobs Fund	Department of Education	84.410	459,577
Federal Stimulus - State Stability Funds	Department of Education	84.394	537,404
State Academic Achievement	Department of Education	84.xxx	8,004
<u>Department of Health and Human Services</u>			
Medicaid	N/A	93.000	21,579
<i>BVU Authority</i>			
<u>Department of Commerce</u>			
ARRA - Southwest Virginia Middle Mile Project	N/A	11.557	4,476,877
<u>Department of Energy</u>			
Residential Energy Audits	Department of Energy	81.128	60,275
Revolving Loan Fund	Department of Energy	81.128	194,990
Total Component Units			<u>8,947,364</u>
Total Federal Award Expenditures			<u>\$ 12,622,111</u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA  
NOTES TO SCHEDULE OF FEDERAL AWARDS  
June 30, 2011

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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.

NOTE 3 - SUBGRANTEES

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

Believe in Bristol	\$ 20,500
Boys and Girls Club	5,500
Crooked Road	3,000
Crossroads Medical Mission	5,800
D.A.R.E.	4,203
Emergency Home Rehab	25,389
King Mountain Supportive Housing	9,800
Patricia Freedman Literacy Academy	29,500
People, Inc.	<u>50,000</u>
	<u>\$ 153,692</u>

NOTE 4 - PROGRAM INCOME

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

See Independent Auditors' Report.



SECTION III

STATISTICAL SECTION

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities									
Invested in Capital Assets,									
Net of Related Debt	\$ 30,777,836	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	955,441	1,614,580	2,073,182	2,842,539	-	119,144	335,787	362,658	226,090
Unrestricted	26,663,740	22,824,118	23,274,681	26,693,206	22,233,712	11,079,991	13,999,679	17,748,246	15,144,530
Total Governmental Activities Net Assets	<u>\$ 58,397,017</u>	<u>53,839,763</u>	<u>55,263,200</u>	<u>53,230,393</u>	<u>50,746,652</u>	<u>25,004,064</u>	<u>24,891,368</u>	<u>24,205,249</u>	<u>22,338,322</u>
Business-type Activities									
Invested in Capital Assets,									
Net of Related Debt	\$ 512,547	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	9,316	10,322	17,176	14,814	9,374	9,374	9,374	87,093
Unrestricted	(33,531,585)	538,771	(806,746)	(855,858)	97,397	(10,103,653)	(6,521,057)	1,369,722	(3,402,853)
Total Business-type Activities Net Assets	<u>\$ (33,009,722)</u>	<u>60,592,712</u>	<u>54,048,847</u>	<u>50,434,185</u>	<u>42,718,772</u>	<u>42,664,445</u>	<u>37,337,974</u>	<u>35,701,826</u>	<u>38,491,823</u>
Primary Government									
Invested in Capital Assets,									
Net of Related Debt	\$ 31,290,383	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	964,757	1,623,896	2,083,504	2,859,715	14,814	128,518	345,161	372,032	313,183
Unrestricted	(6,867,845)	23,362,889	22,467,935	25,837,348	22,331,109	976,338	7,478,622	19,117,968	11,741,677
Total Primary Government Net Assets	<u>\$ 25,387,295</u>	<u>114,432,475</u>	<u>109,312,047</u>	<u>103,664,578</u>	<u>93,465,424</u>	<u>67,668,509</u>	<u>62,229,342</u>	<u>59,907,075</u>	<u>60,830,145</u>

Note:

As of July 1, 2010 BVU Authority is considered to be a component unit of the City and will no longer be included in the City's financial data.  
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 Nine Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES									
Governmental Activities									
General Government	\$ 2,700,711	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	1,597,660	1,509,552	1,296,392	1,157,293	1,143,616	1,069,265	957,804	841,884	822,106
Public Safety	12,555,922	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	4,951,172	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	5,625,680	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	8,548,977	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	2,784,258	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	4,609,396	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	555,189	552,312	552,299	534,060	502,415	521,312	657,059	489,900	460,781
Interest on Long-Term Debt	1,049,255	925,339	1,156,243	939,447	873,403	754,571	677,586	643,352	511,155
Total Governmental Activities Expenses	<u>44,978,220</u>	<u>45,446,668</u>	<u>44,444,869</u>	<u>43,728,846</u>	<u>42,551,130</u>	<u>40,426,787</u>	<u>39,770,876</u>	<u>38,721,650</u>	<u>33,937,000</u>
Business-type Activities									
Electric	-	48,136,810	51,968,590	43,059,795	37,947,763	37,996,520	29,674,864	22,877,316	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	7,117,767	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	1,019,440	1,093,885	1,117,334	1,129,135	1,186,216	1,266,691	1,170,971	1,111,281	1,104,581
Total Business-type Activities Expenses	<u>8,137,207</u>	<u>80,470,904</u>	<u>82,727,654</u>	<u>70,881,013</u>	<u>63,910,891</u>	<u>62,580,952</u>	<u>53,761,533</u>	<u>45,123,413</u>	<u>40,662,758</u>
Total Primary Government Expenses	<u>\$ 53,115,427</u>	<u>125,917,572</u>	<u>127,172,523</u>	<u>114,609,859</u>	<u>106,462,021</u>	<u>103,007,739</u>	<u>93,532,409</u>	<u>83,845,063</u>	<u>74,599,758</u>

(Continued)

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>PROGRAM REVENUES</b>									
Governmental Activities									
Charges for Services									
General Government Administration	\$ 280,751	316,195	277,958	257,859	261,452	165,907	202,410	156,240	129,575
Judicial Administration	332,140	279,718	230,806	250,633	214,632	258,272	275,919	314,482	273,541
Public Safety	183,343	174,210	274,435	473,704	708,593	759,331	729,335	807,140	741,289
Public Works	1,647	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	101,527	97,233	91,769	98,123	103,223	114,107	108,966	108,142	115,344
Other Activities	39,865	34,769	39,318	37,804	41,145	36,831	38,829	43,001	38,022
Operating Grants and Contributions	16,737,399	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	2,947,622	3,730,705	2,656,318	1,565,583	4,549,390	1,798,859	490,464	353,992	15,732
Total Governmental Activities Program Revenues	<u>20,624,294</u>	<u>18,504,643</u>	<u>16,896,261</u>	<u>17,903,539</u>	<u>19,282,146</u>	<u>15,591,937</u>	<u>13,266,090</u>	<u>12,117,732</u>	<u>11,877,342</u>
Business-type Activities									
Charges for Services									
Electric	-	50,543,639	54,844,870	46,489,221	39,857,424	39,870,170	34,258,137	27,903,957	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	5,351,757	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	681,069	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
Total Business-type Activities Program Revenues	<u>6,032,826</u>	<u>85,657,478</u>	<u>86,599,319</u>	<u>78,392,152</u>	<u>63,619,892</u>	<u>67,135,824</u>	<u>55,523,778</u>	<u>45,054,017</u>	<u>39,120,463</u>
Total Primary Government Program Revenues	<u>\$ 26,657,120</u>	<u>104,162,121</u>	<u>103,495,580</u>	<u>96,295,691</u>	<u>82,902,038</u>	<u>82,727,761</u>	<u>68,789,868</u>	<u>57,171,749</u>	<u>50,997,805</u>
<b>NET (EXPENSE)/REVENUE</b>									
Governmental Activities	\$ (24,353,926)	(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	<u>(2,104,381)</u>	<u>5,186,574</u>	<u>3,871,665</u>	<u>7,511,139</u>	<u>(290,999)</u>	<u>4,554,872</u>	<u>1,762,245</u>	<u>(69,396)</u>	<u>(1,542,295)</u>
Total Primary Government Net Expense	<u>\$ (26,458,307)</u>	<u>(21,755,451)</u>	<u>(23,676,943)</u>	<u>(18,314,168)</u>	<u>(23,559,983)</u>	<u>(20,279,978)</u>	<u>(24,742,541)</u>	<u>(26,673,314)</u>	<u>(23,601,953)</u>

(Continued)

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS									
Governmental Activities									
Taxes									
Property Taxes	\$ 13,427,997	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	11,722,627	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	3,312,837	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	58,232	34,069	125,736	214,667	187,409	108,697	97,677	7,266	14,065
Gain (Loss) on Sale of Property	(99,480)	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>28,422,213</u>	<u>25,204,263</u>	<u>24,803,308</u>	<u>28,309,048</u>	<u>31,057,919</u>	<u>25,065,703</u>	<u>27,190,905</u>	<u>28,798,242</u>	<u>25,294,192</u>
Business-type Activities									
Investment Earnings	2,094	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	(19,154)	(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>(17,060)</u>	<u>1,357,291</u>	<u>(257,003)</u>	<u>191,100</u>	<u>345,326</u>	<u>1,104,010</u>	<u>(126,097)</u>	<u>(2,845,822)</u>	<u>(2,500,589)</u>
Total Primary Government	<u>\$ 28,405,153</u>	<u>26,561,554</u>	<u>24,546,305</u>	<u>28,500,148</u>	<u>31,403,245</u>	<u>26,169,713</u>	<u>27,064,808</u>	<u>25,952,420</u>	<u>22,793,603</u>
CHANGE IN NET ASSETS									
Governmental Activities	\$ 4,557,254	(1,423,437)	2,032,807	2,483,741	7,788,935	230,853	686,119	2,194,324	3,234,534
Business-type Activities	<u>(2,121,441)</u>	<u>6,543,865</u>	<u>3,614,662</u>	<u>7,702,239</u>	<u>54,327</u>	<u>5,658,882</u>	<u>1,636,148</u>	<u>(2,915,218)</u>	<u>(4,042,884)</u>
Total Primary Government	<u>\$ 2,435,813</u>	<u>5,120,428</u>	<u>5,647,469</u>	<u>10,185,980</u>	<u>7,843,262</u>	<u>5,889,735</u>	<u>2,322,267</u>	<u>(720,894)</u>	<u>(808,350)</u>

Note:

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

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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Fund</b>										
Nonspendable	\$ 20,641,868	-	-	-	-	-	-	-	-	-
Restricted	955,441	-	-	-	-	-	-	-	-	-
Unassigned	5,056,131	-	-	-	-	-	-	-	-	-
Reserved	-	20,656,132	19,727,559	17,445,721	11,292,989	7,883,336	3,302,676	6,904,013	14,022,517	8,525,437
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
Total General Fund	<u>\$ 26,653,440</u>	<u>23,786,881</u>	<u>24,442,494</u>	<u>26,161,480</u>	<u>19,231,321</u>	<u>8,671,319</u>	<u>11,098,465</u>	<u>16,083,200</u>	<u>16,120,434</u>	<u>10,778,770</u>
<b>All Other Governmental Funds</b>										
Assigned	\$ 17,157	-	-	-	-	-	-	-	-	-
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
Total All Other Governmental Funds	<u>\$ 17,157</u>	<u>18,364</u>	<u>24,532</u>	<u>87,935</u>	<u>9,627</u>	<u>1,485</u>	<u>28,317</u>	<u>11,171</u>	<u>2,178</u>	<u>21,994</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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>REVENUES</b>										
Taxes	\$ 25,730,352	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
Permits, Privilege Fees, and Licenses	104,035	31,359	43,601	55,367	88,032	86,288	93,415	74,017	91,709	54,294
Fines and Forfeitures	222,367	175,137	134,421	148,419	146,528	186,976	214,507	247,654	214,474	224,643
Investment Earnings	351,582	360,088	409,244	536,400	523,313	489,918	267,281	168,309	179,337	189,690
Charges for Services	274,959	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
Other	1,674,254	972,769	388,716	595,798	627,169	350,328	534,222	509,655	465,555	1,280,481
Intergovernmental	20,691,719	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
<b>Total Revenues</b>	<b>49,049,268</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>EXPENDITURES</b>										
General Government Administration	2,425,753	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
Judicial Administration	1,485,763	1,401,759	1,271,989	1,127,182	1,120,914	1,039,768	955,437	815,370	792,736	829,610
Public Safety	12,908,930	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
Public Works	4,267,752	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
Health and Welfare	5,635,487	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
Education	8,298,377	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
Parks, Recreation, and Cultural	2,504,239	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
Community Development	4,797,396	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
Transit	598,985	520,962	623,487	520,894	477,949	528,463	628,542	511,667	427,446	845,667
Capital Projects	2,259,068	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
Debt Service:										
Principal	6,876,400	7,354,194	1,282,171	5,436,521	3,959,810	1,574,531	1,116,698	585,883	705,712	687,272
Interest	923,095	979,386	983,772	731,396	756,711	734,986	707,047	616,466	494,100	444,980
<b>Total Expenditures</b>	<b>52,981,245</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>
Excess (Deficiency) of Revenues										
Over/(Under) Expenditures	(3,931,977)	(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)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceed from Borrowing	6,270,473	6,630,569	-	6,747,950	7,422,000	724,750	2,321,500	4,475,000	4,413,354	-
Payments to Bond Escrow Agents	-	-	-	-	-	-	(2,302,887)	-	-	-
Sale of Capital Assets	16,421	105,806	65,630	78,891	2,151,267	418,349	436,522	34,455	-	505,396
Insurance Recoveries	21,468	-	-	-	-	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
Transfers Out	-	(1,352,839)	-	-	-	-	(173,504)	(282,000)	(200,000)	(143,403)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,308,362</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>Net Change in Fund Balances</b>	<b>\$ 2,376,385</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>
Debt Service as a Percentage of Noncapital Expenditures	15.38%	16.99%	5.34%	13.47%	10.67%	5.53%	4.45%	2.88%	3.56%	3.24%

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
2011	\$ 1,042,533,650	49,163,845	12,137,866	17,495,045	1,468,048	1,122,798,454	0.94%	7.00%
2010	1,037,501,250	36,755,193	10,657,820	15,375,438	1,534,142	1,101,823,843	0.94%	7.00%
2009	932,366,500	40,381,108	10,815,071	15,573,204	1,495,279	1,000,631,162	1.05%	7.00%
2008	918,459,200	38,417,934	12,790,535	14,250,641	1,505,142	985,423,452	1.05%	7.00%
2007	874,768,300	35,898,923	17,593,513	19,560,928	1,664,016	949,485,680	0.98%	6.00%
2006	767,041,575	34,747,388	17,859,218	16,764,883	*	836,413,064	0.98%	6.00%
2005	754,670,575	36,732,886	18,095,654	18,955,042	*	828,454,157	0.98%	6.00%
2004	738,938,475	36,048,456	15,856,600	20,181,818	*	811,025,349	0.98%	6.00%
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%

\* - Not available

(1) Assessed at 100% of fair market value

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

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

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

**Note:** Reassessments occur every four years

**Source:** Commissioner of Revenue

See Independent Auditors' Report.



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

<u>Taxpayer</u>	2011			2002		
	<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	21.6%	16,532,300	2	21.3%
Bristol Mall Associates	16,871,900	2	20.9%	21,330,400	1	27.4%
HD Development of MD (Home Depot)	8,392,900	3	10.4%	-		0.0%
Debora Jean Limited (Tinseltown)	7,178,300	4	8.9%	6,591,300	4	8.5%
Apple Nine SPE Bristol (Marriott)	6,502,700	5	8.0%	-		0.0%
Ball Metal Beverage Container Corp.	5,733,000	6	7.1%	4,890,900	6	6.3%
Ventas Realty (Liberty Place)	5,662,400	7	7.0%	-		0.0%
Pacific Capital Group (Post Office/Food	4,552,900	8	5.6%	-		0.0%
Yale Linden Associates LLC (Linden Dr	4,300,700	9	5.3%	-		0.0%
Yale Bristol VA LLC	4,246,200	10	5.3%	-		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>\$ 80,878,600</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
2011	\$ 13,721,770	\$ 12,883,684	93.89%	\$ -	\$ 12,883,684	93.89%
2010	13,454,389	12,645,361	93.99%	369,467	13,014,828	96.73%
2009	13,552,799	12,800,034	94.45%	458,425	13,258,459	97.83%
2008	13,397,350	12,815,457	95.66%	348,237	13,163,694	98.26%
2007	12,294,395	11,351,927	92.33%	754,417	12,106,344	98.47%
2006	11,769,692	11,281,140	95.85%	300,926	11,582,066	98.41%
2005	10,748,059	10,370,212	96.48%	206,204	10,576,416	98.40%
2004	9,962,418	9,551,491	95.88%	229,390	9,780,881	98.18%
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%

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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Legal Debt Margin</b>										
Debt Limit	\$ 106,002,870	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
Total Net Debt Applicable to Limit	56,339,584	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
Legal Debt Margin	<u>\$ 49,663,286</u>	<u>45,920,125</u>	<u>33,284,263</u>	<u>29,558,100</u>	<u>27,582,274</u>	<u>14,990,297</u>	<u>23,713,331</u>	<u>30,908,848</u>	<u>32,641,548</u>	<u>28,035,456</u>

**Legal Debt Margin Calculation for Fiscal Year 2011**

Assessed Value	\$ 1,060,028,695
Debt Limit (10% of assessed value)	106,002,870
Less Debt Applicable to Limit:	
General Obligation Bonds	(54,659,584)
Other Long-Term Obligations	<u>(1,680,000)</u>
Legal Debt Margin	<u>\$ 49,663,286</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 Nine 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
2011	\$ 17,961,234	36,698,350	54,659,584	4.87%	3,090	-	1,680,000
2010	18,394,451	37,515,549	55,910,000	5.07%	3,192	-	1,920,000
2009	18,786,751	38,993,249	57,780,000	5.77%	3,299	-	2,172,387
2008	19,534,789	40,320,211	59,855,000	6.07%	3,432	-	2,432,820
2007	16,277,411	40,913,325	57,190,736	6.02%	3,287	-	2,703,820
2006	12,345,291	41,868,500	54,213,791	5.71%	3,116	2,775,000	2,974,820
2005	12,710,937	39,042,790	51,753,727	6.19%	2,974	211,500	3,247,455
2004	13,315,000	29,670,000	42,985,000	5.19%	2,485	2,654,000	3,516,820
2003	9,150,000	30,705,000	39,855,000	4.91%	2,317	-	3,792,703

  

Fiscal Year	Business-Type Activities			Total Debt		
	Revenue Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2011	\$ -	-	366,539	56,706,123	*	3,206
2010	46,560,500	-	397,603	104,788,103	*	5,982
2009	47,585,500	-	235,702	107,773,589	*	6,153
2008	48,095,500	-	101,655	110,484,975	*	6,336
2007	48,950,000	-	155,545	109,000,101	*	6,264
2006	50,310,000	-	201,497	110,475,108	*	6,349
2005	50,870,000	50,000	166,236	106,298,918	*	6,109
2004	51,350,000	100,000	286,728	100,892,548	22.02%	5,832
2003	35,315,000	1,000,000	282,905	80,245,608	18.28%	4,665

\* Not available

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

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

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

See Independent Auditors' Report.

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

Fiscal Year	Population (1)	Per Capita Personal Income (3)	Public School Enrollment	Unemployment Rate
2011	17,690	*	2,276	8.8%
2010	17,690	*	2,244	9.2%
2009	17,516	32,506	2,265	10.5%
2008	17,429	32,454	2,272	5.9%
2007	17,571	30,895	2,308	5.2%
2006	17,425	29,880	2,302	4.8%
2005	17,479	27,657	2,295	5.3%
2004	17,433	25,982	2,324	6.0%
2003	17,200	25,704	2,335	6.2%

\*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 and Last Year

<u>EMPLOYER</u>	2011			2010		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
City of Bristol	676	1	16.87%	700	1	16.54%
Electro Mechanical Corp.	600	2	14.97%	600	2	14.18%
Office Max	500	3	12.48%	500	3	11.82%
Sprint PCS	428	4	10.68%	500	4	11.82%
US Solutions	367	5	9.16%	400	5	9.45%
Strongwell Corp	350	6	8.73%	321	6	7.59%
Commonwealth of Virginia	250	7	6.24%	250	8	5.91%
Snack Alliance (formerly Moore's Snack Foods)	225	8	5.61%	215	11	5.08%
Ball Corp (formerly Reynolds Metal)	218	9	5.44%	218	10	5.15%
Aerus (formerly Electrolux)	201	11	5.01%	227	9	5.37%
United Parcel Service	193	10	4.82%	300	7	7.09%
	<u>4,008</u>		<u>100.00%</u>	<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 Seven Fiscal Years

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

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

\* Comparable information was not available for prior years.

See Independent Auditors' Report.

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

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

See Independent Auditors' Report.



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

Function/Program	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
<u>Public Safety</u>							
Law Enforcement Vehicles	69	76	73	79	80	94	95
Fire Stations	3	3	3	3	3	3	3
<u>Public Works</u>							
Primary Streets (lane miles)	50.64	50.64	50.64	48.80	49.00	48.00	48.00
Secondary Streets (lane miles)	210.49	208.55	208.23	208.23	208.00	204.00	202.00
<u>Parks, Recreation, and Cultural</u>							
Community Center	1	1	1	1	1	1	1
Parks/Athletic Fields	18	18	18	18	18	18	17

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, 2011 which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2011. 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, a discretely presented component unit, 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.

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 material weaknesses: 07-1 and 11-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 11-1.

We noted certain matters that we reported to management of the City, in a separate letter dated November 29, 2011.

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, 2011



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, 2011. 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. This report does not include the results of the other auditors' testing of compliance requirements that are reported separately by those auditors.

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.

As described in item 11-1 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding reporting that are applicable to its Federal Transit Operating Assistance Grant (CFDA #20.507) and Federal Transit Capital Investment Grant (CFDA #20.500). Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance 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, 2011.

### 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.

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

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, 2011

CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011

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SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements.
2. Two material weaknesses were disclosed during the audit of the financial statements.
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. One material weakness in internal control over major federal award programs was disclosed by the audit.
5. The auditor's report on compliance for the Federal Transit Operating Assistance Grant and the Federal Transit Capital Investment Grant of the City expresses a qualified opinion; the report on the remaining programs is unqualified.
6. There is one audit finding relative to the major federal award programs that is required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

National School Breakfast Program	10.553
National School Lunch Program	10.555
Title I, Part A	84.010
ARRA - Title I, Part A	84.389
ARRA - State Stability Funds	84.394
Education Jobs Fund	84.410
Transit Operating Assistance Grant	20.507
ARRA - Transit Operating Assistance Grant	20.507
Child Care and Development Block Grant	93.575
ARRA - Child Care and Development Block Grant	93.713
Child Care and Mandatory and Matching Funds of the Child Care and Development Fund	93.596
ARRA - Child Care and Mandatory and Matching Funds of the Child Care and Development Fund	93.596
State Homeland Security Program Grant - CBRNE Armored Incident Response Vehicle	97.067
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, 2011

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SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

Current Year 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 unassigned fund balance of the General Fund.

*Recommendation:* Management and City Council have implemented some operational changes to the Solid Waste Disposal fund during the current year in order to see an increase in operational efficiency in the next fiscal year. Also, subsequent to year end, there were additional actions taken to help decrease the deficits. Continued efforts to monitor these results and implementation of changes should be maintained 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. Effective July 1, 2011 operational changes were implemented within the Solid Waste Fund, which is anticipated to reduce expenses by approximately \$500,000. In addition during the FY 11-12 year, a major initiative will begin to capture the methane gas and sale in the energy market. Projections indicate up to \$25,000,000 over a 20 year period. The Clear Creek Golf Course Fund, effective July 1, 2011, will be transferred to the General Fund and will no longer be considered an enterprise fund.

Prior Year Findings Implemented

06-1 Significant Deficiency – Conflicts of Interest

10-1 Significant Deficiency – Purchasing Policy and Procedures

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



CITY OF BRISTOL, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011

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

Current Year Findings

11-1 Material Weakness – Mass Transit Grant Reporting and Documentation

Federal Transit – Capital Investment Grant (CFDA #20.500) and Formula Grants (CFDA #20.507)

*Condition:* During the current year, the Federal Transit Administration conducted a triennial review of the transit grants for the City. Numerous areas were noted in the review that required better documentation and more timely reporting. Most of the issues from the review were addressed and corrected by the end of August, 2011. It was discovered during the fiscal year ended June 30, 2011 that operating requests for reimbursement had not been received for the fiscal years ended June 30, 2009 and 2010. These had been claimed, but the Finance Department of the City had not been provided the information and was unaware of any potential receivable from the prior year. It was further noted during the audit that even after filing these amounts, there had been no federal requests for appropriate filings of any of the quarters ending during the fiscal year ended June 30, 2011.

*Criteria:* The City's Transit Department is responsible for submitting timely requests for reimbursement and for maintaining proper supporting documentation for the claims, including information regarding specific requirements of the grants.

*Effect:* The City had paid for the operation of the transit program for the 2009, 2010 and 2011 fiscal years and had not received the federal funding in a timely manner. If specific criteria of the grant, such as reimbursement requests, are not properly followed, grant funding could be at risk.

*Recommendation:* The Transit Department of the City should file quarterly requests for reimbursement from the State for the federal funds awarded and should maintain proper supporting documentation for the disbursements claimed. The claim should further show that the proper percentages of federal, state and local support have been calculated. In addition, the Transit Department should verify with the Finance Department to ensure all funds are received. Copies of the claim should be submitted to the Finance Department so that a centralized record can be maintained and the Finance Department can record the receivable and follow-up if funds are not timely received. The areas noted in the triennial review should continue to be monitored to ensure that those same areas are not issues in future reviews.

*Management response:* City management, including the City Manager, has reviewed this condition and has initiated the recommendations suggested by this audit. Departments and persons responsible have reviewed and established guidelines to ensure submissions and subsequent reimbursements are received in a timely fashion. Filings for all eligible expenses have been submitted, including funds for 2011 fiscal year. The Federal Transit Administration board responsible for the triennial review has been notified to include appropriate management who are responsible for administration and reporting.

Prior Year Findings Implemented

None