

CITY OF BRISTOL, VIRGINIA
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended June 30, 2009

CITY OF BRISTOL, VIRGINIA
TABLE OF CONTENTS
June 30, 2009

	<u>PAGE NUMBER</u>
I. INTRODUCTORY SECTION	
District Officials	1
II. FINANCIAL SECTION	
Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Development Block Grant Fund	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	32
Notes to the Financial Statements	35
Required Supplementary Information	
Analysis of Funding Progress for Defined Benefit Pension Plan and Other Post-Employment Benefits	79
Balance Sheet - Industrial Development Authority (Discretely Presented Component Unit)	81
Statement of Revenues, Expenditures, and Changes in Fund Balance - Industrial Development Authority (Discretely Presented Component Unit)	82
Schedule of Expenditures of Federal Awards	83
Notes to Schedule of Federal Awards	85

CITY OF BRISTOL, VIRGINIA
TABLE OF CONTENTS
June 30, 2009

	<u>PAGE NUMBER</u>
III. STATISTICAL SECTION (UNAUDITED)	
Net Assets by Component	86
Changes in Net Assets	87
Fund Balances of Governmental Funds	91
Changes in Fund Balances of Governmental Funds	92
Assessed Value and Estimated Actual Value of Taxable Property	93
Principal Property Taxpayers	94
Property Tax Levies and Collections	95
Legal Debt Margin Information	96
Ratios of Outstanding Debt by Type	97
Pledged Revenue Coverage	98
Demographic and Economic Statistics	99
Principal Employers	100
Full-time Equivalent City Government Employees by Function	101
Operating Indicators by Function	102
Capital Asset and Infrastructure Statistics by Function/Program	103
Schedule of Electric Fund Revenue and Purchased Power	104
Schedule of Water Revenue Statistics	105
IV. INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	106
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133	108
Schedule of Findings and Questioned Costs	110

CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2009

MEMBERS OF CITY COUNCIL

Mayor
Vice Mayor

James Rector
Fred Bowman
Guy Odom
Ernest Sprouse
James Heaney

CITY OFFICIALS

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

W.A. Dennison Jr.
Steve Allen
Wilma Gill
Pete Curcio/ Ed Stout
Terry Frye
Terry Rohr
Jack Weisenburger
Jerry A. Wolfe

UTILITIES BOARD

Chairman
Vice-Chairman

Paul Hurley
Faith Esposito
Fred Bowman
Dulcie Mumpower
James Rector
Jim Clifton
Kurt S. Pomrenke

UTILITIES OFFICIALS

President and CEO
V.P. of Finance and Accounting
Attorney

Wes Rosenbalm
Stacey Bright
G. Walter Bressler

SCHOOL BOARD MEMBERS

Chair
Vice-Chair

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

CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2009

SCHOOL OFFICIALS

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

Ina Danko
Dr. Mike Amstein
Tammy M. Jones, CPA
Cathy Moss

INDUSTRIAL DEVELOPMENT AUTHORITY BOARD

Chairman
Vice-Chairman

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the City of Bristol, Virginia as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Bristol Virginia Utilities, which is comprised of the Electric, Water, Wastewater and OptiNet funds, which represents 82%, 100%, and 94%, respectively, of the assets, positive net assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us and, our opinion, insofar as it relates to the amounts included for Bristol Virginia Utilities, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Specifications for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the City of Bristol, Virginia as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund and Community Development Block Grant Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009, 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.

The management's discussion and analysis and required supplementary information on pages 5 through 13 and 79 through 80 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in 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 express no opinion on them.

BLACKBURN, CHILDERS & STEAGALL, PLC

November 24, 2009

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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, 2009.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2009 fiscal year by \$109,312,047 (*net assets*). Of this amount, \$22,467,935 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$5,647,469. Of this amount \$869,362 is attributable to current year activities and \$4,778,107 is the result of an adjustment made for capital assets (infrastructure) that were attributable to a prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,467,026, a decrease of \$1,782,388 in comparison with the prior year. Approximately 19% of this total amount, \$4,739,467, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,714,935 or 10% of total general fund expenditures.
- The City's total debt decreased by \$146,829 during the current fiscal year. General Obligation Bonds (bonded debt) decreased \$2,075,000. Other Debt which is comprised of revenue bonds, capital lease obligations, long term loans and notes payables, and compensated absences increased \$1,928,171.

Overview of the Financial Statements

This discussion and analysis are 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, 2009

Statement of Activities – presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.) Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, community development and transit. The business-type activities of the City include electric, water, wastewater, OptiNet, solid waste disposal, and golf course departments.

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

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

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

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

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

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

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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 electric, water, wastewater, OptiNet, solid waste disposal, and golf course departments.

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

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

The basic proprietary fund financial statements can be found on pages 26 - 34 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 35 - 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 to its employees. Required supplementary information can be found on pages 79 and 80 of this report.

The statements referred to earlier in connection with discretely presented component units are presented immediately following the required supplementary information on pensions. The discretely presented component unit statements can be found on pages 81 through 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 \$109,312,047 at the close of the most recent fiscal year.

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

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

An additional portion of the City's net assets (\$2,083,504) represents resources that are subject to external restrictions on how they may be used. These resources are comprised of funds for Capital Projects and Commonwealth Attorney Federal Sharing Revenue. 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 \$5,647,469 during the current fiscal year. This is comprised of a net asset increase from governmental activities of \$2,032,807 and an increase in business-type activities of \$3,614,662.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and Other Assets	\$ 38,949	37,673	19,907	19,467	58,856	57,140
Capital Assets	46,867	51,978	136,342	141,210	183,209	193,188
Total Assets	85,816	89,651	156,249	160,677	242,065	250,328
Long-Term Liabilities Outstanding	24,837	23,689	94,592	95,593	119,429	119,282
Other Liabilities	7,749	10,698	11,223	11,035	18,972	21,733
Total Liabilities	32,586	34,387	105,815	106,628	138,401	141,015
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	23,695	29,915	51,273	54,846	74,968	84,761
Restricted	2,842	2,073	17	10	2,859	2,083
Unrestricted	26,693	23,275	(856)	(807)	25,837	22,468
Total Net Assets	\$ 53,230	55,263	50,434	54,049	103,664	109,312

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues						
Program Revenue						
Charges for Services	\$ 2,001	915	72,743	84,258	74,744	85,173
Operating Grants and Contributions	14,337	13,325	-	-	14,337	13,325
Capital Grants and Contributions	1,565	2,656	5,649	2,342	7,214	4,998
General Revenues						
Property Taxes	13,392	12,687	-	-	13,392	12,687
Other Taxes	12,047	11,613	-	-	12,047	11,613
Grants and Contributions						
Not Restricted	2,333	2,263	-	-	2,333	2,263
Unrestricted Investment Earnings	215	126	524	175	739	301
Gain (Loss) on Sale of Property	(28)	(2,344)	17	26	(11)	(2,318)
Total Revenues	<u>45,862</u>	<u>41,241</u>	<u>78,933</u>	<u>86,801</u>	<u>124,795</u>	<u>128,042</u>
Expenses						
General Government Administration	2,802	2,661	-	-	2,802	2,661
Judicial Administration	1,157	1,296	-	-	1,157	1,296
Public Safety	12,319	12,897	-	-	12,319	12,897
Public Works	6,463	6,353	-	-	6,463	6,353
Health and Welfare	6,229	5,646	-	-	6,229	5,646
Education	8,997	9,307	-	-	8,997	9,307
Parks, Recreation, and Cultural	2,813	2,883	-	-	2,813	2,883
Community Development	1,475	1,693	-	-	1,475	1,693
Transit	534	552	-	-	534	552
Interest on Long-Term Debt	939	1,156	-	-	939	1,156
Electric	-	-	43,060	51,969	43,060	51,969
Water	-	-	2,752	3,022	2,752	3,022
Wastewater	-	-	2,994	3,124	2,994	3,124
OptiNet	-	-	14,228	16,476	14,228	16,476
Solid Waste Disposal	-	-	6,718	7,020	6,718	7,020
Golf Course	-	-	1,129	1,117	1,129	1,117
Total Expenses	<u>43,728</u>	<u>44,444</u>	<u>70,881</u>	<u>82,728</u>	<u>114,609</u>	<u>127,172</u>
Excess (Deficiency) Before Transfers	2,134	(3,203)	8,052	4,073	10,186	870
Transfers	350	458	(350)	(458)	-	-
Change in Net Assets	2,484	(2,745)	7,702	3,615	10,186	870
Net Assets -- July 1, as Restated	50,747	58,008	42,732	50,434	93,479	108,442
Net Assets -- June 30	<u>\$ 53,231</u>	<u>55,263</u>	<u>50,434</u>	<u>54,049</u>	<u>103,665</u>	<u>109,312</u>

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Governmental Activities. Governmental activities increased the City's net assets by \$2,032,807. This amount is due to a prior period adjustment of 4,778,107 for additional infrastructure. Current year activities resulted in a decrease of \$2,745,300 in the City's net assets. Factors contributing to this decrease are noted below.

Revenues from governmental activities totaled \$41,241,269 which was \$4,621,318 under last year. Property taxes (31%), other local taxes (28%), and intergovernmental sources (44%) being the major sources of revenues. In comparison to the previous year the following revenues decreased: property taxes decreased approximately \$705,000; other taxes decreased \$434,000; charges for services decreased \$1,086,000. The charges for services decreased substantially due to the waste collection fees being transferred to the Solid Waste Disposal Proprietary Fund. There was also an adjustment made for the relinquishment of the Starwood Property. This adjustment decreased revenue in the amount of \$2,302,388.

Expenses for governmental activities totaled \$44,444,869 which was \$716,023 over last year. Public safety (29%), education (21%), public works (14%), health and welfare (13%), and parks recreation and culture (6%) account for 83 percent of total governmental expenses. Increases in expenses were the result of several items occurring in this current fiscal year. There was a lease payment for a fire truck \$181,275, expenses associated with grants \$110,923, purchase of two transit buses \$102,538, purchase of a building for parks and recreation, \$204,500 that attributed to the increase in expenses over the prior year.

Business-type Activities. Net assets of the business-type activities were \$54,048,847 at June 30, 2009. This was an increase of \$3,614,662 from the prior year. The following highlights the departments that impacted this net change the most:

- The Solid Waste Disposal fund's decrease in net assets of 10% resulted primarily from operations, interest costs and depreciation costs.
- The Golf Course fund experienced a decrease in net assets of 18%, primarily as a result of operations and interest costs.
- The Electric fund experienced an increase in net assets of 9%, primarily as a result of operations.
- The Water fund experienced an increase in net assets of 6%.
- The Wastewater fund increased its net assets by 1%.
- The OptiNet fund increased its net assets by 12% for the period ending June 30, 2009. Capital Contributions and Grants comprised 12% of the revenue.

Program revenues totaled \$86,800,616 of which 97% was charges for services. Expenses totaled \$82,727,654 with an additional \$350,000 payment for in-lieu of tax being transferred to governmental activities.

The School Board's total net assets increased by \$102,909. This increase is attributable to the increase in current year funding.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,467,026 a decrease of \$1,782,388 in comparison with the prior year. Approximately 19% of this total amount, \$4,739,467 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because primarily it represents advances to another fund which are not expected to be collected in the near term.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,714,935, while total fund balance reached \$24,442,494. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10% of total general fund expenditures, while total fund balance represents 54% of that same amount.

The fund balance of the City's general fund decreased by \$1,718,985 during the current fiscal year. This decrease is due primarily to revenue proceeds for capital projects being recognized in the prior year and the expenses being incurred in the current fiscal year.

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

Net assets of the electric, water, wastewater, OptiNet, solid waste disposal and golf course funds amounted to \$30,932,705, \$8,523,293, \$14,607,313, \$29,792,817 (\$27,202,867), and (\$2,604,414) respectively. The total increase in net assets was \$3,614,662.

Solid Waste Disposal net assets decreased \$2,374,564 as compared with a decrease of \$2,427,684 in fiscal year 2008.

The Golf Course fund net assets decreased by \$394,620 as compared with a decrease of \$363,740 in fiscal year 2008.

The Electric fund net assets increased by \$2,633,147 in 2009. This is a result of operations.

The OptiNet fund net assets increased by \$3,130,654. This change in net assets is primarily due to the receipt of grant funding of \$2,341,810. The remainder of the increase is a result of operations.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

The Water fund net assets increased by \$514,755 compared to the prior year increase of \$656,733.

The Wastewater fund net assets increased by \$105,290 compared to the \$499,456 increase in the prior year.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was approximately a \$414,273 increase in appropriated revenues and \$951,827 increase in appropriated expenses which can be briefly summarized as follows:

- In the area of revenues, an appropriation for a transfer in the amount of \$204,500 was added to supplement the purchase of a building for the Parks and Recreation Department. Also \$110,923 was added for a Hazmat Grant because it was not included in the original budget.
- In the area of expenses, an appropriation for the purchase of a building for Parks and Recreation Department was added in the amount of \$204,500. Education was increased \$350,108 due to the re-allocation of 2007-2008 balance after the original budget was completed. Public Safety was increased \$110,923 for Hazmat Grants awarded after the original budget was completed. Appropriations were increased \$60,000 and \$71,749, respectively, due to the expenses associated with the property reassessment and renovations to Gene Malcolm Stadium.

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

- Actual revenues were less than budgeted revenues by approximately \$3,309,073. This difference is primarily attributable to Other Local Taxes and Intergovernmental Revenues being under budgeted. Other local taxes consisted of the following shortfalls: local sales tax of \$745,782, lodging taxes of \$269,418 and business license tax of \$177,171. Intergovernmental revenues fell below budget in the following funding streams: state sales taxes, \$219,465; and state matching dollars for special projects, \$943,464.
- Actual expenditures were less than budgeted expenditures by approximately \$5,667,311. The primary difference for actual being less than budget is debt service expenses were under budget by approximately \$3,654,000. This is due to the propriety funds being responsible for their own debt service payments and not establishing a debt reserve. Also the Lee Highway Bridge Capital Project was under budget by \$593,621.
- Other financing sources had a significant difference of \$3,106,165, primarily as a result of not being able to recognize proceeds from the issuance of bonds that were received in the previous fiscal year.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$193,187,487 (net of accumulated depreciation). This total is comprised of land, buildings, utility systems, machinery and equipment, and infrastructure. The total increase in the City's in capital assets for the current fiscal year was 5% (an 11% increase for governmental activities and a 4% increase for business-type activities).

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

- Increase in work-in-progress and infrastructure for the governmental funds. This is the result of courthouse renovations and the Lee Highway Bridge improvements.
- Increase in fiber installation for the OptiNet fund.
- Increase in work-in-progress for the water department as the result of the Bristol View Connector and Hassan Heights Water Tank Projects.

Additional information on the City's capital assets can be found in Note 4 on pages 51 through 55 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$104,160,932. Of this amount, \$57,780,000 comprises debt backed by the full faith and credit of the government.

- The City's total bond debt decreased by \$2,075,000. Other long-term debt which is comprised of debt not bonded, capital lease obligations, long-term loans and notes payables, and compensated absences increased \$1,928,173. The primary reason for the increase was the issuance of loans from the Virginia Resources Authority (VRA) for business-type activities.
- The City maintains the states intercept rating of A from Standard & Poor's and an A1 rating from Moody's for general obligation debt.

Additional information on the City's long-term debt can be found in Note 4 on pages 60 through 67 of this report.

Economic Factors and Next Year's Budget and Rates

- National Economy concerns and impact to state and local governments
- Bristol Virginia Utilities separating from the City and becoming an Authority in July 2010
- Continued expansion and growth of OptiNet fiber optic network and services
- Impact of employees costs which include health care and retirement

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, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and Cash Equivalents	\$ 3,690,463	13,286,195	16,976,658	1,138,353	4,186
Investments	-	-	-	108,344	-
Receivables, Net of Allowance	10,837,027	8,590,886	19,427,913	-	789,315
Notes Receivable	620,000	-	620,000	-	-
Due from Component Unit	703,386	-	703,386	-	-
Due from Primary Government	-	-	-	85,929	-
Due from Other Governments	1,428,041	2,072,529	3,500,570	717,557	-
Internal Balances	17,790,083	(17,790,083)	-	-	-
Prepays	-	653,161	653,161	-	-
Inventories	19,376	3,166,071	3,185,447	24,325	-
Residential Lots for Sale	-	470,140	470,140	-	-
Bond Issuance Costs, Net	426,280	1,880,259	2,306,539	-	-
Other Current Assets	-	38,654	38,654	-	-
Restricted Assets					
Cash and Cash Equivalents	2,158,007	960,797	3,118,804	853,670	-
Investments	-	6,138,915	6,138,915	247,804	-
Capital Assets, Net	51,977,912	141,209,575	193,187,487	14,426,785	-
TOTAL ASSETS	89,650,575	160,677,099	250,327,674	17,602,767	793,501
LIABILITIES					
Accounts Payable and Accrued Liabilities	1,454,645	5,869,744	7,324,389	542,517	-
Accrued Interest Payable	352,647	1,709,349	2,061,996	-	-
Accrued Payroll and Related Liabilities	104,680	481,867	586,547	1,118,710	-
Due to Primary Government	-	-	-	-	789,315
Due to Other Governmental Units	-	33,336	33,336	-	-
Unearned Revenue	8,574,955	1,813,349	10,388,304	5,524	-
Potential Development Credits	-	74,000	74,000	-	-
Customer Security Deposits	-	960,797	960,797	-	-
Assets Held in an Agency Capacity	78,358	-	78,358	-	-
Termination of Benefits Payable	-	93,009	93,009	-	-
Other Postemployment Benefits	132,200	-	132,200	-	-
Long-Term Liabilities					
Due Within One Year	2,237,991	4,300,988	6,538,979	227,232	-
Due in More Than One Year	21,451,899	91,291,813	112,743,712	635,001	-
TOTAL LIABILITIES	34,387,375	106,628,252	141,015,627	2,528,984	789,315

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	29,915,337	54,845,271	84,760,608	14,426,785	-
Restricted For					
Capital Projects	672,793	-	672,793	1,205,837	-
Commonwealth Attorney	1,400,389	-	1,400,389	-	-
Specified Purposes	-	10,322	10,322	-	-
Unrestricted	23,274,681	(806,746)	22,467,935	(558,839)	4,186
TOTAL NET ASSETS	\$ 55,263,200	54,048,847	109,312,047	15,073,783	4,186

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS							
		PROGRAM REVENUES			Primary Government			Component Unit	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
Primary Government									
Governmental Activities									
General Government	\$ 2,661,457	277,958	2,108,988	-	(274,511)	-	(274,511)	-	-
Judicial Administration	1,296,392	230,806	704,907	-	(360,679)	-	(360,679)	-	-
Public Safety	12,896,808	274,435	2,746,033	1,106,498	(8,769,842)	-	(8,769,842)	-	-
Public Works	6,353,187	547	2,884,749	997,496	(2,470,395)	-	(2,470,395)	-	-
Health and Welfare	5,645,470	-	4,444,634	-	(1,200,836)	-	(1,200,836)	-	-
Education	9,307,322	-	-	-	(9,307,322)	-	(9,307,322)	-	-
Parks, Recreation, and Cultural	2,882,840	91,769	-	552,324	(2,238,747)	-	(2,238,747)	-	-
Community Development	1,692,851	6,556	338,274	-	(1,348,021)	-	(1,348,021)	-	-
Transit	552,299	32,762	97,525	-	(422,012)	-	(422,012)	-	-
Interest on Long-Term Debt	1,156,243	-	-	-	(1,156,243)	-	(1,156,243)	-	-
Total Governmental Activities	<u>44,444,869</u>	<u>914,833</u>	<u>13,325,110</u>	<u>2,656,318</u>	<u>(27,548,608)</u>	<u>-</u>	<u>(27,548,608)</u>	<u>-</u>	<u>-</u>
Business-type Activities									
Electric	51,968,590	54,844,870	-	-	-	2,876,280	2,876,280	-	-
Water	3,021,749	3,530,035	-	-	-	508,286	508,286	-	-
Wastewater	3,123,505	3,197,360	-	-	-	73,855	73,855	-	-
OptiNet	16,476,305	17,234,687	-	2,341,810	-	3,100,192	3,100,192	-	-
Solid Waste Disposal	7,020,171	4,755,432	-	-	-	(2,264,739)	(2,264,739)	-	-
Golf Course	1,117,334	695,125	-	-	-	(422,209)	(422,209)	-	-
Total Business-type Activities	<u>82,727,654</u>	<u>84,257,509</u>	<u>-</u>	<u>2,341,810</u>	<u>-</u>	<u>3,871,665</u>	<u>3,871,665</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 127,172,523</u>	<u>85,172,342</u>	<u>13,325,110</u>	<u>4,998,128</u>	<u>(27,548,608)</u>	<u>3,871,665</u>	<u>(23,676,943)</u>	<u>-</u>	<u>-</u>

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS								
	PROGRAM REVENUES				Primary Government			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
Component Unit									
School Board	\$ 24,818,938	485,086	8,149,636	129,669	-	-	-	(16,054,547)	-
Industrial Development Authority	8,700	-	-	-	-	-	-	-	(8,700)
Total Component Units	<u>\$ 24,827,638</u>	<u>485,086</u>	<u>8,149,636</u>	<u>129,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,054,547)</u>	<u>(8,700)</u>
General Revenues									
Property Taxes					12,686,832	-	12,686,832	-	-
Other Taxes					11,613,383	-	11,613,383	-	-
State Aid					-	-	-	7,318,321	-
Payments from Primary Government					-	-	-	9,221,863	-
Grants Not Restricted to Specific Programs					2,262,805	-	2,262,805	-	-
Unrestricted Investment Earnings					125,736	175,516	301,252	18,966	8,700
Gain (Loss) on Sale of Property					(2,343,748)	25,781	(2,317,967)	(203,615)	-
Other					-	-	-	126,377	-
Transfers					458,300	(458,300)	-	-	-
Total General Revenues and Transfers					<u>24,803,308</u>	<u>(257,003)</u>	<u>24,546,305</u>	<u>16,481,912</u>	<u>8,700</u>
Change in Net Assets					<u>(2,745,300)</u>	<u>3,614,662</u>	<u>869,362</u>	<u>427,365</u>	<u>-</u>
Net Assets, Beginning					53,230,393	50,434,185	103,664,578	14,646,418	4,186
Prior Period Adjustments					4,778,107	-	4,778,107	-	-
Net Assets, Beginning - Restated					<u>58,008,500</u>	<u>50,434,185</u>	<u>108,442,685</u>	<u>14,646,418</u>	<u>4,186</u>
Net Assets, Ending					<u>\$ 55,263,200</u>	<u>54,048,847</u>	<u>109,312,047</u>	<u>15,073,783</u>	<u>4,186</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,665,931	24,532	3,690,463
Cash and Cash Equivalents, Restricted	2,158,007	-	2,158,007
Receivables, Net	10,666,562	170,465	10,837,027
Due from Other Funds	155,082	-	155,082
Due from Component Units	789,315	-	789,315
Due from Other Governmental Units	1,428,041	-	1,428,041
Inventories	19,376	-	19,376
Advances to Other Funds	17,635,001	-	17,635,001
Notes Receivable	620,000	-	620,000
TOTAL ASSETS	\$37,137,315	194,997	37,332,312
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 1,454,645	-	1,454,645
Accrued Payroll and Related Liabilities	104,680	-	104,680
Due to Component Units	85,929	-	85,929
Deferred Revenue	10,971,209	170,465	11,141,674
Assets Held in Agency Capacity	78,358	-	78,358
TOTAL LIABILITIES	12,694,821	170,465	12,865,286
FUND BALANCES			
Reserved for			
Inventories	19,376	-	19,376
Advances to Other Funds	17,635,001	-	17,635,001
Capital Outlay	672,793	-	672,793
Commonwealth Attorney	1,400,389	-	1,400,389
Unreserved, Reported in			
General Fund, Undesignated	4,714,935	-	4,714,935
Special Revenue Funds	-	24,532	24,532
TOTAL FUND BALANCES	24,442,494	24,532	24,467,026
TOTAL LIABILITIES AND FUND BALANCES	\$37,137,315	194,997	37,332,312

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, 2009

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

Fund Balances - Total Governmental Funds	\$ 24,467,026
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,977,912
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	2,566,719
Interest on long-term debt is not accrued in the funds as in the government-wide statements.	(352,647)
Long-term liabilities, including bonds payable and related premiums, capital leases, and other postemployment benefits are not due and payable in the current period and therefore are not reported in the funds.	(23,822,090)
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>426,280</u>
Net Assets of Governmental Activities	<u><u>\$ 55,263,200</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, 2009

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
REVENUES			
General Property Taxes	\$ 13,305,574	-	13,305,574
Other Local Taxes	11,613,383	-	11,613,383
Intergovernmental	16,516,997	312,010	16,829,007
Charges for Services	400,203	-	400,203
Revenue from Use of Property Permits, Privilege Fees, and	303,509	-	303,509
Regulatory Licenses	43,601	-	43,601
Fines and Forfeitures	134,421	-	134,421
Investment Earnings	101,805	3,930	105,735
Other	378,690	10,026	388,716
TOTAL REVENUES	42,798,183	325,966	43,124,149
EXPENDITURES			
Current			
General Government	2,556,942	-	2,556,942
Judicial Administration	1,271,989	-	1,271,989
Public Safety	12,511,555	-	12,511,555
Public Works	4,033,008	-	4,033,008
Health and Welfare	5,623,301	-	5,623,301
Education	9,009,699	-	9,009,699
Parks, Recreation, and Cultural	2,849,361	-	2,849,361
Community Development	1,303,482	389,369	1,692,851
Transit	623,487	-	623,487
Capital Projects	3,343,054	-	3,343,054
Debt Service			
Principal Retirement	1,282,171	-	1,282,171
Interest and Fiscal Charges	983,772	-	983,772
TOTAL EXPENDITURES	45,391,821	389,369	45,781,190
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,593,638)	(63,403)	(2,657,041)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	<u>General Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)			
Transfers In/Out	809,023	-	809,023
Sale of Capital Assets	65,630	-	65,630
TOTAL OTHER FINANCING SOURCES (USES)	<u>874,653</u>	<u>-</u>	<u>874,653</u>
Net Change in Fund Balances	(1,718,985)	(63,403)	(1,782,388)
FUND BALANCE, JULY 1, 2008	<u>26,161,479</u>	<u>87,935</u>	<u>26,249,414</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 24,442,494</u>	<u>24,532</u>	<u>24,467,026</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

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

Net Change in Fund Balances - Total Governmental Funds	\$(1,782,388)
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, \$3,976,387 exceeds depreciation (\$3,427,049) in the current period.	549,338
The net effect of various transactions involving capital assets (contributions and sales) is to increase net assets.	34,121
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.	(250,575)
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.	(2,333,354)
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.	63,022
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.	(54,854)
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.	1,101,532
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(72,142)</u>
Change in Net Assets of Governmental Activities	<u><u>\$(2,745,300)</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes	\$ 13,638,990	13,638,990	13,305,574	(333,416)
Other Local Taxes	12,915,000	12,915,000	11,613,383	(1,301,617)
Intergovernmental	18,033,064	18,164,983	16,516,997	(1,647,986)
Charges for Services	434,500	434,500	400,203	(34,297)
Revenue from Use of Property Permits, Privilege Fees, and Regulatory Licenses	331,696	331,696	303,509	(28,187)
Fines and Forfeitures	94,000	94,000	43,601	(50,399)
Investment Earnings	180,000	180,000	134,421	(45,579)
Other	116,000	116,000	101,805	(14,195)
	175,913	232,087	378,690	146,603
TOTAL REVENUES	45,919,163	46,107,256	42,798,183	(3,309,073)
EXPENDITURES				
Current				
General Government	2,541,267	2,601,267	2,556,942	44,325
Judicial Administration	1,155,111	1,155,111	1,271,989	(116,878)
Public Safety	12,430,212	12,585,980	12,511,555	74,425
Public Works	3,504,274	3,504,274	4,033,008	(528,734)
Health and Welfare	6,108,022	6,108,022	5,623,301	484,721
Education	8,865,411	9,215,519	9,009,699	205,820
Parks, Recreation, and Cultural	2,698,164	2,904,664	2,849,361	55,303
Community Development	1,658,472	1,766,173	1,303,482	462,691
Transit	671,338	671,338	623,487	47,851
Capital Projects	4,554,536	4,626,286	3,343,054	1,283,232
Debt Service				
Principal Retirement	2,903,365	2,903,365	1,282,171	1,621,194
Interest and Fiscal Charges	3,017,133	3,017,133	983,772	2,033,361
TOTAL EXPENDITURES	50,107,305	51,059,132	45,391,821	5,667,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,188,142)	(4,951,876)	(2,593,638)	2,358,238

(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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers In/Out	3,744,638	3,949,138	809,023	(3,140,115)
Sale of Capital Assets	10,000	31,680	65,630	33,950
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,754,638</u>	<u>3,980,818</u>	<u>874,653</u>	<u>(3,106,165)</u>
Net Change in Fund Balances	<u>(433,504)</u>	<u>(971,058)</u>	<u>(1,718,985)</u>	<u>(747,927)</u>
FUND BALANCE, JULY 1, 2008	<u>9,188,317</u>	<u>8,426,852</u>	<u>26,161,479</u>	<u>(2,351,380)</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 8,754,813</u>	<u>7,455,794</u>	<u>24,442,494</u>	<u>(3,099,307)</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 443,505	443,505	312,010	(131,495)
Investment Earnings	-	-	3,930	3,930
Other	-	-	10,026	10,026
TOTAL REVENUES	443,505	443,505	325,966	(117,539)
EXPENDITURES				
Current				
Community Development	443,505	543,561	389,369	154,192
TOTAL EXPENDITURES	443,505	543,561	389,369	154,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(100,056)	(63,403)	36,653
FUND BALANCE, JULY 1, 2008	-	-	87,935	87,935
FUND BALANCE, JUNE 30, 2009	\$ -	(100,056)	24,532	124,588

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 4,411,547	1,885,995	3,443,740	2,133,431	1,316,852	94,630	13,286,195
Accounts Receivable, Net	6,018,667	346,007	208,605	876,571	374,497	2,464	7,826,811
Due from Other Funds	387,279	-	283	189,502	67,878	-	644,942
Due from Other Governments	5,397	-	1,171,794	895,338	-	-	2,072,529
Inventories	1,425,508	201,725	26,957	1,470,873	-	41,008	3,166,071
Prepays	62,338	200	232	187,482	-	-	250,252
Residential Lots for Sale	-	-	-	-	-	470,140	470,140
Other Current Assets	28,172	2,857	3,983	3,642	-	-	38,654
Total Current Assets	12,338,908	2,436,784	4,855,594	5,756,839	1,759,227	608,242	27,755,594
Noncurrent Assets							
Restricted Cash and Cash Equivalents	864,797	-	-	96,000	-	-	960,797
Certificates of Deposit - Long-term	2,330,290	426,660	-	3,381,965	-	-	6,138,915
Capital Assets, Net	37,178,573	11,356,669	9,936,634	52,917,018	26,058,498	3,762,183	141,209,575
Energy Conservation Loans, Net	764,075	-	-	-	-	-	764,075
Prepays	104,160	-	-	298,749	-	-	402,909
Bond Issuance Costs, Net	467,656	82,264	-	698,086	578,958	53,295	1,880,259
Total Other Noncurrent Assets	41,709,551	11,865,593	9,936,634	57,391,818	26,637,456	3,815,478	151,356,530
TOTAL ASSETS	54,048,459	14,302,377	14,792,228	63,148,657	28,396,683	4,423,720	179,112,124

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	
LIABILITIES							
Current Liabilities							
Accounts Payable and Accrued Liabilities	3,448,389	316,937	19,089	1,964,407	94,433	26,489	5,869,744
Accrued Interest	379,919	90,696	-	540,846	665,623	32,265	1,709,349
Accrued Payroll and Related Deductions	172,867	16,965	18,615	257,441	13,451	2,528	481,867
Due to Other Governmental Units	-	-	-	33,336	-	-	33,336
Due to Other Funds	412,272	190	-	387,562	-	-	800,024
Customer Security Deposits	864,797	-	-	96,000	-	-	960,797
Deferred Revenue	-	-	-	806,209	-	19,800	826,009
Potential Development Credits	74,000	-	-	-	-	-	74,000
Bonds and Leases Payable	504,207	87,022	-	781,729	1,970,178	322,224	3,665,360
Notes Payable	-	46,031	-	32,326	-	-	78,357
Compensated Absences Payable	170,226	61,410	48,639	131,938	131,194	13,864	557,271
Total Current Liabilities	6,026,677	619,251	86,343	5,031,794	2,874,879	417,170	15,056,114

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	
LIABILITIES (CONTINUED)							
Long-term Liabilities							
Termination Benefits Payable	49,841	43,168	-	-	-	-	93,009
Deferred Revenue	8,688	-	-	978,652	-	-	987,340
Advances from Other Funds	-	-	-	-	14,794,666	2,840,335	17,635,001
Compensated Absences Payable	391,993	73,967	98,572	206,624	30,005	6,952	808,113
Notes Payable	-	2,140,702	-	919,545	-	-	3,060,247
Bonds and Leases Payable, Net of Unamortized							
Deferred Amounts	16,638,555	2,901,996	-	26,219,225	32,421,068	3,763,677	81,944,521
Landfill Closure Costs	-	-	-	-	5,478,932	-	5,478,932
Total Long-term Liabilities	17,089,077	5,159,833	98,572	28,324,046	52,724,671	6,610,964	110,007,163
TOTAL LIABILITIES	23,115,754	5,779,084	184,915	33,355,840	55,599,550	7,028,134	125,063,277
NET ASSETS							
Invested in Capital Assets, Net of							
Related Debt	20,503,467	6,263,182	9,936,634	25,662,279	(7,687,742)	167,451	54,845,271
Restricted for Debt Service	-	-	-	-	-	10,322	10,322
Unrestricted	10,429,238	2,260,111	4,670,679	4,130,538	(19,515,125)	(2,782,187)	(806,746)
TOTAL NET ASSETS	\$30,932,705	8,523,293	14,607,313	29,792,817	(27,202,867)	(2,604,414)	54,048,847

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, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
OPERATING REVENUES							
Charges for Services, Net	\$53,658,704	3,015,150	3,113,362	15,492,362	4,713,731	325,825	80,319,134
Sales	-	-	-	-	36,614	118,412	155,026
Management and Consulting Fees	-	-	-	1,613,830	-	-	1,613,830
Rent from Property	648,521	56,974	-	37,699	-	223,266	966,460
Meter Set Changes, Customer Forfeited Discounts and Penalties	232,344	71,449	77,566	65,777	-	-	447,136
Connections and Transfers	225,057	17,458	6,432	-	-	-	248,947
Gain on Sale of Residential Lots	-	-	-	-	-	19,903	19,903
Other Revenue	80,244	369,004	-	25,019	5,087	7,719	487,073
TOTAL OPERATING REVENUES	54,844,870	3,530,035	3,197,360	17,234,687	4,755,432	695,125	84,257,509
OPERATING EXPENSES							
Power and Pumping	-	315,883	1,055,931	-	-	-	1,371,814
Purification and Collection System	-	657,045	218,100	-	-	-	875,145
Transmission and Distribution	1,845,082	297,316	-	-	-	-	2,142,398
Telephone Broadband and CATV	-	-	-	8,215,753	-	-	8,215,753
Billing and Collection	1,157,536	283,749	306,526	1,105,832	-	-	2,853,643
Sales Promotion	200,538	-	-	-	-	-	200,538
Purchase of Electricity	42,361,855	-	-	-	-	-	42,361,855

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
OPERATING EXPENSES (CONTINUED)							
Landfill Closure and Post Closure Care	-	-	-	-	203,601	-	203,601
Administrative and General	3,566,942	874,692	919,501	2,177,660	3,935,032	745,236	12,219,063
Depreciation	1,922,393	474,879	623,447	3,851,821	1,114,376	127,714	8,114,630
Amortization	88,019	22,298	-	26,414	-	-	136,731
TOTAL OPERATING EXPENSES	51,142,365	2,925,862	3,123,505	15,377,480	5,253,009	872,950	78,695,171
Operating Income (Loss)	3,702,505	604,173	73,855	1,857,207	(497,577)	(177,825)	5,562,338
NONOPERATING REVENUES (EXPENSES)							
Interest Income	101,418	5,469	22,684	27,712	18,233	-	175,516
Interest Expense	(826,225)	(95,887)	-	(1,098,825)	(1,627,347)	(200,393)	(3,848,677)
Amortization of Bond Costs	-	-	-	-	(139,815)	(43,991)	(183,806)
Gain (Loss) on Disposal of Assets	5,449	1,000	8,751	2,750	(19,758)	27,589	25,781
TOTAL NONOPERATING REVENUES (EXPENSES)	(719,358)	(89,418)	31,435	(1,068,363)	(1,768,687)	(216,795)	(3,831,186)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
Net Income (Loss) Before Operating Transfers and Capital Contributions	2,983,147	514,755	105,290	788,844	(2,266,264)	(394,620)	1,731,152
TRANSFERS IN (OUT)	(350,000)	-	-	-	(108,300)	-	(458,300)
CAPITAL CONTRIBUTIONS AND GRANTS	-	-	-	2,341,810	-	-	2,341,810
Change in Net Assets	2,633,147	514,755	105,290	3,130,654	(2,374,564)	(394,620)	3,614,662
NET ASSETS, JULY 1, 2008	28,299,558	8,008,538	14,502,023	26,662,163	(24,828,303)	(2,209,794)	50,434,185
NET ASSETS, JUNE 30, 2009	<u>\$30,932,705</u>	<u>8,523,293</u>	<u>14,607,313</u>	<u>29,792,817</u>	<u>(27,202,867)</u>	<u>(2,604,414)</u>	<u>54,048,847</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 54,884,016	3,161,031	3,197,360	15,595,838	4,757,354	671,727	82,267,326
Payments to Suppliers	(45,917,448)	(1,638,435)	(585,965)	(6,787,320)	(1,785,945)	(310,268)	(57,025,381)
Payments to Employees	(3,214,505)	(790,250)	(858,162)	(4,711,925)	(2,105,643)	(444,062)	(12,124,547)
Interfund Receipts (Payments)	(119,390)	(15,526)	(4,850)	(571,319)	(67,878)	-	(778,963)
Other Receipts (Payments)	438,993	159,001	(1,385,636)	989,392	-	7,719	209,469
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	6,071,666	875,821	362,747	4,514,666	797,888	(74,884)	12,547,904
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Net Proceeds from Bond Debt	-	2,186,733	-	900,000	-	-	3,086,733
Proceeds from Capital Outlay Note	-	-	-	-	-	249,990	249,990
Purchase of Capital Assets	(2,291,086)	(3,151,954)	(261,265)	(4,567,898)	(124,247)	(344,190)	(10,740,640)
Proceeds from Sale of Property and Equipment	8,490	1,000	8,751	2,750	4,300	136,566	161,857
Principal Paid on Capital Debt	(555,000)	(100,000)	-	(785,837)	(1,046,962)	(395,945)	(2,883,744)
Interest Paid on Capital Debt	(848,857)	(171,290)	-	(1,184,534)	(1,780,543)	(202,137)	(4,187,361)
Interfund Loan Receipts	-	-	-	-	2,585,733	557,309	3,143,042
Capital Contributions and Grants	424,155	27,868	15,671	447,360	-	-	915,054
Other Receipts	6,000	-	-	-	-	-	6,000
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(3,256,298)	(1,207,643)	(236,843)	(5,188,159)	(361,719)	1,593	(10,249,069)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	(106,962)	(12,340)	-	(136,546)	-	-	(255,848)
Interest Received	101,418	5,469	22,684	27,712	18,233	-	175,516
NET CASH PROVIDED BY (USED FOR)							
INVESTING ACTIVITIES	(5,544)	(6,871)	22,684	(108,834)	18,233	-	(80,332)
Net Increase (Decrease) in Cash and Cash Equivalents	2,809,824	(338,693)	148,588	(782,327)	454,402	(73,291)	2,218,503
CASH AND CASH EQUIVALENTS,							
BEGINNING OF YEAR	2,466,520	2,224,688	3,295,152	3,011,758	862,450	167,921	12,028,489
CASH AND CASH EQUIVALENTS, END OF YEAR							
	<u>\$ 5,276,344</u>	<u>1,885,995</u>	<u>3,443,740</u>	<u>2,229,431</u>	<u>1,316,852</u>	<u>94,630</u>	<u>14,246,992</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital Asset Acquisitions Financed Through Debt	\$ -	-	-	-	-	249,992	249,992
Capital Assets Transferred from General Fund	\$ -	-	-	-	350,723	-	350,723
Capitalized Interest	\$ 22,632	75,403	-	85,711	-	-	183,746

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Electric Fund	Water Fund	Wastewater Fund	OptiNet	Solid Waste Disposal	Clear Creek Golf Course	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating Income (Loss)	\$ 3,702,505	604,173	73,855	1,857,207	(497,577)	(177,825)	5,562,338
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation and Amortization Expense	2,010,412	497,177	623,447	3,878,235	1,114,375	127,714	8,251,360
(Gain) Loss on Sale of Property	-	-	-	-	-	(19,903)	(19,903)
Bad Debt Expense	291,618	54,414	62,738	99,862	-	-	508,632
(Increase) Decrease in Receivables	193,606	(221,985)	(51,920)	172,830	1,925	5,710	100,166
(Increase) Decrease in Inventories	(4,719)	(29,514)	(15,122)	(488,326)	-	(3,949)	(541,630)
(Increase) Decrease in Prepaid Items	51,821	71	52	97,963	-	-	149,907
(Increase) Decrease in Other Assets	(13,192)	220	121	15,099	-	-	2,248
(Increase) Decrease in Due from Other Funds	539,931	-	(283)	(31,671)	-	-	507,977
(Increase) Decrease in Due from Other Governmental Units	(592)	-	(341,324)	(304,657)	-	-	(646,573)
Increase (Decrease) in Accounts Payable	(122,607)	(41,299)	7,644	(554,007)	(9,714)	(4,596)	(724,579)
Increase (Decrease) in Accrued Liabilities	(6,360)	21,444	-	(8,651)	203,601	-	210,034
Increase (Decrease) in Accrued Payroll and Related Deductions	85,519	9,821	8,106	117,088	53,156	(547)	273,143
Increase (Decrease) in Retirement Benefits Payable	(42,538)	(3,175)	-	-	-	-	(45,713)
Increase (Decrease) in Deposits	46,669	-	-	16,675	-	-	63,344
Increase (Decrease) in Due to Other Funds	(659,321)	(15,526)	(4,567)	(539,648)	(67,878)	-	(1,286,940)
Increase (Decrease) in Deferred Revenue	(1,086)	-	-	186,667	-	(1,488)	184,093
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 6,071,666	875,821	362,747	4,514,666	797,888	(74,884)	12,547,904

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Primary Government

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

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

Discretely Presented Component Units

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

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

The following entities are excluded from the accompanying financial statements:

Joint Ventures

Jointly Owned Wastewater Facility

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Joint Ventures (Continued)

Jointly Owned Regional Airport

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

Jointly Owned Public Library

The City, along with the City of Bristol, Tennessee, established a jointly owned public library located in Bristol, Virginia. Each City Council appoints five members to the library board, on which there is one at-large member appointed by the board itself. Each locality provides equal funding to the library annually and each has fifty percent ownership of the capital assets which are included in capital assets in the Government-Wide statements. During the year, the City contributed \$639,012 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, 2009

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, 2009

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 County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the County. 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, 2009

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, wastewater, OptiNet, and the solid waste disposal 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, 2009

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

The two major sources of property taxes are described below:

Real Estate

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute, at a rate enacted by City Council on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of the City of Bristol, Virginia. Public utility property is assessed by the Commonwealth. The tax rate is \$1.05 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, 2009

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

Rehabilitation Loans

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

BVU Accounts Receivable

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

Energy Conservation Loans

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

Allowance for Uncollectible Accounts

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories and Prepaid

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

Capitalization of Interest

The City follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary fixed assets. Interest is not capitalized on the construction of assets used in governmental activities. Interest in the amount of \$183,746 was capitalized for the year ended June 30.

School Board Capital Assets and Related Debt Reporting

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

6. Deferred/Unearned Revenues

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Potential Development Credits

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

8. Compensated Absences

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

9. Long-Term Obligations

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

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

10. Fund Equity

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Estimates

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

12. Joint Administration

BVU utilizes a joint administrative department for the electric, water, wastewater and OptiNet operations, which includes accounting, administration, billings, and collections. The shared administration, customer service, and other general expenses are allocated monthly based on the number of customers serviced by each fund, operating revenues of each fund, and plant in service of each fund. For the year ended June 30, the expenses of this department were allocated 47% to the electric system, 12% to the water system, 12% to the wastewater system, and 29% to the OptiNet system.

13. Advertising Cost

Advertising and marketing costs are expensed as incurred. Advertising costs for BVU totaled approximately \$626,000 for 2009.

14. Other Post Employment Benefits Than Pensions (OPEB)

The Governmental Accounting Standards Board (“GASB”) has issued its Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement 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. The City and School Board prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009. 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, 2009

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 and capital leases, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(23,822,090) difference are as follows:

Bonds Payable	\$ (18,786,751)
Less: Deferred charge on refunding (net of amortization of \$19,464 recorded as interest expense)	190,877
Add: Bond premium (net of amortization of \$5,639 recorded as interest expense)	(60,106)
Literary Fund Loans	(2,172,387)
Capital Lease	(1,307,841)
Other Post-employment Benefits	(132,200)
Compensated Absences	<u>(1,553,682)</u>
 Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	 <u>\$ (23,822,090)</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 increase net assets.” The details of this \$34,121 difference are as follows:

CITY OF BRISTOL, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

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.	\$ 491,835
---	------------

Assets were transferred from the General Fund to the Solid Waste Fund.	(350,723)
--	-----------

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>(106,991)</u>
--	------------------

<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 34,121</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 \$(54,854) difference are as follows:

Deferred Charges on Refunding, Net of Amortization	\$ (19,464)
Bond Issuance Costs, Net of Amortization	(41,029)
Bond Premiums, Net of Amortization	<u>5,639</u>

<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.</i>	<u>\$ (54,854)</u>
--	--------------------

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

Statutes authorize the City to invest in obligations of the United States or agencies thereof,

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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

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

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

B. Receivables

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

	Primary Government								Component Unit
	General	CDBG	Electric	Water	Wastewater	OptiNet	Solid Waste Disposal	Golf Course	Industrial Development Authority
Receivables									
Taxes	\$ 10,588,438	-	-	-	-	-	-	-	-
Accounts	867,492	-	6,171,556	346,007	208,605	967,699	374,497	2,464	-
Energy Conservation Loans	-	-	848,972	-	-	-	-	-	-
Rehabilitation Loans	-	195,465	-	-	-	-	-	-	-
Promissory Note	-	-	-	-	-	-	-	-	-
Property Sale	-	-	-	-	-	-	-	-	789,315
Gross Receivables	11,455,930	195,465	7,020,528	346,007	208,605	967,699	374,497	2,464	789,315
Less: Allowance for Uncollectibles	(789,368)	(25,000)	(237,786)	-	-	(91,128)	-	-	-
Net Total Receivables	\$ 10,666,562	170,465	6,782,742	346,007	208,605	876,571	374,497	2,464	789,315

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

CITY OF BRISTOL, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

	Deferred Revenue		
	Unavailable	Unearned	Total
Receivables			
Taxes for Ensuing Fiscal Year	\$ -	8,574,955	8,574,955
Taxes Not Collected during Period of Availability	983,874	-	983,874
Due from Component Unit	789,315	-	789,315
Rehabilitation Loans	170,465	-	170,465
Notes Receivable	620,000	-	620,000
Other	3,065	-	3,065
	<u>\$ 2,566,719</u>	<u>8,574,955</u>	<u>11,141,674</u>

Unearned revenues reported in the enterprise funds include \$1,793,549 in deferred lease revenue and \$19,800 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 \$789,315 has been deferred as unavailable on the General Fund.

Promissory Notes

Two promissory notes were issued by the City in February 2007 to construct/renovate an old school (Douglas) into housing. The notes are for \$350,000 and \$150,000, respectively. Both notes have an interest rate of 4% and have a thirty-one year term. Accrued interest was \$20,000 as of June 30, 2009. All accrued interest and principal is due in one balloon payment at maturity.

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

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

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 7,528,203	-	-	-	7,528,203
Construction in Progress	1,273,642	3,343,054	-	-	4,616,696
Total Capital Assets, Not Depreciated	<u>8,801,845</u>	<u>3,343,054</u>	<u>-</u>	<u>-</u>	<u>12,144,899</u>
Capital Assets, Being Depreciated					
Buildings and Improvements	13,689,809	287,771	-	(321,000)	13,656,580
Machinery and Equipment	10,590,767	345,560	623,427	(1,041,286)	9,271,614
Library Assets	6,621,162	140,708	-	-	6,761,870
Public Domain Infrastructure	70,061,199	351,127	-	4,863,150	75,275,476
Total Capital Assets, Being Depreciated	<u>100,962,937</u>	<u>1,125,166</u>	<u>623,427</u>	<u>3,500,864</u>	<u>104,965,540</u>
Less Accumulated Depreciation For					
Buildings and Improvements	5,613,821	255,918	-	(70,425)	5,799,314
Machinery and Equipment	6,089,141	606,203	516,436	(690,563)	5,488,345
Library Assets	770,439	263,125	-	-	1,033,564
Public Domain Infrastructure	50,424,458	2,301,803	-	85,043	52,811,304
Total Accumulated Depreciation	<u>62,897,859</u>	<u>3,427,049</u>	<u>516,436</u>	<u>(675,945)</u>	<u>65,132,527</u>
Total Capital Assets, Being Depreciated, Net	<u>38,065,078</u>	<u>(2,301,883)</u>	<u>106,991</u>	<u>4,176,809</u>	<u>39,833,013</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,866,923</u>	<u>1,041,171</u>	<u>106,991</u>	<u>4,176,809</u>	<u>51,977,912</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Primary Government (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated	\$ 4,801,945	-	-	-	4,801,945
Land	1,662,084	17,987,948	13,526,280	-	6,123,752
Construction in Progress					
Total Capital Assets, Not Depreciated	6,464,029	17,987,948	13,526,280	-	10,925,697
Capital Assets, Being Depreciated					
Land Development Costs	31,897,038	-	-	-	31,897,038
Buildings and Improvements	1,814,825	143,413	-	-	1,958,238
Fiber	32,196,851	2,714,305	386,042	-	34,525,114
Infrastructure	29,792	-	-	-	29,792
Plant in Service	95,732,858	2,133,233	173,447	-	97,692,644
Machinery and Equipment	40,097,845	4,004,221	1,195,604	1,041,286	43,947,748
Total Capital Assets, Being Depreciated	201,769,209	8,995,172	1,755,093	1,041,286	210,050,574
Less Accumulated Depreciation For					
Land Development Costs	8,055,606	886,859	-	-	8,942,465
Buildings and Improvements	395,227	68,464	-	-	463,691
Fiber	4,794,293	1,305,022	-	-	6,099,315
Infrastructure	409	3,722	-	-	4,131
Plant in Service	42,708,015	2,796,479	173,447	-	45,331,047
Machinery and Equipment	15,937,190	3,054,084	755,790	690,563	18,926,047
Total Accumulated Depreciation	71,890,740	8,114,630	929,237	690,563	79,766,696
Total Capital Assets, Being Depreciated, Net	129,878,469	880,542	825,856	350,723	130,283,878
Business-Type Activities Capital Assets, Net	\$ 136,342,498	18,868,490	14,352,136	350,723	141,209,575

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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	\$ 41,368
Judicial Administration	24,403
Public Safety	540,141
Public Works	2,366,908
Health and Welfare	22,169
Education	47,048
Library	265,561
Parks, Recreations and Cultural	88,101
Transit	31,350
Total Depreciation Expense, Governmental Activities	<u>\$ 3,427,049</u>
Business-Type Activities	
Electric	\$ 1,922,393
Water	474,879
Wastewater	623,447
OptiNet	3,851,821
Solid Waste Disposal	1,114,376
Golf Course	127,714
Total Depreciation Expense, Business-Type Activities	<u>\$ 8,114,630</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 \$126,080. The equipment category of the business-type activities includes assets recorded under capital lease obligations with a cost of \$249,992 and accumulated depreciation of \$0.

Idle property in the amount of \$79,675 was held at June 30, 2009.

Insurance recoveries in the amounts of \$32,526 were received in the general fund during the year as a result of equipment damages.

BVU received contributions in aid of construction of approximately \$915,000 for 2009. This amount is reported as a reduction in costs of the related assets.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Construction Commitments

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

Discretely Presented Component Unit

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

<u>School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated				
Land	\$ 273,242	-	-	273,242
Construction in Progress	-	188,496	-	188,496
Total Capital Assets, Not Depreciated	<u>273,242</u>	<u>188,496</u>	<u>-</u>	<u>461,738</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	20,707,705	502,290	-	21,209,995
Furniture and Fixtures	7,029,916	522,907	554,382	6,998,441
Transportation Equipment	1,652,677	228,239	-	1,880,916
Total Capital Assets, Being Depreciated	<u>29,390,298</u>	<u>1,253,436</u>	<u>554,382</u>	<u>30,089,352</u>
Less Accumulated Depreciation For				
Buildings and Improvements	9,681,477	511,433	-	10,192,910
Furniture and Fixtures	4,552,065	598,841	350,530	4,800,376
Transportation Equipment	1,014,495	116,524	-	1,131,019
Total Accumulated Depreciation	<u>15,248,037</u>	<u>1,226,798</u>	<u>350,530</u>	<u>16,124,305</u>
Total Capital Assets, Being Depreciated, Net	<u>14,142,261</u>	<u>26,638</u>	<u>203,852</u>	<u>13,965,047</u>
School Board Capital Assets, Net	<u>\$ 14,415,503</u>	<u>215,134</u>	<u>203,852</u>	<u>14,426,785</u>

CITY OF BRISTOL, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Unit (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	\$ 2,662,820	-	(321,000)	2,341,820
Accumulated Depreciation	(560,884)	(47,049)	70,425	(537,508)
	<u>\$ 2,101,936</u>	<u>(47,049)</u>	<u>(250,575)</u>	<u>1,804,312</u>

D. Interfund Receivables, Payables and Transfers

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

The composition of the interfund balances is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Electric	\$ 155,082
Wastewater	OptiNet	283
Solid Waste Disposal	Electric	67,878
Electric	OptiNet	387,279
OptiNet	Electric	189,312
OptiNet	Water	190

CITY OF BRISTOL, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers (Continued)

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste Disposal	\$ 14,794,666
General	Golf Course	2,840,335

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

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

Transfers between funds are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Solid Waste Disposal	\$ 459,023
General	Electric	350,000
Solid Waste	General	350,723

BVU submits tax equivalent payments to the City. An agreement between the City and BVU determines the amount to be transferred. The amount of tax equivalent payments in the current year totaled \$350,000. The Solid Waste fund transferred funds to the General fund for reimbursement of the advances received in prior years. The transfer from the General fund to the Solid Waste fund is for the capital assets related to the refuse collection department that was moved to the Solid Waste fund from General fund.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Due To/From Other Governmental Units

Amounts due from other governmental units are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia			
State and Local Sales Tax	\$ 341,311	-	-
Welfare Grants	119,468	-	-
Comprehensive Service Grants	164,080	-	-
Communication Tax	47,969	-	-
Categorical Aid Shared Expenses	229,339	-	-
School Grants	-	-	251,622
Other	292,337	-	-
Federal Government			
School Grants	-	-	463,393
Welfare Grants	122,567	-	-
Other	18,890	-	-
Other			
Bristol Tennessee (Joint Sewerage System)	-	1,171,794	-
Bristol Public Library	92,080	-	-
Other	-	900,735	2,542
	<u>\$ 1,428,041</u>	<u>2,072,529</u>	<u>717,557</u>

Telecommunication System

In August of 2007, BVU entered into a five year contract with a telecommunications system in North Carolina to manage and maintain the telecommunications system. The management agreement resulted in receivables to the Electric and OptiNet fund, at June 30, 2009, of \$5,397 and \$621,957 respectively.

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases

City as Lessor

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

The aggregate minimum future lease payments to be received based on the lowest percentage factor of 6% are \$845,350. Future payments are to be received as follows:

Year Ended June 30	
2010	\$ 153,700
2011	153,700
2012	153,700
2013	153,700
2014	153,700
2015	<u>76,850</u>
Total	<u>\$ 845,350</u>

BVU - BVU leases network fiber optic cable to others. The leases are non-cancelable operating leases with terms of ten to twenty years. The lease terms require the entire lease amount to be paid on acceptance of the fiber. Receipts under these agreements have totaled approximately \$1,619,000 as of June 30, 2009.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

City as Lessor (Continued)

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

City as Lessee

In April 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 \$0. Further information on the lease amortization is included in Note IV.G.

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

In September 2007, the City entered into a capital lease for two fire trucks. The lease is for a 10 year term with an interest rate of 4.60% and requires yearly payments of \$180,752. The assets have a cost of \$1,400,899 and accumulated depreciation of \$126,080. Further information on the lease amortization is included in Note IV.G.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities					
General Obligation Bonds	\$ 19,534,789	-	(748,038)	18,786,751	793,438
Literary Fund Loans	2,432,820	-	(260,433)	2,172,387	252,387
Bond Premiums	65,745	-	(5,639)	60,106	5,639
Deferred Costs	(210,338)	-	19,461	(190,877)	(19,464)
Capital Lease Obligations	1,400,899	-	(93,058)	1,307,841	120,567
Compensated Absences	1,613,740	1,067,323	(1,127,381)	1,553,682	1,085,424
	<u>\$ 24,837,655</u>	<u>1,067,323</u>	<u>(2,215,088)</u>	<u>23,689,890</u>	<u>2,237,991</u>
Governmental Activities, Long-Term Liabilities					
	<u>\$ 24,837,655</u>	<u>1,067,323</u>	<u>(2,215,088)</u>	<u>23,689,890</u>	<u>2,237,991</u>
Business-Type Activities					
General Obligation Bonds	\$ 40,320,211	-	(1,326,962)	38,993,249	2,346,562
Revenue and Refunding Bonds	48,095,500	900,000	(1,410,000)	47,585,500	1,450,000
Bond Premiums	1,508,790	-	(70,675)	1,438,115	70,676
Deferred Restructuring Gain	840,620	-	(61,695)	778,925	61,696
Deferred Costs	(3,740,037)	-	318,429	(3,421,608)	(318,429)
Total Bonds Payable	87,025,084	900,000	(2,550,903)	85,374,181	3,610,505
MI Connection Notes Payable	982,708	-	(30,837)	951,871	32,326
VRA Loans	-	2,186,733	-	2,186,733	46,031
Capital Lease Obligations	101,655	249,992	(115,947)	235,700	54,855
Landfill Closure Liability	5,275,331	203,601	-	5,478,932	-
Compensated Absences	1,207,087	841,789	(683,492)	1,365,384	557,271
	<u>\$ 94,591,865</u>	<u>4,382,115</u>	<u>(3,381,179)</u>	<u>95,592,801</u>	<u>4,300,988</u>
Business-Type Activities, Long-Term Liabilities					
	<u>\$ 94,591,865</u>	<u>4,382,115</u>	<u>(3,381,179)</u>	<u>95,592,801</u>	<u>4,300,988</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented Component Unit					
Retirement Incentive Liability	\$ 596,829	-	(131,319)	465,510	144,476
Compensated Absences	379,426	138,793	(121,496)	396,723	82,756
Discretely Presented Component Unit, Long-Term Liabilities					
	<u>\$ 976,255</u>	<u>138,793</u>	<u>(252,815)</u>	<u>862,233</u>	<u>227,232</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Series 2003 Revenue and Refunding Bonds

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

Series 2007 A, B and C Bonds

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

Series 2007 Revenue Bonds

Revenue Bonds of \$4,500,000 were issued by the City in 2007 to provide for the construction of, and capital improvements to, the City's fiber optic cable and internet, telephone, and cable television infrastructure. The bonds were issued in the form of variable rate revenue bonds to mature on December 1, 2030 and are subject to redemption as a whole or in part, at any time, at the principal amount thereof, plus accrued interest at the City's discretion. The 2007 Bond is a limited obligation of the City payable from certain net revenues to be derived from the ownership or operation of the City's Utility Systems. As of June 30, 2009, \$1,435,500 had been advanced and was outstanding under these revenue bonds.

The interest rate on the bonds is equal to the sum of the LIBOR Market Index Rate minus 1.20% per annum which may change daily in accordance with changes in the LIBOR Market Index Rate. The LIBOR Market Index Rate was 1.67% at June 30, 2009.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Series 2007 Revenue Bonds (Continued)

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

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 \$1,131,313 was outstanding as of June 30, 2009. The Hassan Heights Water Tank RLF loan was issued in the amount of \$1,176,557, of which \$1,055,420 was outstanding as of June 30, 2009. Each note has a 20 year term and a 3.2% interest rate with the first interest payment to commence in October 2009. Principal and interest payments then begin in April 2010 and continue through April 2029.

Compensated Absences

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

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

Governmental Activities						
Year Ended June 30	General Obligation Bonds		Literary Fund Loans		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 793,438	817,734	252,387	65,295	120,567	60,184
2011	823,450	782,424	240,000	57,600	126,116	54,636
2012	844,925	749,624	240,000	50,400	131,919	48,832
2013	881,013	715,034	240,000	43,200	137,990	42,762
2014	901,225	679,662	240,000	36,000	144,340	36,412
2015-2019	5,761,313	2,687,780	960,000	72,000	646,909	76,097
2020-2024	5,476,387	1,419,144	-	-	-	-
2025-2027	3,305,000	237,456	-	-	-	-
	<u>\$ 18,786,751</u>	<u>8,088,858</u>	<u>2,172,387</u>	<u>324,495</u>	<u>1,307,841</u>	<u>318,923</u>

Business-Type Activities						
Year Ended June 30	General Obligations Bonds		Revenue and Refunding Bonds		MI Connection Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,346,562	1,777,886	1,450,000	2,157,538	32,326	46,874
2011	2,501,550	1,675,860	1,505,000	2,099,538	33,981	45,219
2012	2,640,075	1,579,859	1,550,000	2,054,388	35,719	43,481
2013	2,748,987	1,476,560	1,600,000	2,006,338	37,547	41,652
2014	2,878,775	1,366,435	1,650,000	1,954,338	39,468	39,732
2015-2019	14,038,687	4,819,915	9,475,000	8,551,688	229,784	166,216
2020-2024	11,838,613	1,733,680	11,960,000	6,065,175	294,907	101,093
2025-2029	-	-	15,395,000	2,633,176	248,139	22,239
2030-2034	-	-	1,565,000	106,425	-	-
	<u>\$ 38,993,249</u>	<u>14,430,195</u>	<u>46,150,000</u>	<u>27,628,604</u>	<u>951,871</u>	<u>506,506</u>

The maturities of the Revenue and Refunding Bonds of the Business-type activities above do not include the \$1,435,500 of the Series 2007 Revenue Bond outstanding as of June 30, 2009.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Year Ended June 30	Business-Type Activities				Discretely Presented Component Unit	
	Virginia Resources Authority Loans		Capital Leases Obligations		Retirement Incentive Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	46,031	84,638	54,855	9,885	144,476	21,325
2011	94,284	76,693	57,484	7,256	156,034	9,767
2012	97,325	73,652	60,238	4,502	165,000	-
2013	100,464	70,512	63,123	1,615	-	-
2014	103,705	67,272	-	-	-	-
2015-2019	570,911	283,971	-	-	-	-
2020-2024	669,122	185,761	-	-	-	-
2025-2029	784,226	70,653	-	-	-	-
2030-2034	-	-	-	-	-	-
	<u>2,466,068</u>	<u>913,152</u>	<u>235,700</u>	<u>23,258</u>	<u>465,510</u>	<u>31,092</u>

The Virginia Resources Authority has issued a total of \$2,466,068 in loans during the year. As of June 30, 2009, \$2,186,733 was outstanding.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

<u>General Obligation Bonds</u>	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Governmental Activities	Business- Type Activities
Public Improvement 1993A Series	5.10-5.50%	04-93	12-12	\$ 990,000	\$ 180,000	-
Public Improvement 1998 Series	4.20-5.30	03-98	04-18	12,500,000	125,000	500,000
Public Improvement 2000 Series	5.00-5.50	08-00	08-20	9,000,000	270,000	630,000
Public Improvement 2002 Series	3.00-5.25	02-02	11-22	6,795,000	-	5,930,000
Public Improvement 2003A Series	2.00-5.00	03-03	03-25	9,615,000	3,485,000	3,680,000
Public Improvement 2003B Series	2.99	07-03	02-14	5,280,000	-	3,420,000
Taxable General Obligation 2003C Series	4.11	12-03	12-08	2,500,000	-	-
Gen Obligation Refunding Bonds 2005 Series	3.34	02-05	08-20	9,575,000	2,253,601	7,041,399
Public Improvement 2006 A Series	7.875	12-06	06-11	1,150,000	345,000	805,000
Public Improvement 2006 B Series	3.5 - 4.0	12-06	6-27	3,675,000	3,675,000	-
Public Improvement 2006 C Series	5.00	12-06	7-16	6,090,000	1,705,200	4,384,800
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
					<u>18,786,751</u>	<u>38,993,249</u>
						72,147
					60,106	(823,949)
					<u>(190,877)</u>	<u>(823,949)</u>
					<u>\$ 18,655,980</u>	<u>38,241,447</u>

Revenue and Refunding Bonds

Series 2003 Revenue and Refunding Bonds						
Electric	2.00-5.25%	07-03	07-30	\$ 19,335,000		\$ 17,715,000
Water	2.00-5.25	07-03	07-30	3,480,000		3,175,000
OptiNet	2.00-5.25	07-03	07-30	27,490,000		25,260,000
Series 2007 Revenue Bonds	Variable	12-07	12-30	1,435,500		1,435,500
						<u>47,585,500</u>
						1,365,968
						778,925
						<u>(2,597,659)</u>
						<u>\$ 47,132,734</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

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

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Governmental Activities	Business-Type Activities	Component Unit-School Board
<u>Other Long-Term Debt</u>							
Literary Fund Losses - VA High Library	4.00%	11-88	07-09	\$ 335,187	\$ 12,387	-	-
Literary Fund Losses - VA Middle School	3.00%	09-97	09-17	4,800,000	2,160,000	-	-
MI Connection Note Payable	5.00%	12-07	12-27	1,000,000	-	951,871	-
VRA RLF Loans	3.20%	09-08	04-29	2,466,068	-	2,186,733	-
					<u>\$ 2,172,387</u>	<u>3,138,604</u>	<u>-</u>
<u>Capital Lease Obligations</u>							
Governmental	4.60%	09-07	01-18	\$1,400,899	\$ 1,307,841	-	-
Clear Creek	4.69%	04-09	07-13	249,992	-	235,700	-
					<u>\$ 1,307,841</u>	<u>235,700</u>	<u>-</u>
<u>Retirement Incentive Liability</u>							
VRS	8.00%	1994	2014	1,292,244	\$ -	-	465,510

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

Revenue and Refunding Bonds	Principal	Premiums	Deferred Gains	Deferred Costs	Total
Electric	\$ 570,000	24,983	38,695	(129,471)	504,207
Water	105,000	4,856	9,553	(32,387)	87,022
OptiNet	775,000	35,520	13,448	(42,239)	781,729
	<u>\$ 1,450,000</u>	<u>65,359</u>	<u>61,696</u>	<u>(204,097)</u>	<u>1,372,958</u>

Prior Year Defeasance of Debt

In prior years, the City defeased certain general obligation bonds by placing the proceeds in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2009, \$4,500,000 of bonds are considered defeased. The deferred costs are being amortized over the life of the new bonds as a component of interest expense.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Pledged Revenues

The City has pledged future customer revenues, net of specified operating expenses, to repay \$50,800,000 in revenue bonds issued July 2003 and \$1,435,500 in revenue bonds issued in December 2007. Proceeds from the bonds provided financing for the construction of a new Electric System sub-station and the continued development of the City's Telecommunication network. The bonds are payable solely from BVU's net revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 2% of net revenues. The total principal and interest remaining to be paid on the bonds is approximately \$73,778,604. Principal and interest paid for the current year and total customer net revenues were \$3,572,728 and \$78,806,952, respectively.

H. Landfill Closure and Post-Closure Care Costs

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

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

The estimated landfill closure and postclosure care cost liability for the old landfill is \$2,821,345 as of June 30, 2009, which is based on 75% usage (filled) of the landfill. It is estimated that an additional \$940,448 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfills are currently expected to be filled to capacity (the year 2020). The City is mining waste from the old landfill, baling it, and placing it in the quarry balefill. The old landfill is expected to remain open until its mandated closure date in 2020.

The estimated liability for landfill closure and postclosure care costs for the quarry balefill is \$2,531,650 as of June 30, 2009, which is based on 30% usage (filled) of the landfill. It is estimated that an additional \$5,975,238 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, 2009 are \$28,114, \$16,767, and \$81,056, respectively. It is estimated that an additional \$5,589 will be recognized for the wood incinerator and \$329,095 for

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

It should be recognized that the formula for closure/postclosure costs are based on a prescribed formula established by the Department of Environmental Quality without regard to regions or cost differentials across the State. The estimated total current cost of the landfill closure and postclosure care (\$12,729,302) 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, 2009. However, the actual costs of closure will be paid out at the time of closure of each facility and postclosure will be paid out in the thirty years following the closure of each facility. The actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

I. Net Assets

The solid waste disposal fund has an accumulated deficit in net assets of (\$27,202,867). 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 golf course fund has an accumulated deficit in net assets of (\$2,604,414). The City is currently funding the operating losses out of the general fund. Management is currently monitoring operations of the golf course and is considering methods to produce operating surpluses in the future to reduce the deficit.

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated for prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan Description

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

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

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-employment Health Care Benefits (Continued)

Funding Policy

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

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

Annual OPEB Cost and Net OPEB Obligation

The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation.

	<u>City</u>	<u>BVU</u>	<u>School Board</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 241,800	246,800	170,300	658,900
Interest on Net OPEB Pension Obligation (NPO)	-	-	-	-
Adjustment to Annual Required Contribution	-	-	-	-
Annual OPEB Cost (Expense)	241,800	246,800	170,300	658,900
Contributions Made	(109,600)	(122,300)	(170,300)	(402,200)
Increase in Net OPEB Pension Obligation	132,200	124,500	-	256,700
Net OPEB Obligation—Beginning of Year	-	-	-	-
Net OPEB Obligation—End of Year	<u>\$ 132,200</u>	<u>124,500</u>	<u>-</u>	<u>256,700</u>

CITY OF BRISTOL, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-employment Health Care Benefits (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 658,900	61.0%	\$ 256,700

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$7,543,900.

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

Actuarial Methods and Assumptions

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

In the June 30, 2009, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 10% initially, decreasing at a rate of .5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over 30 years beginning with July 1, 2008.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan

Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs), payable monthly, for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may 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.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2008AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed this 5% member contribution. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City’s and the School Board’s contribution rates for the fiscal year ended 2009 were 10.98% and 13.81% of annual covered payroll, respectively (including the employee share of 5% paid by the employer).

For the three years ended June 30, 2009, 2008, and 2007, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$1,728,504, \$1,846,694, and \$1,655,641, and represented 13.81%, 15.30%, and 14.20% of annual covered payroll, respectively, and 100% of required contributions for 2009, 2008, and 2007.

CITY OF BRISTOL, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Annual Pension Cost

For fiscal year 2009, the City's and the School Board's annual pension cost of \$3,577,725 and \$38,520, respectively, were equal to their required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included 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 unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

Three-Year Trend Information for the City

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (ARC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 3,577,725	100%	\$ -
June 30, 2008	3,221,694	100%	-
June 30, 2007	3,019,311	100%	-

Three-Year Trend Information for the School Board

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (ARC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 38,520	100%	\$ -
June 30, 2008	48,789	100%	-
June 30, 2007	50,578	100%	-

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 85.49% funded. The actuarial accrued liability for benefits was \$89,356,032, and the actuarial value of assets was \$76,388,428, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,967,604. The covered payroll (annual payroll of active employees covered by the plan) was \$21,330,684, and the ratio of the UAAL to the covered payroll was 60.79%.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Funded Status and Funding Progress (Continued)

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

C. Termination of Benefits Payable

At June 30, 2009, BVU has a liability for voluntary termination benefits payable resulting from early retirement incentives to three individuals until they reach retirement age under the Virginia Retirement System. The liability is measured at the discounted present value of expected future benefit payments, computed with an effective annual discount rate of 6%.

D. Service Contracts

The following is a summary of significant service contracts:

Electrical Service

In September 2006, BVU entered into an agreement with the Tennessee Valley Authority for the purchase of wholesale power for distribution. This contract began on January 1, 2008 and will end December 31, 2027. For the year ended June 30, 2009, \$42,361,855 was expensed under this contract.

Housing of Prisoners

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

E. Risk Management

The Risk Management Programs of the City are as follows:

Workmen's Compensation

Workmen's Compensation Insurance is provided through the Virginia Municipal Self Insurance Association for the City and through School Systems of Virginia Group Self Insurance Association for the School Board. During the year, total premiums paid were \$260,468 and \$60,314 for the City and School Board, respectively. Benefits are those afforded through State of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience. BVU maintains commercial insurance with USF&G to cover workmen's

CITY OF BRISTOL, VIRGINIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE V - OTHER INFORMATION (CONTINUED)

E. Risk Management (Continued)

Workmen's Compensation (Continued)

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. Total premiums paid for the year were \$350,255 and \$88,904 for the City and School Board, respectively. BVU maintains general liability and other insurance coverage through commercial insurance policies.

Healthcare

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

Dental

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

Reconciliation of claim liabilities is as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Balance July 1	\$ 7,289	8,481	7,943
Claims Incurred	124,086	127,434	113,667
Claims Paid	<u>122,894</u>	<u>127,972</u>	<u>117,702</u>
Balance, June 30	<u>\$ 8,481</u>	<u>7,943</u>	<u>3,908</u>

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE V - OTHER INFORMATION (CONTINUED)

F. Jointly-Owned Wastewater Facility

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

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

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

Due from Other Governments	
Contributions in Excess of Allocated Capital Outlays	\$ 726,704
Due from Joint Sewerage System	<u>445,090</u>
Total Due from Other Governments	<u>\$ 1,171,794</u>
Due from Joint Sewerage System consisted of the following:	
Contributions to Joint Wastewater	\$ 1,854,240
Other Income	<u>38,968</u>
Total Contributions and Other Income	1,893,208
Expenditures - Bristol, Virginia's Portion	<u>1,448,118</u>
Total Due from Joint Sewerage System	<u>\$ 445,090</u>
Land	
Equipment, Treatment and Composing Plant	18,259,928
Accumulated Depreciation	<u>(12,012,685)</u>
Net Capital Assets	<u>\$ 6,428,258</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 \$39,600.

H. Capital Contributions

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

I. Commitments and Contingencies

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

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

The City has committed to serve as fiscal agent for the Train Station's Historic District Revitalization Project and has received approximately \$2,171,635 from the State for the train station enhancement project on behalf of the Train Station as of June 30, 2009. The City is the guarantor of the repayment of these funds should the project not be completed. The project is anticipated to end in fiscal year 2010.

Special Purpose Grants

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

Litigation and Regulatory Issues

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE V - OTHER INFORMATION (CONTINUED)

J. Prior Period Adjustments

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

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

Infrastructure	\$ 4,863,150
Accumulated Depreciation	<u>(85,043)</u>
Total Adjustments to Government-wide Statement	\$ <u>4,778,107</u>

K. Subsequent Events

Virginia Resources Authority Loans

The remaining \$279,335 of VRA Loans was drawn subsequent to year end. The loans will begin repayment during fiscal year 2010 for a period of 20 years, through April 1, 2029. The remainder of the loans drawn was used for completion of the Bristol View Connector and Hassan Heights Water Tank water projects.

Organizational Change

In October 2009, the City Council approved, on second reading, to allow BVU to separate from the City and become an Independent Authority pending approval from the Virginia General Assembly. If approved by the State, BVU would operate as an independent authority and not as a proprietary fund of the City.

L. New Accounting Standards

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

CITY OF BRISTOL, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
 AND OTHER POST-EMPLOYMENT BENEFITS
 June 30, 2009

City Employees - Pension Plan

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 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%
June 30, 2005	58,809,665	72,309,237	13,499,572	81.33%	17,875,185	75.52%

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

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

(Continued)

CITY OF BRISTOL, VIRGINIA
 REQUIRED SUPPLEMENTARY INFORMATION
 ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
 AND OTHER POST-EMPLOYMENT BENEFITS
 June 30, 2009

City Employees - Other Post-Employment Benefits

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

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

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

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

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
INDUSTRIAL DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2009

ASSETS	
Cash	\$ 4,186
Receivables, Net	<u>789,315</u>
TOTAL ASSETS	<u><u>\$ 793,501</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to Primary Government	<u>\$ 789,315</u>
TOTAL LIABILITIES	<u>789,315</u>
FUND BALANCES	
Undesignated	<u>4,186</u>
TOTAL FUND BALANCES	<u>4,186</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 793,501</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDUSTRIAL DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
For the Fiscal Year Ended June 30, 2009

REVENUES	
Investment Earnings	<u>\$ 153,700</u>
TOTAL REVENUES	<u>153,700</u>
EXPENDITURES	
Industrial Development	<u>153,700</u>
TOTAL EXPENDITURES	<u>153,700</u>
Net Change in Fund Balances	-
FUND BALANCE, JULY 1, 2008	<u>4,186</u>
FUND BALANCE, JUNE 30, 2009	<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, 2009

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<u>Department of Agriculture</u>			
Food Distribution - Commodities	Department of Agriculture	10.555	\$ 71,585
National School Lunch Program	Department of Education	10.555	522,310
National School Breakfast Program	Department of Education	10.553	208,373
State Administrative Matching Grant for Food Stamp Program	Department of Social Services	10.561	299,709
<u>Department of Education</u>			
Title I, Part A - Improving Basic Programs	Department of Education	84.010	850,929
Title I, Part D - Neglected and Delinquent Children	Department of Education	84.013	21,947
Title II, Part A - Improving Teacher Quality State Grants	Department of Education	84.367	165,887
Title II, Part D - Enhancing Education Through Technology	Department of Education	84.318	4,731
Special Education - Preschool (IDEA, Preschool)	Department of Education	84.173	15,351
Special Education - Grants to States (IDEA, Part B)	Department of Education	84.027	551,312
Safe and Drug Free Schools and Communities	Department of Education	84.186	20,868
Title V, Part A - Innovative Programs	Department of Education	84.298	2,443
Carl Perkins - Vocational Education	Department of Education	84.048	64,671
Reading First State Grants	Department of Education	84.357	121,259
Title III, Part A - English Language Acquisition	Department of Education	84.365	654
LIFE Community Services	Department of Education	84.xxx	32,500
High School That Works	Department of Education	84.xxx	11,765
Honors	Department of Education	84.xxx	8,261
ARRA - State Fiscal Stabilization Fund- Government Services, Recovery Act	Department of Education	84.397	569,162
<u>Department of Health and Human Services</u>			
Medicaid	N/A	93.000	27,271
Family Preservation and Support	Department of Social Services	93.556	17,390
Temporary Assistance to Needy Families	Department of Social Services	93.558	349,189
Refugee and Entrant Assistance - State Administered Programs	Department of Social Services	93.566	567
Low-Income Home Energy Assistance	Department of Social Services	93.568	17,635
Child Care and Development Block Grant	Department of Social Services	93.575	147,795
ARRA - Child Care and Development Block Grant	Department of Social Services	93.713	10,610
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	162,737
ARRA - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	9,757

(Continued)

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<u>Department of Health and Human Services (Continued)</u>			
Chafee Education and Training Vouchers Program	Department of Social Services	93.599	1,794
Adoption Incentives	Department of Social Services	93.603	1,520
Child Welfare Services - State Grants	Department of Social Services	93.645	2,207
Foster Care - Title IV-E	Department of Social Services	93.658	385,574
ARRA - Foster Care - Title IV-E	Department of Social Services	93.658	28,164
Adoption Assistance	Department of Social Services	93.659	65,538
ARRA - Adoption Assistance	Department of Social Services	93.659	5,918
Social Services Block Grant	Department of Social Services	93.667	169,994
Independent Living	Department of Social Services	93.674	17,396
State Children's Insurance Program	Department of Social Services	93.767	22,399
Medical Assistance Program	Department of Social Services	93.778	196,558
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant - Entitlement Grants	N/A	14.218	312,010
<u>Department of Homeland Security</u>			
Law Enforcement Terrorism Prevention Program Grant	Department of Emergency Mangement	97.074	44,124
State Homeland Security Program Grant	Department of Emergency Mangement	97.073	110,923
Heavy Tactical Rescue Team Equipment, Exercise and Training Grant	Department of Emergency Mangement	97.073	15,000
Citizen's Alert Grant	Department of Emergency Mangement	97.073	26,502
<u>Department of Justice</u>			
Violence Against Women Formula Grants	Department of Criminal Justice Services	16.588	17,597
Local Law Enforcement Block Grant	Department of Criminal Justice Services	16.738	3,759
Criminal Justice Information Technology Improvement	Department of Criminal Justice Services	16.xxx	12,357
<u>Department of Transportation</u>			
State and Community Highway Safety	Department of Motor Vehicles	20.600	28,430
<u>Department of Environmental Protection Agency</u>			
Capitalization Grants for Drinking Water State Revolving Funds	Department of Environmental Protection	66.468	1,692,664
Beaver Creek Redevelopment Site	Department of Environmental Quality	66.817	10,000
Total Federal Award Expenditures			\$ 7,457,096

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
NOTES TO SCHEDULE OF FEDERAL AWARDS
June 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICY

Basis of Accounting

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

NOTE 2 - NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities disbursed. The School Board had food commodities totaling \$12,239 in inventory at June 30, 2009.

NOTE 3 - SUBGRANTEES

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

Birthplace of Country Music	\$ 12,500
Bristol Family Resource Center	500
Court Appointed Special Advocate	9,205
D.A.R.E.	5,000
Infrastructure Improvements	98,314
Main Street Program	22,500
Neighborhood Revitalization	15,433
Virginia High School	118,179
People, Inc.	<u>37,277</u>
	<u>\$ 318,908</u>

NOTE 4 - PROGRAM INCOME

In accordance with terms of the Community Development Block Grant Program, program income totaling \$10,026 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 Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 29,915,337	23,694,648	28,512,940	13,804,929	10,555,902	6,094,345	6,967,702
Restricted	2,073,182	2,842,539	-	119,144	335,787	362,658	226,090
Unrestricted	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>\$ 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	\$ 54,845,271	51,272,867	42,606,561	52,758,724	43,849,657	34,322,730	41,807,583
Restricted	10,322	17,176	14,814	9,374	9,374	9,374	87,093
Unrestricted	(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>\$ 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	\$ 84,760,608	74,967,515	71,119,501	66,563,653	54,405,559	40,417,075	48,775,285
Restricted	2,083,504	2,859,715	14,814	128,518	345,161	372,032	353,183
Unrestricted	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>\$ 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>60,870,145</u>

Note:

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

See Independent Auditors' Report.

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

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

(Continued)

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

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
PROGRAM REVENUES							
Governmental Activities							
Charges for Services							
General Government Administration	\$ 277,958	257,859	261,452	165,907	202,410	156,240	129,575
Judicial Administration	230,806	250,633	214,632	258,272	275,919	314,482	273,541
Public Safety	274,435	473,704	708,593	759,331	729,335	807,140	741,289
Public Works	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	91,769	98,123	103,223	114,107	108,966	108,142	115,344
Other Activities	39,318	37,804	41,145	36,831	38,829	43,001	38,022
Operating Grants and Contributions	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	2,656,318	1,565,583	4,549,390	1,798,859	490,464	353,992	15,732
Total Governmental Activities Program Revenues	16,896,261	17,903,539	19,282,146	15,591,937	13,266,090	12,117,732	11,877,342
Business-type Activities							
Charges for Services							
Electric	54,844,870	46,489,221	39,857,424	39,870,170	34,258,137	27,903,957	27,742,189
Water	3,530,035	3,337,032	3,341,488	3,191,277	2,932,032	2,627,925	2,539,450
Wastewater	3,197,360	3,329,804	3,264,167	3,287,249	3,177,476	3,492,236	3,153,548
OptiNet	17,234,687	14,525,312	10,973,174	8,633,285	7,272,254	4,654,103	754,192
Solid Waste Disposal	4,755,432	4,311,968	4,254,511	4,155,851	4,278,408	4,404,205	3,849,225
Golf Course	695,125	750,047	748,699	734,213	796,174	842,672	780,859
Capital Grants and Contributions	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	86,599,319	78,392,152	63,619,892	67,135,824	55,523,778	45,054,017	39,120,463
Total Primary Government Program Revenues	\$ 103,495,580	96,295,691	82,902,038	82,727,761	68,789,868	57,171,749	50,997,805

(Continued)

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

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

(Continued)

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

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

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved	\$ 19,727,559	17,445,721	11,292,989	7,883,336	3,302,676	6,904,013	14,022,517	8,525,437	126,047	52,688
Unreserved	4,714,935	8,715,759	7,938,332	787,983	7,795,789	9,179,187	2,097,917	2,253,333	10,188,985	8,669,453
Total General Fund	<u>\$ 24,442,494</u>	<u>26,161,480</u>	<u>19,231,321</u>	<u>8,671,319</u>	<u>11,098,465</u>	<u>16,083,200</u>	<u>16,120,434</u>	<u>10,778,770</u>	<u>10,315,032</u>	<u>8,722,141</u>
 All Other Governmental Funds										
Reserved	\$ -	-	-	27,870	-	-	-	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	24,532	87,935	9,627	(26,385)	28,317	11,171	2,178	21,994	48,896	33,032
Total All Other Governmental Funds	<u>\$ 24,532</u>	<u>87,935</u>	<u>9,627</u>	<u>1,485</u>	<u>28,317</u>	<u>11,171</u>	<u>2,178</u>	<u>21,994</u>	<u>48,896</u>	<u>33,032</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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
REVENUES										
Taxes	\$ 24,918,957	\$ 26,309,728	28,220,221	21,752,273	20,298,325	19,727,411	18,721,767	18,427,511	18,078,767	17,844,877
Permits, Privilege Fees, and Licenses	43,601	55,367	88,032	86,288	93,415	74,017	91,709	54,294	95,662	85,148
Fines and Forfeitures	134,421	148,419	146,528	186,976	214,507	247,654	214,474	224,643	183,006	212,879
Investment Earnings	409,244	536,400	523,313	489,918	267,281	168,309	179,337	189,690	357,059	226,643
Charges for Services	400,203	1,273,679	1,116,025	1,430,179	1,287,715	1,307,061	1,354,406	1,218,576	1,124,896	1,194,450
Other	388,716	595,798	627,169	350,328	534,222	509,655	465,555	1,280,481	1,037,697	1,302,808
Intergovernmental	16,829,007	17,071,694	16,971,145	15,403,804	15,058,282	12,487,916	12,404,438	11,990,030	11,087,937	10,546,702
Total Revenues	43,124,149	45,991,085	47,692,433	39,699,766	37,753,747	34,522,023	33,431,686	33,385,225	31,965,024	31,413,507
EXPENDITURES										
General Government Administration	2,556,942	2,854,121	2,949,908	2,500,908	2,299,735	2,285,132	1,799,817	1,550,393	1,525,667	1,490,185
Judicial Administration	1,271,989	1,127,182	1,120,914	1,039,768	955,437	815,370	792,736	829,610	883,959	670,733
Public Safety	12,511,555	12,041,017	12,854,163	12,295,870	11,646,734	10,895,628	10,349,840	10,655,647	9,347,562	9,449,521
Public Works	4,033,008	4,193,526	3,866,181	3,990,794	4,143,388	4,012,670	3,199,012	3,659,133	3,281,606	3,831,981
Health and Welfare	5,623,301	6,222,774	5,201,697	5,911,003	4,907,608	4,462,085	4,145,290	4,187,124	3,863,385	3,292,745
Education	9,009,699	8,690,721	8,019,557	8,868,472	8,196,819	9,145,537	8,481,114	8,312,125	8,392,289	8,482,241
Parks, Recreation, and Cultural	2,849,361	2,484,434	2,420,945	2,736,703	2,521,567	2,311,299	2,121,099	2,232,282	2,031,184	1,989,537
Community Development	1,692,851	1,474,618	2,593,211	1,600,291	3,847,048	6,083,691	1,149,646	1,515,709	1,062,924	1,680,634
Transit	623,487	520,894	477,949	528,463	628,542	511,667	427,446	845,667	529,760	469,308
Capital Projects	3,343,054	1,183,154	2,915,828	1,903,490	3,323,348	1,052,674	1,857,599	668,331	251,814	771,422
Debt Service:										
Principal	1,282,171	5,436,521	3,959,810	1,574,531	1,116,698	585,883	705,712	687,272	4,143,400	524,962
Interest	983,772	731,396	756,711	734,986	707,047	616,466	494,100	444,980	362,096	346,424
Total Expenditures	45,781,190	46,960,358	47,136,874	43,685,279	44,293,971	42,778,102	35,523,411	35,588,273	35,675,646	32,999,693
Excess (Deficiency) of Revenues										
Over/(Under) Expenditures	(2,657,041)	(969,273)	555,559	(3,985,513)	(6,540,224)	(8,256,079)	(2,091,725)	(2,203,048)	(3,710,622)	(1,586,186)
OTHER FINANCING SOURCES (USES)										
Proceed from Borrowing	-	6,747,950	7,422,000	724,750	2,321,500	4,475,000	4,413,354	-	2,700,000	1,800,000
Payments to Bond Escrow Agents	-	-	-	-	(2,302,887)	-	-	-	-	-
Sale of Capital Assets	65,630	78,891	2,151,267	418,349	436,522	34,455	-	505,396	274,433	1,382,114
Insurance Recoveries	-	-	-	38,436	-	-	-	-	-	-
Capital Lease	-	1,400,899	-	-	-	-	-	-	-	-
Transfers In	809,023	350,000	350,000	350,000	1,291,004	3,863,484	3,204,815	2,241,048	2,418,358	2,443,722
Transfers Out	-	-	-	-	(173,504)	(282,000)	(200,000)	(143,403)	(73,414)	(59,031)
TOTAL OTHER FINANCING SOURCES (USES)	874,653	8,577,740	9,923,267	1,531,535	1,572,635	8,090,939	7,418,169	2,603,041	5,319,377	5,566,805
Net Change in Fund Balances	\$ (1,782,388)	\$ 7,608,467	10,478,826	(2,453,978)	(4,967,589)	(165,140)	5,326,444	399,993	1,608,755	3,980,619
Debt Service as a Percentage of Noncapital Expenditures	5.34%	13.47%	10.67%	5.53%	4.45%	2.88%	3.56%	3.24%	12.72%	2.70%

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
2009	932,366,500	40,381,108	10,815,071	15,573,204	1,495,279	1,000,631,162	1.05%	7.00%
2008	918,459,200	38,417,934	12,790,535	14,250,641	1,505,142	985,423,452	1.05%	7.00%
2007	874,768,300	35,898,923	17,593,513	19,560,928	1,664,016	949,485,680	0.98%	6.00%
2006	767,041,575	34,747,388	17,859,218	16,764,883	*	836,413,064	0.98%	6.00%
2005	754,670,575	36,732,886	18,095,654	18,955,042	*	828,454,157	0.98%	6.00%
2004	738,938,475	36,048,456	15,856,600	20,181,818	*	811,025,349	0.98%	6.00%
2003	724,965,475	35,896,104	19,565,734	16,686,749	*	797,114,062	1.10%	6.00%
2002	590,454,560	36,021,529	18,991,926	12,302,386	*	657,770,401	1.10%	6.00%
2001	583,294,560	33,475,986	17,620,252	12,653,313	*	647,044,111	1.10%	6.00%
2000	568,887,400	30,688,200	19,709,408	13,435,186	*	632,720,194	1.10%	6.00%

* - Not available

(1) Assessed at 100% of fair market value

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

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

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

Note: Reassessments occur every four years

Source: Commissioner of Revenue

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
 PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
 Current Year

<u>Taxpayer</u>	2009		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Bristol Mall Associates	\$ 22,286,500	1	25.2%
Trammel Hotel Investments LLC	17,270,600	2	19.6%
Debra Jean Limited (Tinseltown)	7,104,900	3	8.0%
HD Development of MD (Home Depot)	7,104,900	4	8.0%
Apple Nine SPE Bristol (Marriott)	7,093,900	5	8.0%
Yale Linden Associates LLC (Linden Dr)	6,082,300	6	6.9%
Pacific Capital Group (Post Office/Food Lion)	5,789,100	7	6.6%
Ventas Realty (Liberty Place)	5,451,700	8	6.2%
Euclid Center PC	5,186,900	9	5.9%
Ball Metal Beverage Container Corp.	4,923,300	10	5.6%
	<u>\$ 88,294,100</u>		<u>105.0%</u>

Source: Commissioner of Revenue

Note: Data is not available for nine years ago.

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
2009	\$ 13,639,460	12,365,327	90.66%		12,365,327	90.66%
2008	13,473,325	12,510,509	92.85%	335,351	12,845,860	95.34%
2007	16,317,789	15,047,994	92.22%	691,252	15,739,246	96.45%
2006	11,213,528	10,713,765	95.54%	94,957	10,808,722	96.39%
2005	9,991,992	9,620,944	96.29%	94,966	9,715,910	97.24%
2004	9,942,138	9,578,190	96.34%	134,020	9,712,210	97.69%
2003	9,633,917	9,274,808	96.27%	193,961	9,468,769	98.29%
2002	9,575,982	9,234,146	96.43%	143,613	9,377,759	97.93%
2001	9,282,222	8,952,316	96.45%	223,709	9,176,025	98.86%
2000	9,192,586	8,857,484	96.35%	224,639	9,082,123	98.80%

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Legal Debt Margin										
Debt Limit	\$ 93,236,650	\$ 93,236,650	91,845,900	90,305,500	89,432,923	78,380,646	77,362,562	75,912,029	74,165,222	60,275,695
Total Net Debt Applicable to Limit	59,952,387	62,287,820	59,894,556	61,713,861	51,753,727	42,985,000	39,855,000	31,010,000	36,054,699	44,060,948
Legal Debt Margin	<u>\$ 33,284,263</u>	<u>\$ 30,948,830</u>	<u>31,951,344</u>	<u>28,591,639</u>	<u>37,679,196</u>	<u>35,395,646</u>	<u>37,507,562</u>	<u>44,902,029</u>	<u>38,110,523</u>	<u>16,214,747</u>

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value	\$ 932,366,500
Debt Limit (10% of assessed value)	93,236,650
Less Debt Applicable to Limit:	
General Obligation Bonds	(57,780,000)
Other Long-Term Obligations	<u>(2,172,387)</u>
Legal Debt Margin	<u>\$ 33,284,263</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 Seven 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
2009	\$ 18,786,751	38,993,249	57,780,000	5.77%	3,313	-	2,172,387
2008	19,534,789	40,320,211	59,855,000	5.98%	3,440	-	2,432,820
2007	16,277,411	40,913,325	57,190,736	5.80%	3,287	-	2,703,820
2006	12,345,291	41,868,500	54,213,791	5.71%	3,116	2,775,000	2,974,820
2005	12,710,937	39,042,790	51,753,727	6.19%	2,974	211,500	3,247,455
2004	13,315,000	29,670,000	42,985,000	5.19%	2,485	2,654,000	3,516,820
2003	9,150,000	30,705,000	39,855,000	4.91%	2,317	-	3,792,703

Fiscal Year	Business-Type Activities			Total Debt		Per Capita
	Revenue Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income	
2009	47,585,500	-	235,702	107,773,589	*	6,180
2008	48,095,500	-	101,655	110,484,975	*	6,350
2007	48,950,000	-	155,545	109,000,101	*	6,264
2006	50,310,000	-	201,497	110,475,108	*	6,349
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

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

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

See Independent Auditors' Report.

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

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 78,982,185	65,559,941	13,422,244	1,440,837	2,204,681	3.68
2008	68,241,785	54,611,848	13,629,937	1,407,292	2,037,484	3.96
2007	57,436,253	47,466,650	9,969,603	1,360,000	2,079,352	2.90
2006	54,981,981	46,185,286	8,796,695	560,000	2,929,254	2.52
2005	47,639,899	37,664,128	9,975,771	480,000	2,853,393	2.99
2004	38,678,221	29,696,345	8,981,876	700,000	2,579,103	2.74
2003	34,189,379	27,743,773	6,445,606	670,000	1,966,526	2.44

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

See Independent Auditors' Report.

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

Fiscal Year	Population (1)	Per Capita Personal Income (3)	Public School Enrollment	Unemployment Rate
2009	17,438	*	2,265	10.5%
2008	17,400	*	2,272	5.9%
2007	17,400	29,907	2,308	5.2%
2006	17,400	28,877	2,302	4.8%
2005	17,400	26,703	2,295	5.3%
2004	17,300	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 Weldon Cooper Center, University of Virginia and the City Planning Department

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

See Independent Auditors' Report.

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

<u>EMPLOYER</u>	<u>2009</u>		Percentage of Total City Employment
	<u>Employees</u>	<u>Rank</u>	
City of Bristol	700	1	17.16%
Electro Mechanical Corp.	600	2	14.71%
Office Max	500	3	12.26%
Sprint PCS	500	4	12.26%
Strongwell Corp	400	5	9.81%
US Solutions	394	6	9.66%
United Parcel Service	300	7	7.35%
Commonwealth of Virginia	250	8	6.13%
Ball Corp (formerly Reynolds Metal)	235	9	5.76%
Snack Alliance (formerly Moore's Snack Foods)	200	10	4.90%
	<u>4,079</u>		<u>107.97%</u>

Source: Jerry Brown, Economic Development

Note: Data is not available for nine years ago.

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
 BY FUNCTION/PROGRAM (UNAUDITED)
 Last Five Fiscal Years

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

*Comparable information was not available for prior years.

See Independent Auditors' Report.

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Judicial Administration</u>					
Sheriff					
Inmates Housed (Daily)	126	136	147	144	118
Inmate Transports	512	1,095	1,095	1,063	901
Courts Worked	628	615	584	452	448
<u>Public Safety</u>					
Police					
Criminal Warrants	2,978	2,954	2,852	2,655	2,567
Parking Violations	500	776	649	798	1,707
Traffic Violations	3,803	3,738	4,319	8,091	9,101
Fire					
Fire Responses	183	197	175	128	148
EMS Responses	1,262	1,264	998	1,019	1,128
Hazmat Responses	97	88	79	78	80
Other Responses	768	513	537	573	460
<u>Public Works</u>					
Refuse Collected (tons per day)	33	33	33	34	36
Recyclables collected (tons per day)	10	8	13	17	20
<u>Library</u>					
Volumes in collection	164,494	159,547	144,558	149,100	146,350
Total Circulated	371,697	340,937	359,248	340,900	302,900
<u>Electric</u>					
Number of Customer Accounts	16,363	16,381	16,258	16,125	*
Miles of Distribution Lines	549	549	549	549	*
Miles of Transmission Lines	29	29	29	29	*
<u>Water</u>					
Number of Customer Accounts	7,971	7,963	7,993	7,961	*
Miles of Distribution Lines	135	135	135	135	*
Volume Pumped (million gallons per day average)	3,602	3,842	3,680	3,565	*
<u>Sewer</u>					
Number of Customer Accounts	7,739	7,723	7,740	7,745	*
Waste/Water Treated (million gallons per day)	4,293	3,874	3,870	4,129	*
<u>OptiNet</u>					
Number of Customer Accounts	9,779	8,526	7,782	7,509	*
Plant Fiber Miles	372	372	372	372	*

*Comparable information was not available for prior years.

See Independent Auditors' Report.

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

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

See Independent Auditors' Report.

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

Customer Type	Revenue	Percentage of Total Revenue	Average Number of Customers Per Month	Percentage of Total Customers	Revenue Per Customers	Kilowatt Hours Sold	Revenue Per Kilowatt Hour
<u>Residential</u>							
2009	<u>\$ 22,002,846</u>	41.01%	13,699	78.84%	<u>\$ 1,606.16</u>	211,328,777	<u>\$ 0.1041</u>
2008	<u>\$ 17,937,945</u>	39.51%	13,683	78.72%	<u>\$ 1,310.97</u>	213,827,240	<u>\$ 0.0839</u>
<u>Small Commercial</u>							
2009	<u>\$ 4,628,782</u>	8.63%	2,199	12.66%	<u>\$ 2,104.95</u>	40,105,068	<u>\$ 0.1154</u>
2008	<u>\$ 3,877,126</u>	8.54%	2,217	12.76%	<u>\$ 1,748.82</u>	41,502,174	<u>\$ 0.0934</u>
<u>Large Commercial and Industrial</u>							
2009	<u>\$ 25,856,200</u>	48.19%	333	1.92%	<u>\$ 77,646.25</u>	297,369,596	<u>\$ 0.0869</u>
2008	<u>\$ 22,518,815</u>	49.60%	333	1.92%	<u>\$ 67,624.07</u>	330,365,147	<u>\$ 0.0682</u>
<u>Street and Outdoor Lighting</u>							
2009	<u>\$ 1,170,876</u>	2.18%	1,145	6.59%	<u>\$ 1,022.60</u>	5,798,391	<u>\$ 0.2019</u>
2008	<u>\$ 1,066,997</u>	2.35%	1,148	6.60%	<u>\$ 929.44</u>	7,444,290	<u>\$ 0.0143</u>
<u>Totals</u>							
2009	<u>\$ 53,658,704</u>	100.01%	17,376	100.01%	<u>\$ 3,088.09</u>	554,601,832	<u>\$ 0.0968</u>
2008	<u>\$ 45,400,883</u>	100.00%	17,381	100.00%	<u>\$ 2,612.10</u>	593,138,851	<u>\$ 0.0765</u>
<u>PURCHASED POWER</u>							
	<u>Cost</u>					<u>Kilowatt Hours Purchased</u>	<u>Cost Per Kilowatt Hour</u>
2009	<u>\$ 42,361,855</u>					579,034,053	\$ 0.0732
2008	<u>\$ 34,295,778</u>					615,162,926	\$ 0.0558

See Independent Auditors' Report.

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

	2009			
	Average Number of Customers Per Month	Revenue Per Customer	Gallons (000's) Sold	Revenue Per 1,000 Gallons
Residential	6,861	\$ 209.51	334,650	\$ 4.295
Commercial and Industrial	1,119	\$ 968.12	359,747	\$ 3.011
Other Water Authorities	12	\$ 41,194.97	288,852	\$ 1.711
Totals	<u>7,992</u>	<u>377.27</u>	<u>983,249</u>	<u>3.07</u>

	2008			
	Average Number of Customers Per Month	Revenue Per Customer	Gallons (000's) Sold	Revenue Per 1,000 Gallons
Residential	6,871	\$ 203.65	328,387	\$ 4.261
Commercial and Industrial	1,136	\$ 1,029.93	396,866	\$ 2.948
Other Water Authorities	11	\$ 49,872.81	310,109	\$ 1.769
Totals	<u>8,018</u>	<u>388.86</u>	<u>1,035,362</u>	<u>3.011</u>

	2009 (000's)	2008 (000's)
Total Gallons Pumped	1,332,917	1,438,723
Gallons Used in Operations	<u>2,457</u>	<u>18,596</u>
Gallons Available for Sale	1,330,460	1,420,127
Total Gallons Sold	<u>983,249</u>	<u>1,035,362</u>
Gallons Lost	<u>347,211</u>	<u>384,765</u>
Loss as a Percentage of Gallons Pumped	<u>26.05%</u>	<u>26.74%</u>

See Independent Auditors' Report.

SECTION IV

INTERNAL CONTROL AND COMPLIANCE

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

Honorable Members of City Council
City of Bristol
Bristol, Virginia

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units and each major fund of the City of Bristol, Virginia (the "City") as of and for the year ended June 30, 2009 which collectively comprise the City's basic financial statements and have issued our report thereon dated November 24, 2009. We did not audit the financial statements of Bristol Virginia Utilities, which is comprised of the Electric, Water, Wastewater and OptiNet funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us and, our opinion, insofar as it relates to the amounts included for Bristol Virginia Utilities, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Town*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the

City of Bristol, Virginia
Independent Auditors' Report on Internal Control
Over Financial Reporting and on
Compliance and Other Matters

Page 2

deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, findings numbered 07-01 and 06-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-01 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated November 24, 2009.

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 & STEAGALL, PLC

November 24, 2009

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

City of Bristol, Virginia
Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over
Compliance in Accordance with *OMB Circular A-133*

Page 2

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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 & STEAGALL, PLC

November 24, 2009

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

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

National School Breakfast Program	10.553
National School Lunch Program	10.555
Food Distribution Commodities	10.555
Community Development Block Grant	14.218
Capitalization Grants for Drinking Water	66.468
Title I, Part A	84.010
ARRA – State Fiscal Stabilization Fund	
Government Services, Recovery Act	84.397
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, 2009

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

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

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

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

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

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

Management response: Management and members of City Council are aware of these proprietary funds which have deficits and continue to monitor results of these funds. Current year changes in operations and budget applications have been initiated to help these deficits. Long term plans are to continue to monitor these funds to minimize the yearly deficits.

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

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

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

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

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

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

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

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

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

None

PRIOR YEAR FINDINGS IMPLEMENTED

08-1 Significant Deficiency – Cash Disbursements

08-2 Significant Deficiency – Comprehensive Services Act