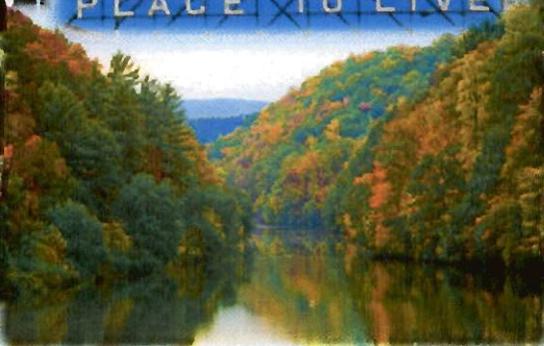




# The City of Bristol, Tennessee



Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2010



CITY OF BRISTOL, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010



Prepared by:

City of Bristol, Tennessee Finance Department  
Tara Musick, CPA, Director of Finance

CITY OF BRISTOL, TENNESSEE  
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INTRODUCTORY  
SECTION



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

Margaret Feierabend - Mayor  
David Shumaker - Vice Mayor  
James E. Messimer - Councilman  
Joel Staton - Councilman  
Fred Testa - Councilman

Telephone: (423) 989-5503  
Facsimile: (423) 989-5506

Jeffrey J. Broughton, City Manager

December 28, 2010

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

Tennessee statute requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the *Comprehensive Annual Financial Report* of the City of Bristol Tennessee for the fiscal year ended June 30, 2010.

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

Brown, Edwards & Company, L.L.P., certified public accountants, have issued an unqualified ("clean") opinion on the City of Bristol Tennessee's financial statements for the fiscal year ended June 30, 2010. The independent auditors' report is presented as the first component of the financial section of this report.

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

#### PROFILE OF THE GOVERNMENT

The City of Bristol Tennessee, which was incorporated on February 22, 1856, is located in the northeastern part of the state bordering Bristol Virginia. The City occupies a land area of 32.6 square miles and serves a population of 25,573. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by City Council.

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

The City of Bristol provides a full range of services including police and fire protection; the construction and maintenance of streets and other infrastructure; provision of water, sewer, and sanitation services; and recreational or cultural activities and events. The City also is financially accountable for an electric system with broadband services that is an enterprise fund of the City, and an emergency communications district that is a discrete component unit of the City. Both entities are reported in these financial statements. Additional information on the emergency communications district can be found in the notes to the financial statements. The City also participates in several joint ventures that are also disclosed in Note I.

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

## LOCAL ECONOMY

Bristol is located in northeast Tennessee and is strategically located as an integral link in the national transportation highway system. The City, a part of the Kingsport-Bristol Metropolitan Statistical Area, is located on Interstate 81 (served by Exits 69 and 74) and is 17 miles north of the junction of I-81 and I-26. Bristol is centrally located to serve major southeastern markets and is within a one-day drive of 53 percent of the U.S. population, with 65 percent of U.S. major markets located within a 600-mile radius. The Tri-Cities Regional Airport provides air travel and freight opportunities and is the location of a U.S. Customs port of entry and U.S. Foreign Trade Zone No. 204. The Tri-Cities World Trade Center, a part of the Regional Alliance for Economic Development, is located in Sullivan County and serves a larger 13 county economic region. More than 50 motor freight carriers serve the area and the Norfolk Southern Railway has a major transfer yard in Bristol with a main line running through the city.

The community is the home of the Bristol Regional Medical Center, Exide Technologies, King Pharmaceuticals, Glaxo-Smith Kline, Bristol Metals L.P., Royal Mouldings, Graceway Pharmaceuticals, and Touchstone Wireless. Modest employment growth has been seen from this employer group. Wellmont Health Systems is the largest employer in the City with more than 270 board-certified or board-eligible physicians and over 1,615 nurses, technicians, and support staff members at Bristol Regional Medical Center.

Networks Sullivan Partnership, the countywide economic development organization created by the Cities of Bristol, Kingsport, Bluff City, and Sullivan County, is implementing a project initiated by Bristol resulting in the acquisition and development of a new 224 acre regional industrial park within the corporate limits. During the past year, Networks, in conjunction with the City and the State of Tennessee, has overseen the design, engineering, and construction of the industrial road serving the Partnership Park II at a cost of \$1,534,304. The project was primarily funded by the Tennessee Department of Transportation.

Designation of this industrial park and the adjacent Bristol Metals industrial site as a Foreign Trade Zone was accomplished this year which is expected to assist Bristol Metals in expanding its stainless steel pipe export business while also serving as a recruitment tool for new industries looking to locate in the new industrial park.

The Bristol Economic Development Strategy emphasizes assistance to local companies through the combination of local and state incentives, training, and technical assistance programs; as well as the recruitment of new industries and businesses. In recent years, the City has provided in-lieu assistance to a number of new and existing companies as inducement to locate and expand in Bristol. Nearly \$20 million in capital investments have been made under this program in the past few years. In 2009, the City approved a tax increment financing project with Reclaimed Resources as inducement for the construction of a \$157 million waste-to-energy project with 100 new jobs. The size and complexity of this project has afforded an opportunity for the City to receive commitments for assistance from the Tennessee Department of Transportation on the improvement of the principal road serving the facility and the Tennessee Department of Economic and Community Development on a new rail spur to the facility. Project financing is being finalized and construction on the project is expected to begin in 2011. In addition, Exide Corporation is poised to begin production of a new battery at its Bristol plant to serve the growing hybrid automobile market with an expected \$27 million investment and the creation of 120 new jobs.

Bristol continues to emphasize the redevelopment of the downtown central business district and the City as a tourist destination. In 1998, the U.S. Congress recognized Bristol's contribution to music history by passing a resolution recognizing Bristol as the "Birthplace of Country Music." A Main Street community, Bristol has facilitated the continued growth of music venues downtown with weekly summer concerts and the annual Rhythm and Roots Reunion Music Festival, which has grown to become a major southeast music event covering a three-day collection of known music talents. The City is also partnering with the Paramount Theater to expand the entertainment opportunities to City and area residents. Additional events such as the Crooked Road, the Sunny Side Early County Trail, and other bluegrass oriented music festivals are increasing the recognition of Bristol as a tourist destination. The downtown

restaurants/bars have added to this growth in musical opportunities with music offered on a weekly and nightly basis in several downtown establishments.

To add to the emphasis on downtown redevelopment, the City continued the replacement of the existing street lights with period lighting on 7<sup>th</sup> and 8<sup>th</sup> Streets from State Street to Shelby Street and the addition of matching street signs and parking signage. This streetscape treatment will be continued in a progressive yearly improvement program. A new gateway entrance sign, benches, bike racks, and planters designed to compliment the new period lighting were added to State Street last year. The City continues to work with the U.S. Army Corp of Engineers on the Beaver Creek Flood Mitigation Project, which will include the addition of a linear green space and pocket park on the Beaver Creek remainder of the Sears site, including period lighting on 8<sup>th</sup> Street and Shelby Street.

The community's medical needs are provided by Wellmont Health System's Bristol Regional Medical Center. The Medical Center is a state-of-the-art, not-for-profit, regional health care facility serving residents of Northeast Tennessee, Southwest Virginia, and parts of Kentucky, North Carolina, and West Virginia. The 700,000 square foot facility and related services offer prevention, and early detection, diagnostic and therapeutic care and has recently added a state-of-the-art emergency care facility, surgery center, and new helicopter landing area. The Medical Center also serves as a magnet for additional medical offices and professionals. To facilitate the continued growth of the health care industry and to improve access to the regional hospital and relieve safety issues, the City, Sullivan County, and the Bristol Regional Medical Center partnered in the development of a preliminary engineering report to plan the improvement and extension of the Medical Park Boulevard to State Highway 126. Efforts are underway to finance in part the construction with state and federal grant funds.

A major attraction to the City of Bristol during the spring and summer months is the internationally recognized NASCAR facility at Bristol Motor Speedway (BMS), "The World's Fastest Half-Mile." The facility seats over 160,000 fans for each of the two NASCAR Sprint Cup races and is a very popular venue for NASCAR Nationwide and Truck Series races as well. The BMS "Thunder Valley" drag strip hosts national drag racing events sanctioned by NHRA and others. Bristol Motor Speedway is one of the largest tourist attractions in the State of Tennessee and brings over a million visitors to Bristol each year.

This fiscal year ended with 985 construction permits being issued with a total estimated construction value of \$19.5 million. Construction value was approximately 50% lower than the previous year due to economic conditions affecting private sector investment.

### **LONG-TERM FINANCIAL PLANNING**

In September 2009, the City refinanced the balance of the \$2,775,000 Series VI-D-4 variable rate bonds to fixed rates to minimize interest rate exposure in the future. Construction of the new public library was funded through the original bond issue. With this action, all of the City's outstanding debt is now in fixed rate instruments.

In the upcoming fiscal year, the City is planning energy conservation measures throughout the Bristol Tennessee City Schools. Several school buildings will be upgraded using these funds including Tennessee High School, Vance Middle School, and Anderson, Avoca, Haynesfield, and Holston View elementary schools; as well as the administrative building and the maintenance shop. The total cost of the projects is estimated to be \$8,500,000. An Energy Efficient Schools Initiative (EESI) Loan Agreement with the Tennessee Energy Efficient Schools Council will provide a total of \$5,088,000 in loan and grant funds of which \$5,000,000 will be loaned over 12 years with a fixed interest rate of 0.75%. An \$88,000 grant rounds out this portion of the funding. The remaining project funds will be provided through a \$3,500,000 general obligation bond.

The City, under the stewardship of the Board of Education, completed the construction of a new 600-student Fairmount Elementary School to replace the Old Fairmount School and Central Elementary, with the first classes held in January 2010. The \$14,340,000 project was funded with a two-year phased tax rate increase that was instituted in 2007 and 2008. One hundred percent of the tax increase is dedicated to retire debt service. Subject to economic conditions, other major school facility improvements are planned commencing in 2014 that will likewise be funded with property tax revenue. As current general obligation debt service requirements decrease, the available funds previously allocated for debt service will also be used to partially fund these school projects.

In the next five years, approximately \$9.9 million in utilities construction and upgrades are planned. The proposed projects include new construction of water and sewer lines that will promote growth and development. The projects also include upgrading existing utilities to provide better service to existing customers. Management is currently planning to use funds from a Sullivan County Sewer Agreement to fund the bulk of the sewer projects. The majority of existing water and sewer bonds are to be extinguished in fiscal year 2011. Reducing current debt service requirements will provide additional funding for either capital projects or operations.

Management is currently analyzing the projected cash flows for both the Water and Sewer Funds to determine the planned projects to be funded through cash financing. Management is also reviewing the planned general projects to determine the projects where debt financing would be advantageous in the current economic situation. Additional debt financing may be obtained for water, sewer or general projects in conjunction with the general obligation bonds for the ECM project planned in 2011, if deemed necessary.

### **RELEVANT FINANCIAL POLICIES**

Temporarily idle cash was invested in a money market checking account and the State Treasurer's Local Government Investment Pool (LGIP). Funds are primarily invested in the investment pool and cash is transferred into the operating account of the City when required. Staff has reviewed various investment alternatives allowed under State statute and the LGIP is offering competitive rates with increased liquidity. The City has opted to maintain liquidity in an effort to be positioned to invest in securities and cash management plans that offer higher yields than the LGIP when available.

## MAJOR INITIATIVES

The City completed a long-range transportation plan in 2006 and is in the process of implementing the plan. Transportation projects were identified over a 25-year planning horizon with the reconstruction of East Cedar Street from 5<sup>th</sup> Street to King College Road now under preliminary design. A 2010 Transportation Report for the US 421 corridor from the Anderson Street Bridge to Highway 394 was completed as the first step to improving this important roadway corridor.

The City is continuing its investment in water system upgrades to improve fire protection in the east end of the City with \$480,000 of capital improvements planned for the 2011 fiscal year. The planned improvements include completion of phase I construction in the King College Road area and initiation of phase II work on this important project. Also to assist in providing fire prevention services, a fire engine is planned for replacement in the upcoming year at an estimated cost of \$850,000, including equipment. Sullivan County is planning to fund approximately \$180,000 of the cost of the engine.

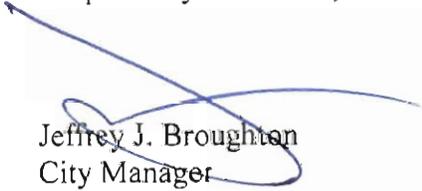
## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bristol for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the seventh consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

  
Jeffrey J. Broughton  
City Manager



Tara E. Musick, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bristol  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

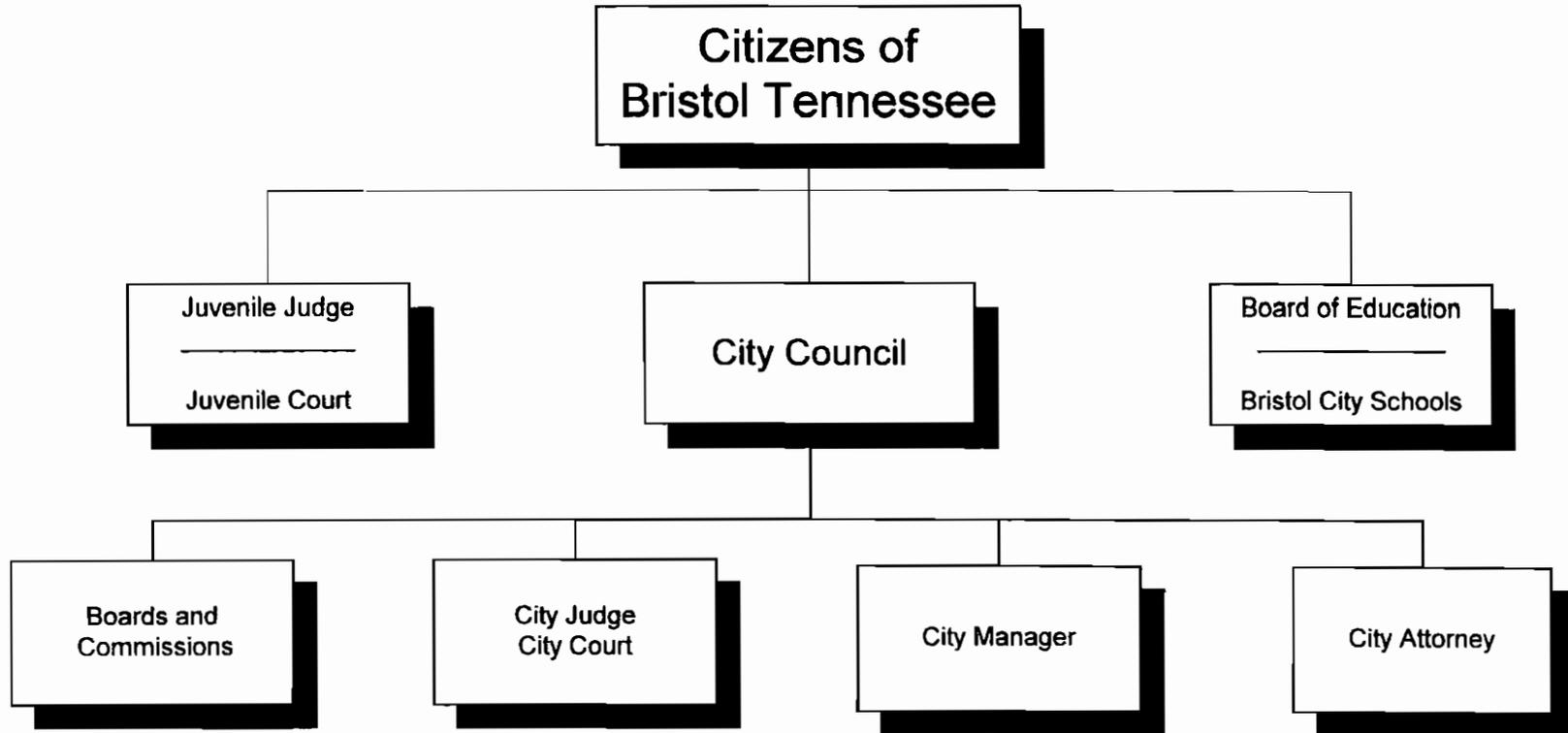
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



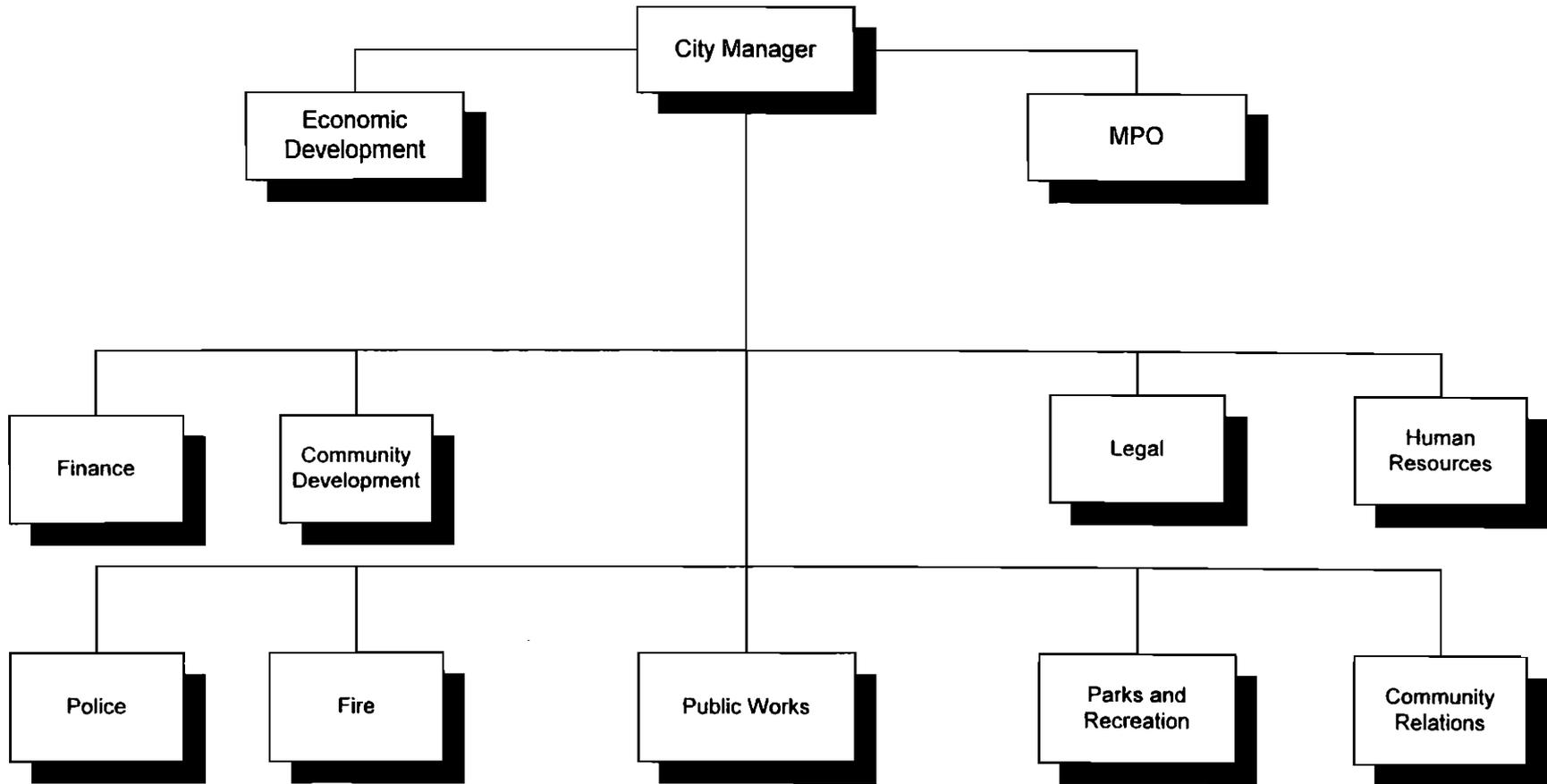
President

Executive Director

# CITY OF BRISTOL TENNESSEE ORGANIZATIONAL CHART



# CITY OF BRISTOL TENNESSEE ORGANIZATIONAL CHART



CITY OF BRISTOL, TENNESSEE  
LIST OF PRINCIPAL OFFICIALS

City Council

Margaret Feierabend  
David Shumaker  
James Messimer  
Joel Staton  
Fred Testa

City Manager

Jeffrey Broughton

Deputy City Managers

Development	Michael Sparks
Public Works	William Sorah

Department Directors

Community Development	Shari Brown
Community Relations	Terrie Talbert
Finance	Tara Musick
Fire	Bob Barnes
Human Resource	Belva Hale
Legal	Jack Hyder
Parks and Recreation	Terry Napier
Police	Blaine Wade
Public Works	William Sorah

City Attorney

Jack Hyder

FINANCIAL  
SECTION

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Council, and City Manager  
City of Bristol, Tennessee  
Bristol, Tennessee 37620

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bristol, Tennessee, ("the City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bristol, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Fund, which represents 66, 60 and 91 percent, respectively, of the assets, net assets and revenues of the proprietary fund types of the City. 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 the Electric Fund, is based on the report of the other auditors. We did not audit the financial statements of the Bristol Tennessee/Virginia Public Library, which represents 4 percent of the capital assets of the governmental activities of the City. 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 the Library, 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 the requirements prescribed by the Comptroller of the Treasury, State of Tennessee. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and the general purpose school 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 December 23, 2010, on our consideration of the City of Bristol, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13-27 and the required supplementary information on pages 115-119 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 23, 2010

# Management's Discussion and Analysis

As management of the City of Bristol, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2010. Management's Discussion and Analysis should be read in conjunction with the City's financial statements for fiscal year 2010, including related notes.

## **Financial Highlights**

- The assets of the City of Bristol exceeded its liabilities at the close of the 2010 fiscal year by \$250,968,049 (*total net assets*). Of this amount, \$57,544,449 (*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 \$11,044,641 due to current year activity. For governmental activities, this \$2,630,511 increase was due to several factors including additional capital asset donations, an increase in the property tax rate, and several decreases in program expenses across the governmental activities. The City received \$4,644,805 of capital assets as grants or contributions from various sources throughout the year. For business activities, the increase was due to capital asset contributions of \$2,844,275 from outside sources, such as contractors and Sullivan County, TN.
- As of the close of the current fiscal year, the City of Bristol's governmental activities reported combined unrestricted fund balances of \$24,679,361 for a \$2,258,339 increase from the previous year. This increase is primarily due to a prior period adjustment pertaining to deferred revenue of \$911,200 and an increase in property tax revenue of \$1,114,688. The invested in capital assets, net of related debt, amount for governmental activities increased by \$1,087,195 throughout the course of the 2010 year. This increase is primarily due to the completion of the new Fairmount Elementary School.
- At the end of the current fiscal year, fund balance for the General Fund was \$12,922,506 for an increase of \$505,167 from the prior year. This increase in fund balance is due in part to an increase in property tax revenue and reduced spending across several of the various departments in response to the change in the economic situation. Staff held vacancies open as long as possible. Planned capital outlays have been deferred until the economy and revenues improve.
- The City of Bristol, Tennessee's total liabilities decreased by \$5,581,545 during the current fiscal year. Accounts payable and other current liabilities decreased by \$2,072,089. Noncurrent liabilities decreased by \$1,762,407 from the prior year due to retirement of debt. The Series VI-D-4 Local Improvement Bonds were refunded by the issuance of Series 2009 General Obligation Refunding Bonds. The Demolition Landfill Fund had a decrease in the liability for closure costs of \$178,525, mainly due to the closure of Area III during 2010. Contracts payable and retainages payable decreased \$1,526,789 and \$399,842, respectively, primarily to the completion of the new Fairmount Elementary School and several energy conservation projects.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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**

The *Statement of Net Assets* and *Statement of Activities* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements include entities the City is financially accountable for including the City (known as the primary government) and one legally separate entity. The separate component unit is an emergency communications district. Financial information for the emergency communications district is reported separately from the financial information presented for the primary government.

- ***Statement of Net Assets*** – presents information on all of the City's assets owned, less liabilities owed. The difference between assets and liabilities is reported as net assets. Increasing or decreasing trends in net assets serve as an indicator of the City's improving or deteriorating financial position.
- ***Statement of Activities*** – presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the revenue is earned or the expense is incurred, regardless of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal years. For instance, a portion of property taxes that are billed and collected subsequent to year-end have been earned and accounted for in the current fiscal year. Another example is earned employee vacation leave not taken that has also been accounted for in the current fiscal year.

These statements group activities into two classifications: governmental activities and business-type activities. Governmental activities include general government, community relations, education, parks and recreation, public safety, and public works. The business-type activities of the City include electric, water, sewer, cable and internet, telephone, and demolition landfill operations.

Both statements segregate revenues and expenses by classifications. Revenues such as user fees and charges are designed to subsidize related costs. These revenues are separated from general revenues and intergovernmental grants.

The government-wide financial statements can be found on pages 28 - 29 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. The City, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the City can be divided into three 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 impending inflows and outflows of spendable resources. These statements also highlight the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City’s imminent financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, 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. 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 fifteen 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 three major funds: General Fund, General Purpose School Fund, and the School Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements and the budgetary comparison statements can be found on pages 30-39 of this report.

- ***Proprietary Funds*** – provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds.

*Enterprise funds* are used to report the functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, cable and internet, telephone, and demolition landfill operations.

*Internal service funds* accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its employee insurance costs. Payment of employee insurance costs predominantly benefits governmental functions and is included within governmental activities in the government-wide financial statements.

The proprietary fund statements provide separate information for the electric (including cable and internet and telephone), water, sewer, and landfill operations. All of these are major funds of the City. Conversely, the internal service fund is shown as a single presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 40 - 45 of this report.

- ***Fiduciary Funds*** – are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not available to support the City's own programs and are not reflected in the government-wide financial statements. Fiduciary fund accounting procedures are similar to proprietary fund procedures. The basic fiduciary fund financial statements can be found on pages 46 - 47 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 48 - 114 of this report.

### **Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds and agency funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 120 - 138 of this report.

### **Government-Wide Financial Analysis**

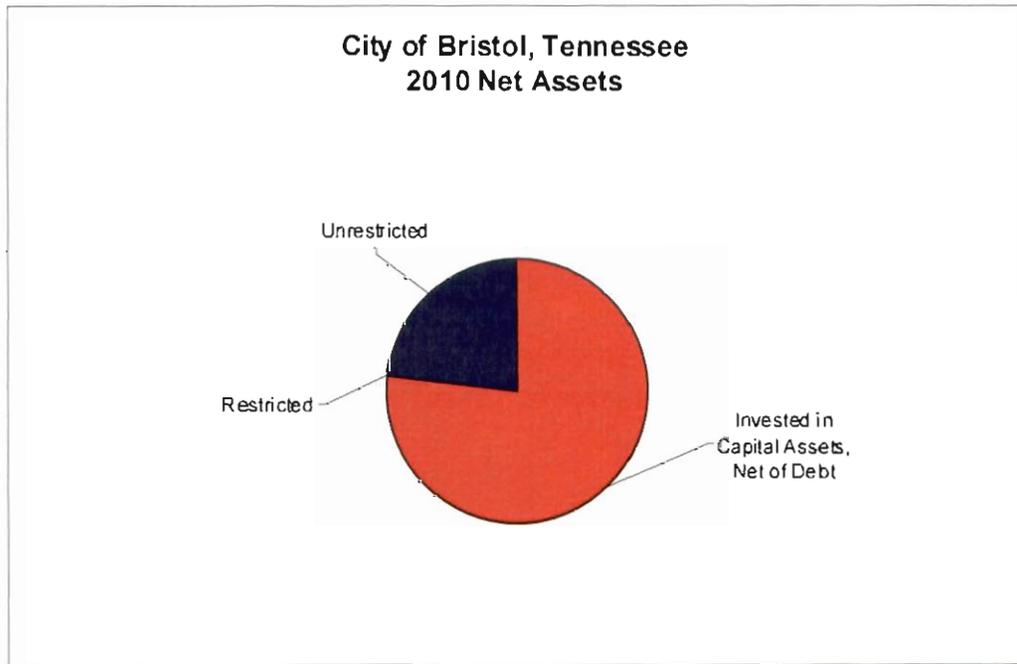
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Bristol, total assets exceeded total liabilities by \$250,968,049 at the close of the most recent fiscal year.

By far the largest portion of the City of Bristol's net assets (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the government's ongoing obligations to citizens and creditors.

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

**City of Bristol, Tennessee Net Assets**  
**(Excluding Component Unit)**  
**June 30, 2010**  
**(Presented in Actual Dollars)**

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>ASSETS:</b>						
Current and Other Assets	\$ 53,444,233	\$ 56,851,765	44,006,695	42,997,099	97,450,928	99,848,864
Capital Assets, Net of Accumulated Depreciation	116,163,178	112,596,174	123,355,413	118,278,360	239,518,591	230,874,534
<b>Total Assets</b>	<b>169,607,411</b>	<b>169,447,939</b>	<b>167,362,108</b>	<b>161,275,459</b>	<b>336,969,519</b>	<b>330,723,398</b>
<b>LIABILITIES:</b>						
Current Liabilities	25,911,392	28,187,497	11,496,027	13,039,060	37,407,419	41,226,557
Long-term Liabilities	20,325,847	21,358,559	28,268,204	28,997,899	48,594,051	50,356,458
<b>Total Liabilities</b>	<b>46,237,239</b>	<b>49,546,056</b>	<b>39,764,231</b>	<b>42,036,959</b>	<b>86,001,470</b>	<b>91,583,015</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of Debt	98,061,071	96,973,876	94,732,789	90,020,144	192,793,860	186,994,020
Restricted	629,740	506,985	-	-	629,740	506,985
Unrestricted	24,679,361	22,421,022	32,865,088	29,218,386	57,544,449	51,639,378
<b>Total Net Assets</b>	<b>\$ 123,370,172</b>	<b>\$ 119,901,883</b>	<b>127,597,877</b>	<b>119,238,500</b>	<b>250,968,049</b>	<b>239,140,383</b>



The government's net assets increased by \$11,743,331 during the fiscal year. Part of the increase was from revenue related to either contributed capital assets from outside sources, rate increases, or from additional payments in lieu of taxes and property taxes.

**Governmental Activities.** Governmental activities increased the City's net assets by \$2,630,511 relating to current year activity. This increase accounts for 24 percent of the total current year change in net assets. Key elements of this increase are as follows:

- The City was able to record \$1,454,087 for contributed capital assets in the year. The majority of these assets relate to the acceptance by dedication of Cedar Fairway Drive and Deer Harbour Road, public safety equipment, or assets purchased by the Bristol Public Library. The City owns fifty percent of Library assets.
- Property tax revenues increased by \$998,083 in the General Fund and \$94,878 in the General Purpose School Fund which accounts for a significant portion of the increase in tax revenue. Total revenue from local sales tax decreased from the prior year by \$370,948. Due to economic conditions, state income tax, gas franchise tax, and business taxes declined during the fiscal year.
- General government, education, and public safety decreased program expenses for the fiscal year. Education continued to receive a large grant from the United States Department of Education for Safe School and Healthy Students which recorded \$459,831 of expenses throughout the 2010 year. The City also received several American Recovery and Reinvestment Act grants including grants to assist with transportation operations and capital, public safety personnel and capital, community development projects, Title I and Title II programs, and preschool incentive projects. The public safety function also had additional grant activity in the current year.
- For two consecutive years, the City has elected to fund the annual required contribution (ARC) for other post employment benefits (OPEB) in an OPEB Trust Fund. The fund was established during the 2009 fiscal year. The City transferred from each function of the governmental funds the portion required as a contribution to fully fund the 2010 ARC. Therefore, the functions' current year expenses reflect their portion of the OPEB trust contribution.

The governmental activities net assets increased \$837,778 to reflect prior period adjustments. An adjustment of \$73,422 was made to record the liability associated with the City's health reimbursement account program which was not reflected in the prior year. Net assets increased \$911,200 to reflect the recognition of deferred revenue related to a note receivable on a loan to develop the Shelby Street Square office complex and parking lots. More detailed information regarding these adjustments can be found in the footnotes on page 112.

**Business-type Activities.** Business-type activities increased the City's net assets by \$8,414,130 relating to current year activity. This increase accounts for 76 percent of the total current year change in net assets. Key elements of this increase are as follows.

- Temperature has historically been a main driver in electric sales. The Electric Fund experienced a \$4,910,822 increase in net assets as a result of growth. In addition, the Fuel Cost Adjustment has fluctuated monthly since October 2009 and was negative for eight months in fiscal year 2010. The cost of purchased power decreased \$10,324,807, or 13.8% below the cost of purchased power for 2008, contributing to the growth in net assets.
- The service rates for the Water Fund and the Sewer Fund were increased during the 2010 year. See rates schedules on pages 174 - 175 for additional information. The Water and Sewer Funds also received \$396,600 and \$619,980 in donated capital during the fiscal year, respectively.

A prior period adjustment was made to the beginning net assets of the business-type activities in the amount of \$54,573. Of this adjustment, \$10,184 was due to the allocation of a prior period liability in the internal service fund to reflect the City's health reimbursement account program which was not reflected in the prior year. An adjustment of \$44,569 was also recorded to unbilled revenue in the Water Fund.

**City of Bristol, Tennessee Changes in Net Assets**  
**(Excluding Component Unit)**  
**For the Fiscal Year Ended June 30, 2010**  
**(Presented in Actual Dollars)**

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 4,988,590	\$ 4,666,301	98,559,340	103,810,779	103,547,930	108,477,080
Operating Grants	23,167,349	23,432,053	-	-	23,167,349	23,432,053
Capital Grants	1,800,530	1,815,257	2,844,275	353,026	4,644,805	2,168,283
<b>General Revenues:</b>						
Property Taxes	23,786,875	22,672,187	-	-	23,786,875	22,672,187
Payments in Lieu of Tax	57,601	71,763	-	-	57,601	71,763
Sales Taxes	8,457,598	8,965,002	-	-	8,457,598	8,965,002
Beer and Liquor Taxes	761,487	763,540	-	-	761,487	763,540
Business Tax	455,662	549,846	-	-	455,662	549,846
Cable Franchise Tax	324,127	264,588	-	-	324,127	264,588
Gas Franchise Tax	286,077	448,978	-	-	286,077	448,978
Hotel/Motel Taxes	417,098	442,883	-	-	417,098	442,883
State Revenue (Unrestricted)	2,620,546	2,577,203	-	-	2,620,546	2,577,203
Investment Earnings (Unrestricted)	97,925	337,543	594,065	850,552	691,990	1,188,095
Other General Revenues	621,309	455,964	-	3,645	621,309	459,609
<b>Total Revenues</b>	<b>67,842,774</b>	<b>67,463,108</b>	<b>101,997,680</b>	<b>105,018,002</b>	<b>169,840,454</b>	<b>172,481,110</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
General Government	5,742,353	5,886,703	-	-	5,742,353	5,886,703
Community Relations	1,021,044	990,187	-	-	1,021,044	990,187
Education	36,319,527	36,477,834	-	-	36,319,527	36,477,834
Parks and Recreation	3,379,825	3,098,924	-	-	3,379,825	3,098,924
Public Safety	10,896,643	10,936,224	-	-	10,896,643	10,936,224
Public Works	8,607,962	7,866,136	-	-	8,607,962	7,866,136
Interest on Long-Term Debt	709,656	688,148	-	-	709,656	688,148
<b>Business-type Activities:</b>						
Electric	-	-	76,642,189	82,867,552	76,642,189	82,867,552
Water	-	-	3,922,749	4,162,169	3,922,749	4,162,169
Sewer	-	-	4,212,119	4,087,508	4,212,119	4,087,508
Cable and Internet	-	-	5,319,340	5,986,284	5,319,340	5,986,284
Telephone	-	-	1,449,062	2,475,214	1,449,062	2,475,214
Demolition Landfill	-	-	573,344	309,878	573,344	309,878
<b>Total Expenses</b>	<b>66,677,010</b>	<b>65,944,156</b>	<b>92,118,803</b>	<b>99,888,605</b>	<b>158,795,813</b>	<b>165,832,761</b>
<b>Increase in Net Assets Before Transfers</b>	<b>1,165,764</b>	<b>1,518,952</b>	<b>9,878,877</b>	<b>5,129,397</b>	<b>11,044,641</b>	<b>6,648,349</b>
<b>Transfers</b>	<b>1,464,747</b>	<b>1,710,649</b>	<b>(1,464,747)</b>	<b>(1,710,649)</b>	<b>0</b>	<b>0</b>
<b>Increase in Net Assets</b>	<b>2,630,511</b>	<b>3,229,601</b>	<b>8,414,130</b>	<b>3,418,748</b>	<b>11,044,641</b>	<b>6,648,349</b>
<b>Net Assets, Beginning</b>	<b>119,901,883</b>	<b>116,672,282</b>	<b>119,238,500</b>	<b>117,502,862</b>	<b>239,140,383</b>	<b>234,175,144</b>
<b>Prior Period Adjustments</b>	<b>837,778</b>	<b>-</b>	<b>(54,753)</b>	<b>(1,683,110)</b>	<b>783,025</b>	<b>(1,683,110)</b>
<b>Net Assets, Restated</b>	<b>120,739,661</b>	<b>116,672,282</b>	<b>119,183,747</b>	<b>115,819,752</b>	<b>239,923,408</b>	<b>232,492,034</b>
<b>Net Assets, Ending</b>	<b>\$ 123,370,172</b>	<b>\$ 119,901,883</b>	<b>127,597,877</b>	<b>119,238,500</b>	<b>250,968,049</b>	<b>239,140,383</b>

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

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

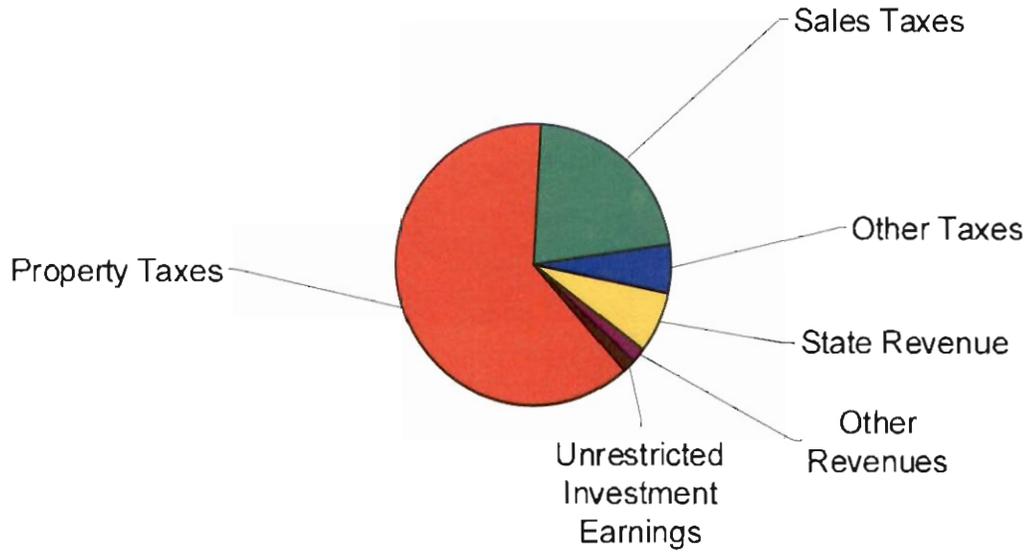
**Governmental Funds.** The focus of the City of Bristol's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City's governmental funds reported combined ending fund balances of \$23,315,211 for the year, a decrease of \$2,062,456. The General Fund, General Purpose School Fund, and School Capital Projects Fund had changes of \$505,167, \$203,579, and (\$2,761,113), respectively. The change in fund balance also included activity in the non-major funds. All of the non-major funds experienced either no change or an increase in fund balance, except for the HOME Consortium Fund, Solid Waste Fund, Viking Hall Fund, and the Capital Projects Fund. These funds incurred losses for the year of \$542, \$4,663, \$1,653, and \$171,301 respectfully.

The General Fund is the chief operating fund of the City of Bristol, Tennessee. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$12,549,834 while total fund balance was reported to be \$12,922,506. 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 and other financing uses. Unreserved fund balance and total fund balance both represent approximately 45 percent of total general fund expenditures and other financing uses.

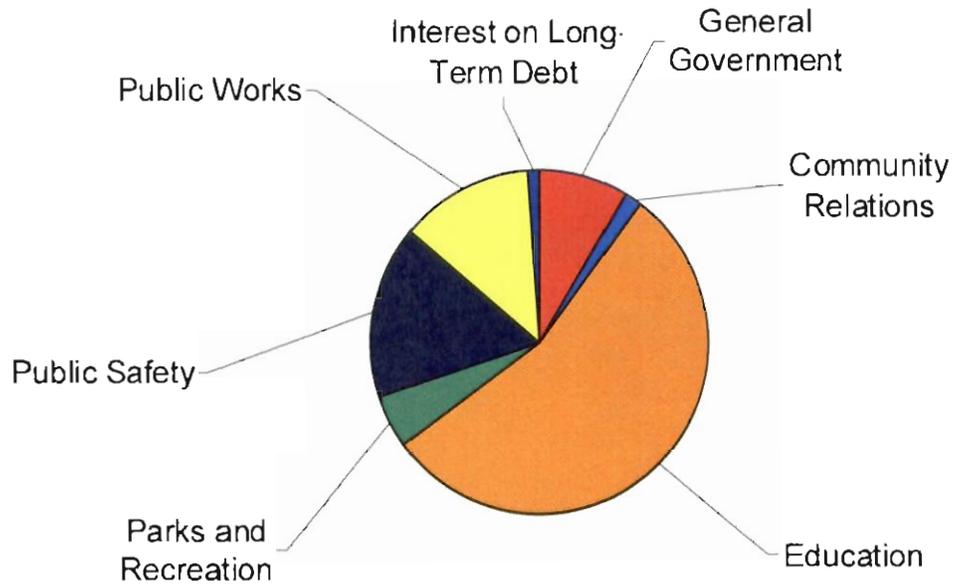
The General Purpose School Fund is the chief operating fund of the Board of Education. At the end of the current fiscal year, total fund balance was \$8,159,553. A portion of this amount is reserved to indicate that it is not available to new spending because it has already been committed to certain educational programs and encumbrances for existing purchase orders. The remainder of the fund balance is unreserved. The total fund balance increased from the prior year due to several factors. Key factors included increased property tax revenue and decreased spending.

The School Capital Projects Fund had a decrease in fund balance of \$2,761,113. This decrease was due to capital outlay related to the construction of the new Fairmount Elementary School. The new school was completed in January of 2010 which depleted the fund balance in the fund since this was the only current project.

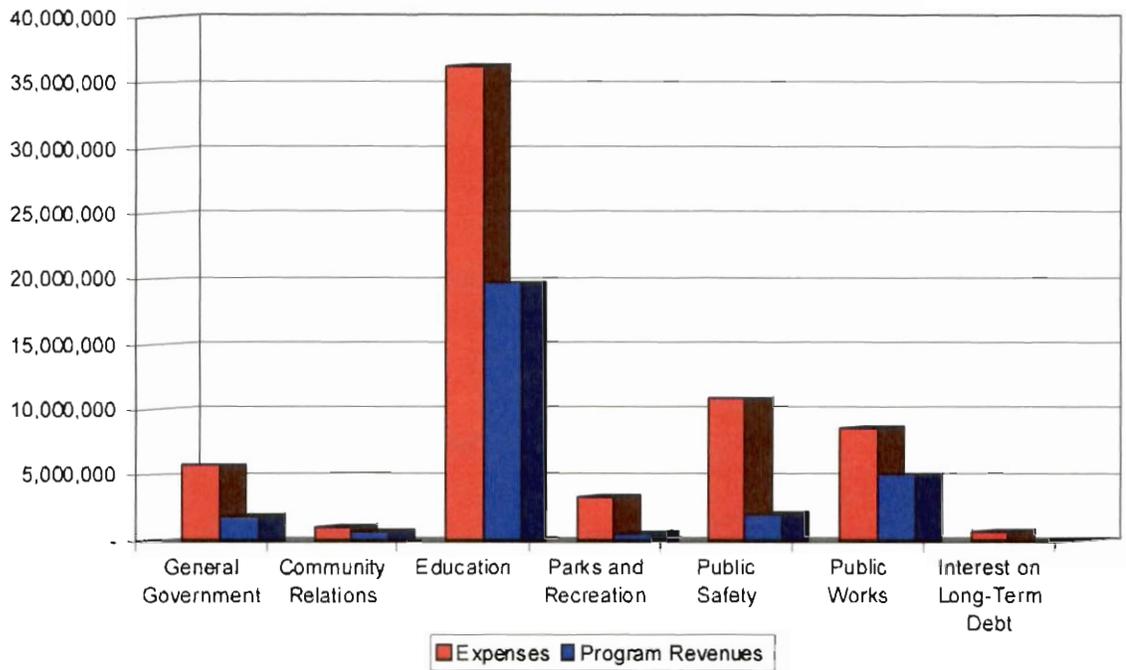
### Governmental Activities Revenues



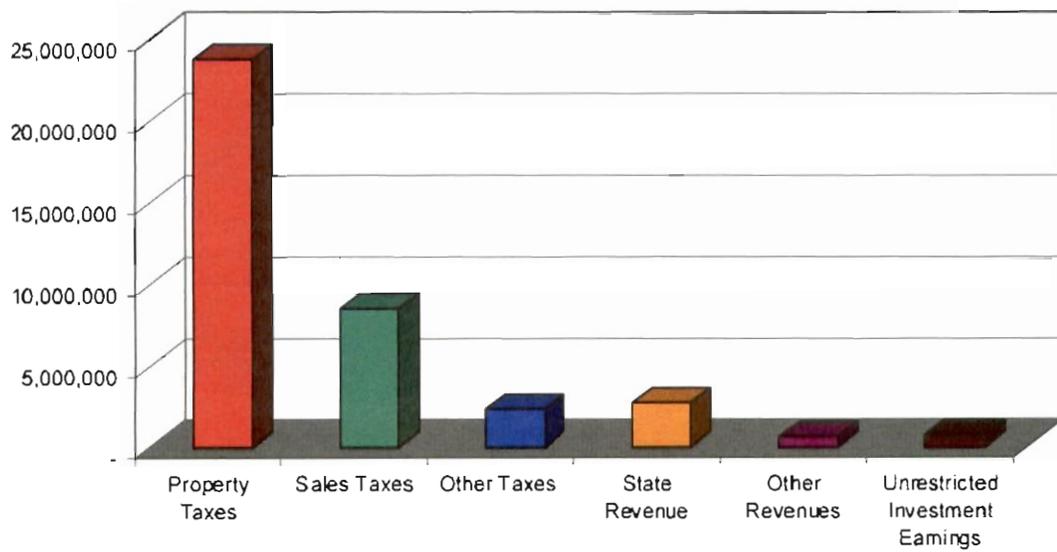
### Governmental Activities Expenses



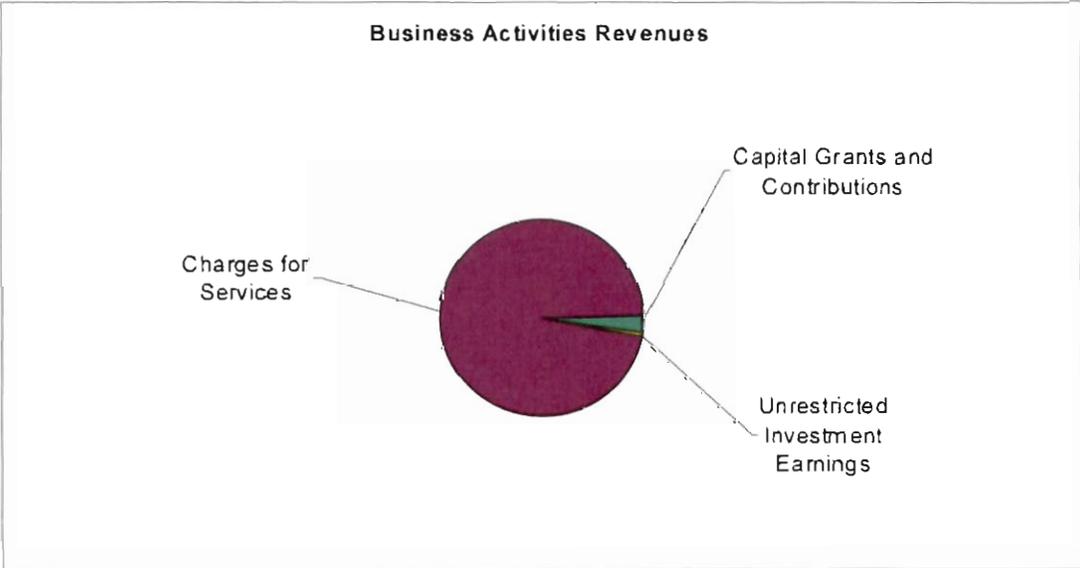
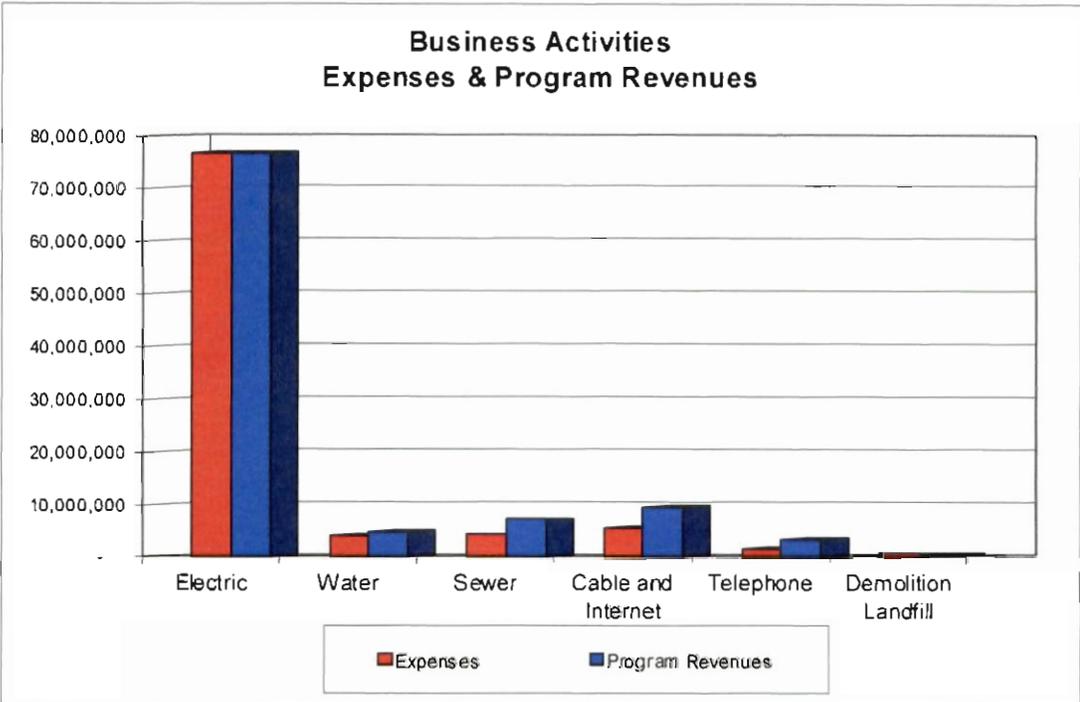
### Governmental Activities Expenses & Program Revenues



### Governmental Activities General Revenues



**Proprietary Funds.** The City of Bristol’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Electric Fund at the end of the year totaled \$22,265,117. The Water, Sewer, and Demolition Landfill Funds amounted to \$1,205,872, \$9,523,935 and \$(169,520), respectively. The total change in net assets was \$4,910,822, \$722,879, \$2,600,950, and \$202,484 for the Electric, Water, Sewer, and Demolition Landfill Funds, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.



## **General Fund and Budgetary Highlights**

The General Fund budget was not amended during the fiscal year. As the economy changed throughout the year, management took actions and altered spending in anticipation of lower revenues.

Local sales tax declined approximately 7.6 percent (\$370,948) from the amount received in the previous year. Receipts were \$313,127 lower than the budgeted amount for the 2010 year for local sales tax due to declining buying trends and increased consumer savings. This fund also experienced related declines in business tax, gas franchise tax, cable television franchise tax, hotel and motel tax, state sales tax, building permit revenues, and investment earnings throughout the course of the year. State highway maintenance and TVA payments in lieu also declined this fiscal year with actual amounts falling below budgeted amounts by \$20,441 and \$34,122, respectively. Two additional revenue sources were higher than the original budgeted amounts. These revenues were state income tax and ambulance charges, which were \$273,258 and \$133,480 above budgeted amounts, respectively. Management had lowered expectations for these revenue sources in light of the economy. However, actual revenues exceeded the conservative projections and were considerably higher.

In response to the overall trend in declining revenues, management continued the prior year plan of altered spending. Vacant positions were held open as long as possible, tasks were evaluated to see if they could be done in a more efficient and cost effective manner, and certain capital outlay purchases that normally would have occurred were held. In addition to this reduction, a contribution of \$222,213 was made to fund the 2010 annual required contributions into the OPEB Trust Fund. The net impact of these transactions resulted in total expenditures being below budget for the General Fund by \$515,466 for the year ending June 30, 2010.

## **Capital Asset and Debt Administration**

**Capital Assets.** The City of Bristol's investment in capital assets for its governmental and business type activities as of June 30, 2010, amounts to \$192,793,860 (net of related debt.) This investment in capital assets includes land, land improvements, buildings and improvements, other improvements, machinery and equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current year was 4 percent (a 3 percent increase for governmental activities and an 1 percent increase for business-type activities).

**City of Bristol, Tennessee Capital Assets  
(Net of Depreciation)  
June 30, 2010  
(Presented in actual dollars)**

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Net Capital Assets:						
Land	\$ 4,038,348	\$ 4,038,348	1,972,626	1,896,198	6,010,974	5,934,546
Land Improvements	1,753,738	1,790,383	701,249	875,825	2,454,987	2,666,208
Buildings and Improvements	34,911,703	20,238,026	2,769,648	2,796,601	37,681,351	23,034,627
Other Improvements	953,200	789,864	60,250,240	60,901,186	61,203,440	61,691,050
Machinery and Equipment	4,694,115	5,062,820	52,401,992	49,122,775	57,096,107	54,185,595
Infrastructure	69,633,212	70,523,830	-	-	69,633,212	70,523,830
Construction in Progress	178,862	10,152,903	5,259,658	2,685,775	5,438,520	12,838,678
Capital Assets	<u>\$ 116,163,178</u>	<u>112,596,174</u>	<u>123,355,413</u>	<u>118,278,360</u>	<u>239,518,591</u>	<u>230,874,534</u>

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

- Several of the capital asset projects funded through the governmental funds have been previously discussed in the letter of transmittal. Construction of the new Fairmount Elementary School was completed and the new school opened to students in January 2010. In addition to these projects, the City also completed an expansion project for Fire Station No. 1 located on Bluff City Highway. The City also completed the construction of a new shelter and other improvements at Charlie Robinette Park. Energy conservation projects were completed at Slater Center, the City Annex, the City Municipal Garage, Fire Station No. 3, and the City Transit Garage. Renovations were made to the Civitan Shelter at Steele Creek Park. The City also completed a downtown redevelopment project on State Street and surrounding streets to beautify the downtown area.
- Electric system construction and equipment totaling \$6,625,141 was paid for during the 2010 year, while \$1,307,113 was included in accounts payable at year end. The Electric Fund is currently undergoing a large project of improvements and extensions of the transmission and distribution system.
- Water and sewer system construction totaling \$2,578,083 was incurred for various projects. Included in accounts payable at year-end was \$12,887 for construction related costs. Completed water projects included \$441,534 of water line improvements in the weed & seed water improvements project. Other projects were also completed, such as the water plant high service project and energy conservation projects at the water plant. Many water projects were still in construction in progress at year end, including the Fox Ridge water project, east end area fire protection improvements, Georgia Avenue water upgrade, water plant screen/hoist project, and the water plant filter and media improvements. The cost of these projects for the 2010 year was \$91,526.

Completed sewer projects included \$218,385 for the Holston Avenue sanitary sewer replacement project and \$28,882 for the Highway 11E and Old Thomas Bridge Road sewer extension project. A few sewer projects were also still in construction in progress at year end, including the Akard School sewer trunk project, Beaver Creek sewer project, Evans Creek sewer project, Apple Ridge Sanitary sewer project, and the HWY 394 at Interstate 81/Exit 69 project. The Akard School sewer trunk project, Beaver Creek sewer project, Evans Creek sewer project, and the HWY 394 at Interstate 81/Exit 69 project are being reimbursed by Sullivan County, Tennessee. The cost of these projects for the 2010 year was \$1,767,322.

- A project to expand Area IV of the Demolition Landfill began during the 2010 year. In addition to other costs, total payments related to this project during the year were \$79,664. The project continued into fiscal year 2011. The closure of Area III was also complete during the 2010 year.

Additional information on the City of Bristol, Tennessee's capital assets can be found in note IV.C on pages 69- 72 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City of Bristol had total bonded debt outstanding of \$42,320,000. Of this amount, 47 percent comprises debt backed by the full faith and credit of the government. The remaining 53 percent of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During 2010, the City refinanced the Series VI-D-4 Local Improvement Bond with the Series 2009 General Obligation Refunding Bond Series. The original bonds had a variable interest rate. The refunding was conducted in order to limit the exposure of the City to interest rate risk by obtaining a fixed rate on the new bonds payable. The Series 2009 bonds were issued in September of 2009 in the amount of \$2,760,000 with a maturity date of June 1, 2024. The interest rate is fixed at 3% for the first eight years, 3.13% for year nine, and 4% for years ten through fifteen.

The City of Bristol maintains a Moody's Aa2 rating for general obligation debt and a Standard and Poor's rating of AA-. The current ratio of net bonded debt to estimated actual taxable value of property is a low 0.79 percent.

Additional information on the City of Bristol Tennessee's long-term debt can be found in note IV.E on pages 74 - 85 of this report.

**City of Bristol, Tennessee's Outstanding Debt  
General Obligation and Revenue Bonds  
June 30, 2010  
(Presented in actual dollars)**

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Outstanding Bond Debt.						
General Obligation	\$ 17,043,584	\$ 18,333,584	2,731,416	2,936,416	19,775,000	21,270,000
Revenue Bonds	-	-	22,545,000	23,015,000	22,545,000	23,015,000
Total Outstanding Bond Debt	<u>\$ 17,043,584</u>	<u>18,333,584</u>	<u>25,276,416</u>	<u>25,951,416</u>	<u>42,320,000</u>	<u>44,285,000</u>

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Bristol at June 30, 2010, was 9.0%. This is a decrease from the 11.6% estimate listed in the prior year's audit, and favorable compared with the trends seen across the State of Tennessee. As of June 2010, the national unemployment rate was 9.8% and the unemployment rate for the State of Tennessee was 10%. Therefore, Bristol's rate of 9.0% was lower than the national average, the rates of others in the surrounding area, and rates across Tennessee.
- Inflationary trends in the region compare favorably to national indices.
- After the close of the 2010 fiscal year, several mergers and acquisitions have been announced including the Pfizer acquisition of King Pharmaceutical, Dr. Reddy's acquisition of the Glaxo Smithkline facility, and the Brightpoint Inc. acquisition of Touchstone Wireless. The impact of these acquisitions if they occur is unclear.

All of these factors were considered in preparing the City of Bristol's budget for the 2011 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$12,549,834. The City budgeted a \$285,842 decrease for the 2011 budget year for the General Fund. Major reductions in revenues are projected in local sales taxes, the state income tax, interest earning, charges for services, and licenses and permits. This budget also reflects lower operating expenditures due to cost reductions and reduced capital outlay. Higher expenditures for health insurance offset a portion of the planned reductions. City staff received no wage adjustments across the funds maintained by the City for the 2011 year. This excludes the General Purpose School, Electric, School Federal Projects, and School Nutrition Funds.

The Water Fund was budgeted for FY 2011 to have an approximate \$175,295 positive change in net assets. A rate increase of 8.5 percent took effect for billings effective July 1, 2009, and again effective July 1, 2010. The rates had remained unchanged for the previous 24 month period. Operating expenses were projected to be \$41,448 higher due to capital projects planned for the year.

The Sewer Fund was budgeted for FY 2011 to have an approximate \$524,966 positive change in net assets. This balance reflects an estimated \$600,000 of capital contributions which is expected to be received from Sullivan County to fund capital projects. A rate increase of 4 percent took effect for billings effective July 1, 2009, and again effective July 1, 2010. A service and infiltration/inflow fee increase of 70 cents per month was also passed effective with the 2010 year. The rates have remained unchanged for the previous 36 month period. Expenses were projected to be higher due to an increase in the transfer to the Joint Sewerage System of \$17,942, an increase of 1.3% from fiscal year 2010.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance; 801 Anderson Street; Bristol, Tennessee 37620 or Post Office Box 1189; Bristol, Tennessee 37621.

Complete financial statements for the component unit may be obtained from:

Bristol Tennessee Emergency Communications District  
801 Anderson Street  
Bristol, Tennessee 37620

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

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

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

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Emergency Communications District</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 21,386,663	9,133,247	30,519,910	704,763
Receivables, Net of Allowance	15,921,020	10,114,920	26,035,940	30,220
Notes Receivable	1,129,902	2,690,598	3,820,500	-
Other Receivables	758,603	765,112	1,523,715	-
Due from Other Governments	13,292,296	1,221,223	14,513,519	-
Due from Component Unit	12,778	-	12,778	-
Due from Joint Venture	8,429	345,235	353,664	-
Internal Balances	(49,754)	49,754	0	-
Inventories	140,846	1,443,824	1,584,670	-
Prepays and Prepaid Pension Cost	115,897	561,734	677,631	-
Discounted Energy Units	-	2,433,379	2,433,379	-
Investment in Joint Venture	-	6,925,103	6,925,103	-
Restricted Cash	235,308	-	235,308	-
Long-term Certificates of Deposit	-	8,000,000	8,000,000	-
Other Assets	237,226	322,566	559,792	-
Property Held for Resale	255,019	-	255,019	-
Capital Assets, Net of Accumulated Depreciation:				
Land	4,038,348	1,972,626	6,010,974	-
Land Improvements	1,753,738	701,249	2,454,987	-
Buildings and Building Improvements	34,911,703	2,769,648	37,681,351	-
Other Improvements	953,200	60,250,240	61,203,440	-
Machinery and Equipment	4,694,115	52,401,992	57,096,107	142,814
Infrastructure	69,633,212	-	69,633,212	-
Construction in Progress	178,862	5,259,658	5,438,520	-
<b>Total Assets</b>	<b>169,607,411</b>	<b>167,362,108</b>	<b>336,969,519</b>	<b>877,797</b>
<b>LIABILITIES:</b>				
Accounts Payable and Other Current Liabilities	1,615,885	8,407,827	10,023,712	54,265
Contracts Payable	668,870	112,702	781,572	-
Retainages Payable	50,000	-	50,000	-
Accrued Interest Payable	62,781	346,408	409,189	-
Due to Others and Deposits	81,911	2,105,938	2,187,849	-
Unearned Revenue	23,431,945	523,152	23,955,097	-
Noncurrent Liabilities:				
Due Within One Year	2,687,260	1,949,861	4,637,121	9,641
Due in More Than One Year	17,638,587	26,318,343	43,956,930	-
<b>Total Liabilities</b>	<b>46,237,239</b>	<b>39,764,231</b>	<b>86,001,470</b>	<b>63,906</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	98,061,071	94,732,789	192,793,860	133,173
Restricted For:				
Education	109,885	-	109,885	-
Parks and Recreation	21,929	-	21,929	-
Police and Drug Control	103,414	-	103,414	-
State Street Aid	394,512	-	394,512	-
Unrestricted	24,679,361	32,865,088	57,544,449	680,718
<b>Total Net Assets</b>	<b>\$ 123,370,172</b>	<b>127,597,877</b>	<b>250,968,049</b>	<b>813,891</b>

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

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

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			Component Unit Emergency Communications District
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 5,742,353	148,979	1,587,991	92,159	(3,913,224)	-	(3,913,224)	-
Community Relations	1,021,044	655,858	35,213	-	(329,973)	-	(329,973)	-
Education	36,319,527	993,765	18,765,836	18,460	(16,541,466)	-	(16,541,466)	-
Parks and Recreation	3,379,825	432,136	87,162	-	(2,860,527)	-	(2,860,527)	-
Public Safety	10,896,643	1,280,204	699,252	84,308	(8,832,879)	-	(8,832,879)	-
Public Works	8,607,962	1,477,648	1,991,895	1,605,603	(3,532,816)	-	(3,532,816)	-
Interest on Long-Term Debt	709,656	-	-	-	(709,656)	-	(709,656)	-
<b>Total Governmental Activities</b>	<b>66,677,010</b>	<b>4,988,590</b>	<b>23,167,349</b>	<b>1,800,530</b>	<b>(36,720,541)</b>	<b>0</b>	<b>(36,720,541)</b>	<b>0</b>
<b>Business-type Activities:</b>								
Electric	76,642,189	76,634,117	-	-	-	(8,072)	(8,072)	-
Water	3,922,749	4,333,217	-	396,600	-	807,068	807,068	-
Sewer	4,212,119	4,611,349	-	2,447,675	-	2,846,905	2,846,905	-
Cable and Internet	5,319,340	9,501,469	-	-	-	4,182,129	4,182,129	-
Telephone	1,449,062	3,154,712	-	-	-	1,705,650	1,705,650	-
Demolition Landfill	573,344	324,476	-	-	-	(248,868)	(248,868)	-
<b>Total Business-type Activities</b>	<b>92,118,803</b>	<b>98,559,340</b>	<b>0</b>	<b>2,844,275</b>	<b>0</b>	<b>9,284,812</b>	<b>9,284,812</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$ 158,795,813</b>	<b>103,547,930</b>	<b>23,167,349</b>	<b>4,644,805</b>	<b>(36,720,541)</b>	<b>9,284,812</b>	<b>(27,435,729)</b>	<b>0</b>
<b>Component Unit:</b>								
Emergency Communications District	\$ 420,771	395,206	-	26,000	-	-	-	435
<b>General Revenues:</b>								
Property Taxes					23,786,875	-	23,786,875	-
Payments in Lieu of Tax					57,601	-	57,601	-
Sales Taxes					8,457,598	-	8,457,598	-
Beer and Liquor Taxes					761,487	-	761,487	-
Business Tax					455,662	-	455,662	-
Cable Franchise Tax					324,127	-	324,127	-
Gas Franchise Tax					286,077	-	286,077	-
Hotel/Motel Taxes					417,098	-	417,098	-
State Revenue (Unrestricted)					2,620,546	-	2,620,546	-
Investment Earnings (Unrestricted)					97,925	594,065	691,990	6,119
Other General Revenue					621,309	-	621,309	-
Transfers					1,464,747	(1,464,747)	0	-
<b>Total General Revenues and Transfers</b>					<b>39,351,052</b>	<b>(870,682)</b>	<b>38,480,370</b>	<b>6,119</b>
<b>Change in Net Assets</b>					<b>2,630,511</b>	<b>8,414,130</b>	<b>11,044,641</b>	<b>6,554</b>
Net Assets, Beginning					119,901,883	119,238,500	239,140,383	807,337
Prior Period Adjustments					837,778	(54,753)	783,025	-
Adjusted Net Assets, Beginning					120,739,661	119,183,747	239,923,408	807,337
<b>Net Assets, Ending</b>					<b>\$ 123,370,172</b>	<b>127,597,877</b>	<b>250,968,049</b>	<b>813,891</b>

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

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

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$11,542,687	7,453,732	-	1,355,248	20,351,667
Receivables, Net of Allowance	15,746,994	-	-	174,026	15,921,020
Notes Receivable	938,400	-	-	191,502	1,129,902
Other Receivables	608,770	142,508	-	595	751,873
Due from Other Funds	613,270	63,997	66,894	553,700	1,297,861
Due from Other Governments	2,157,461	9,915,375	-	1,219,460	13,292,296
Due from Component Units	12,778	-	-	-	12,778
Due from Joint Venture	8,429	-	-	-	8,429
Inventory	77,477	-	-	63,369	140,846
Restricted Cash	-	-	-	235,308	235,308
Property Held for Resale	255,019	-	-	-	255,019
<b>Total Assets</b>	<b><u>\$31,961,285</u></b>	<b><u>17,575,612</u></b>	<b><u>66,894</u></b>	<b><u>3,793,208</u></b>	<b><u>53,396,999</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 239,452	180,529	-	108,750	528,731
Contracts Payable	-	-	16,894	651,976	668,870
Retainages Payable	-	-	50,000	-	50,000
Accrued Payroll and Related Deductions	417,010	77,857	-	30,169	525,036
Due to Other Funds	945,405	66,894	-	487,036	1,499,335
Due to Others	66,124	-	-	15,787	81,911
Deferred Revenue	17,370,788	9,090,779	-	266,338	26,727,905
<b>Total Liabilities</b>	<b><u>19,038,779</u></b>	<b><u>9,416,059</u></b>	<b><u>66,894</u></b>	<b><u>1,560,056</u></b>	<b><u>30,081,788</u></b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Education	-	109,885	-	-	109,885
Encumbrances	-	221,731	-	-	221,731
Inventory	332,496	-	-	63,369	395,865
Parks and Recreation	21,929	-	-	-	21,929
Police and Drug Control	18,247	-	-	85,167	103,414
State Street Aid	-	-	-	394,512	394,512
<b>Unreserved, Reported in:</b>					
General Fund	12,549,834	-	-	-	12,549,834
Special Revenue Funds	-	7,827,937	-	1,098,112	8,926,049
Capital Projects Funds	-	-	-	591,992	591,992
<b>Total Fund Balances</b>	<b><u>12,922,506</u></b>	<b><u>8,159,553</u></b>	<b><u>0</u></b>	<b><u>2,233,152</u></b>	<b><u>23,315,211</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$31,961,285</u></b>	<b><u>17,575,612</u></b>	<b><u>66,894</u></b>	<b><u>3,793,208</u></b>	

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

Revenue for amounts not received during the period of availability and, therefore, not considered "available" has been deferred in the funds.	3,295,960
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	116,163,178
Prepays are expensed when disbursed in the governmental funds and are not recognized based upon economic benefit or recorded as assets in the funds.	115,897
An internal service fund is used to charge costs of employee insurance to the funds. The assets and liabilities of the fund are included in governmental activities in the statement of net assets.	631,328
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(20,388,628)
Governmental funds report the effect of debt issuance costs when debt is issued. These amounts are reported as other assets and amortized over the life of the debt for the statement of net assets.	237,226
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 123,370,172</u></b>

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

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

	General Fund	General Purpose School Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes	\$21,529,448	13,059,887	-	-	34,589,335
Licenses and Permits	135,954	2,054	-	-	138,008
Intergovernmental	3,079,657	14,131,832	-	8,563,674	25,775,163
Charges for Services	1,077,072	261,016	-	2,218,683	3,556,771
Revenues from Use of Facilities	291,690	2,400	-	541,153	835,243
Fines and Forfeitures	367,615	-	-	75,819	443,434
Investment Earnings	25,688	17,600	5,616	21,821	70,725
Other	94,441	394,626	-	346,348	835,415
<b>Total Revenues</b>	<b>26,601,565</b>	<b>27,869,415</b>	<b>5,616</b>	<b>11,767,498</b>	<b>66,244,094</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General Government	3,392,675	-	-	1,870,843	5,263,518
Community Relations	344,230	-	-	666,936	1,011,166
Education	-	30,215,522	1,564	5,079,653	35,296,739
Parks and Recreation	3,053,008	-	-	166,900	3,219,908
Public Safety	9,899,757	-	-	295,908	10,195,665
Public Works	2,726,135	-	-	3,320,081	6,046,216
Capital Outlay	381,528	923,021	4,523,458	1,013,722	6,841,729
<b>Debt Service:</b>					
Principal Retirement	-	-	-	1,335,571	1,335,571
Interest	-	-	-	646,982	646,982
Other Costs	-	-	-	4,593	4,593
<b>Total Expenditures</b>	<b>19,797,333</b>	<b>31,138,543</b>	<b>4,525,022</b>	<b>14,401,189</b>	<b>69,862,087</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>6,804,232</b>	<b>(3,269,128)</b>	<b>(4,519,406)</b>	<b>(2,633,691)</b>	<b>(3,617,993)</b>
<b>Other Financing Sources (Uses):</b>					
Issuance of Refunding Bonds	-	-	-	2,760,000	2,760,000
Premium on Bonds Payable	-	-	-	65,911	65,911
Payment on Refunded Bonds Payable	-	-	-	(2,775,000)	(2,775,000)
Bond Issue Costs	-	-	-	(50,911)	(50,911)
Transfers In	2,201,276	4,556,000	1,758,293	2,694,341	11,209,910
Transfers Out	(8,500,341)	(1,083,293)	-	(61,529)	(9,645,163)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,299,065)</b>	<b>3,472,707</b>	<b>1,758,293</b>	<b>2,632,812</b>	<b>1,564,747</b>
<b>Net Change in Fund Balances</b>	<b>505,167</b>	<b>203,579</b>	<b>(2,761,113)</b>	<b>(879)</b>	<b>(2,053,246)</b>
<b>Fund Balance, July 1, 2009</b>	<b>12,417,339</b>	<b>7,955,974</b>	<b>2,761,113</b>	<b>2,243,241</b>	<b>25,377,667</b>
<b>Purchase Method Inventory Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,210)</b>	<b>(9,210)</b>
<b>Fund Balance, June 30, 2010</b>	<b>\$12,922,506</b>	<b>8,159,553</b>	<b>0</b>	<b>2,233,152</b>	<b>23,315,211</b>

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

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

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

Net change in fund balances - total governmental funds	\$ (2,053,246)
Revenue which was not collected in the City's period of availability has not been reflected as revenue in the governmental funds since it was not "available". This revenue has been included in the statement of activities. The difference is the change between the prior year amount of \$3,151,367 and the current year amount of \$3,295,960.	144,593
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions in outlay of \$6,841,730 exceeded depreciation of \$4,597,050 in the current period.	2,244,680
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.	1,322,323
Inventory for the Child Nutrition Fund is accounted for by the purchase method on the fund level. The government wide financial statements reflect inventory accounted for on the consumption method. This is the amount by which expenses were adjusted to comply with the consumption method.	(9,210)
Certain expenditures have been reflected in the statement of activities for amounts that have economic benefits in future periods. The prepaid items have not been reflected in the governmental funds. This is the amount by which current year prepaid items of \$115,897 exceeded the prior year amount of \$0.	115,897
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,335,571
Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds. Compensated absences decreased by this amount during the year.	(5,192)

(Continued)

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

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

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.	(294,570)
An internal service fund is used by management to charge the costs of employee insurance to individual funds.	<u>(170,335)</u>
Change in net assets of governmental activities	<u>\$ 2,630,511</u>

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

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>			
<b><u>Taxes:</u></b>			
Property Tax (Net of Discounts, etc.)	\$ 14,506,065	14,463,056	(43,009)
Payments in Lieu of Taxes	45,668	297,068	251,400
Local Sales Tax	4,795,000	4,481,873	(313,127)
Beer and Liquor Taxes	755,000	761,487	6,487
Business Tax	514,000	455,662	(58,338)
Gas Franchise Tax	405,000	329,077	(75,923)
Cable Television Franchise Tax	350,000	324,127	(25,873)
Hotel and Motel Taxes	435,000	417,098	(17,902)
<b>Total Taxes</b>	<b>21,805,733</b>	<b>21,529,448</b>	<b>(276,285)</b>
<b><u>Licenses and Permits</u></b>	<b>326,020</b>	<b>135,954</b>	<b>(190,066)</b>
<b><u>Intergovernmental:</u></b>			
State Sales Tax	1,757,500	1,636,059	(121,441)
State Income Tax	200,000	473,258	273,258
State Highway Maintenance	75,000	54,559	(20,441)
Bank Excise Tax	49,400	106,301	56,901
Gas and Motor Fuel Tax	55,000	54,909	(91)
Beer and Mixed Drink	134,000	105,358	(28,642)
TVA Payments in Lieu	319,000	284,878	(34,122)
Telecommunications Tax	4,000	2,219	(1,781)
Federal Government	195,382	195,280	(102)
Federal Thru State and State Grants	66,600	-	(66,600)
Other Revenue	312,408	166,836	(145,572)
<b>Total Intergovernmental</b>	<b>3,168,290</b>	<b>3,079,657</b>	<b>(88,633)</b>
<b><u>Charges for Services</u></b>	<b>975,220</b>	<b>1,077,072</b>	<b>101,852</b>
<b><u>Revenues from Use of Facilities</u></b>	<b>301,250</b>	<b>291,690</b>	<b>(9,560)</b>
<b><u>Fines and Forfeitures</u></b>	<b>350,500</b>	<b>367,615</b>	<b>17,115</b>
<b><u>Investment Earnings</u></b>	<b>120,000</b>	<b>25,688</b>	<b>(94,312)</b>
<b><u>Other</u></b>	<b>42,900</b>	<b>94,441</b>	<b>51,541</b>
<b>Total Revenues</b>	<b>27,089,913</b>	<b>26,601,565</b>	<b>(488,348)</b>

(Continued)

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>General Administration:</b>			
City Council	126,002	109,835	16,167
City Court	52,956	46,160	6,796
Juvenile Court	265,009	251,458	13,551
City Manager	195,756	194,899	857
Economic Development	335,419	241,316	94,103
Legal	117,501	99,607	17,894
Finance	391,919	413,725	(21,806)
Information Technology	171,098	173,488	(2,390)
Human Resources	235,653	227,284	8,369
Capital Outlay	-	8,052	(8,052)
<b>Total General Administration</b>	<b>1,891,313</b>	<b>1,765,824</b>	<b>125,489</b>
<b>Other Administration:</b>			
Council Programs	1,117,631	1,113,602	4,029
School Insurance	64,977	73,782	(8,805)
<b>Total Other Administration</b>	<b>1,182,608</b>	<b>1,187,384</b>	<b>(4,776)</b>
<b>Community Development</b>			
Planning	233,917	237,061	(3,144)
Codes Enforcement	241,148	210,458	30,690
<b>Total Community Development</b>	<b>475,065</b>	<b>447,519</b>	<b>27,546</b>
<b>Total General Government</b>	<b>3,548,986</b>	<b>3,400,727</b>	<b>148,259</b>
<b>Community Relations</b>			
Administration	390,062	344,230	45,832
<b>Total Community Relations</b>	<b>390,062</b>	<b>344,230</b>	<b>45,832</b>
<b>Parks and Recreation</b>			
Administration	165,909	156,425	9,484
Recreation	425,726	434,562	(8,836)
Steele Creek Golf Course	228,036	236,168	(8,132)
Special Programs	170,949	170,138	811
Slater Center	154,520	158,522	(4,002)
Parks and Facilities	1,454,626	1,524,323	(69,697)
Nature Center	112,966	112,837	129
Municipal Building	190,856	173,137	17,719
Haynesfield Pool	63,057	86,896	(23,839)
Capital Outlay	90,000	66,452	23,548
<b>Total Parks and Recreation</b>	<b>3,056,645</b>	<b>3,119,460</b>	<b>(62,815)</b>

(Continued)

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

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
<b>Public Safety:</b>			
<b>Fire Department:</b>			
Administration	252,509	237,815	14,694
Emergency Services	3,203,329	3,214,391	(11,062)
Ambulance Services	131,391	119,546	11,845
Fire Stations	82,230	78,687	3,543
Fire Prevention	102,849	93,389	9,460
Capital Outlay	60,000	69,454	(9,454)
<b>Total Fire Department</b>	<b>3,832,308</b>	<b>3,813,282</b>	<b>19,026</b>
<b>Police Department:</b>			
Administration	553,506	542,390	11,116
Patrol	3,168,941	3,098,169	70,772
Investigations	947,790	888,457	59,333
Community Programs	581,585	507,167	74,418
Communications and Records	1,041,917	1,010,557	31,360
Animal Control	116,188	109,189	6,999
Capital Outlay	196,250	154,354	41,896
<b>Total Police Department</b>	<b>6,606,177</b>	<b>6,310,283</b>	<b>295,894</b>
<b>Total Public Safety</b>	<b>10,438,485</b>	<b>10,123,565</b>	<b>314,920</b>
<b>Public Works:</b>			
Administration	115,929	116,869	(940)
Engineering	171,947	156,840	15,107
GIS	125,763	120,872	4,891
Street Maintenance	1,335,493	1,372,778	(37,285)
Fleet Services	584,489	525,306	59,183
Street Lighting and Traffic Control	470,000	433,470	36,530
Capital Outlay	75,000	83,216	(8,216)
<b>Total Public Works</b>	<b>2,878,621</b>	<b>2,809,351</b>	<b>69,270</b>
<b>Total Expenditures</b>	<b>20,312,799</b>	<b>19,797,333</b>	<b>515,466</b>

(Continued)

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

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,777,114</u>	<u>6,804,232</u>	<u>27,118</u>
<u>Other Financing Sources (Uses):</u>			
Transfer from Electric Fund	1,525,979	1,558,418	32,439
Transfer from Water Fund	200,000	200,000	-
Transfer from Sewer Fund	285,000	256,329	(28,671)
Transfer from General Purpose School Fund	125,000	125,000	-
Transfer from Grant Fund	5,365	-	(5,365)
Transfer from Transportation Grant Fund	55,875	61,529	5,654
Transfer to Demolition Landfill Fund	(80,000)	(450,000)	(370,000)
Transfer to General Purpose School Fund	(4,556,000)	(4,556,000)	-
Transfer to Grant Fund	(51,559)	(26,359)	25,200
Transfer to Solid Waste Fund	-	(27,000)	(27,000)
Transfer to State Street Aid Fund	(134,316)	(124,126)	10,190
Transfer to Transportation Grant Fund	(186,523)	(164,719)	21,804
Transfer to Viking Hall Fund	(175,000)	(65,000)	110,000
Transfer to Debt Service Fund	(2,215,476)	(1,987,137)	228,339
Transfer to Capital Projects Fund	(1,113,000)	(300,000)	813,000
Transfer to School Capital Projects Fund	(800,000)	(800,000)	-
Transfer to Trust Fund Fund	(122,790)	-	122,790
Total Other Financing Sources (Uses)	<u>(7,237,445)</u>	<u>(6,299,065)</u>	<u>938,380</u>
Net Change in Fund Balances	(460,331)	505,167	965,498
Fund Balance, July 1, 2009	<u>11,612,342</u>	<u>12,417,339</u>	<u>804,997</u>
Fund Balance, June 30, 2010	<u>\$ 11,152,011</u>	<u>12,922,506</u>	<u>1,770,495</u>

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

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

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b><u>Revenues:</u></b>			
<b><u>Taxes:</u></b>			
County Property Tax	\$ 8,885,482	9,101,993	216,511
Local Sales Tax	4,241,889	3,957,894	(283,995)
<b>Total Taxes</b>	<b>13,127,371</b>	<b>13,059,887</b>	<b>(67,484)</b>
<b><u>Licenses and Permits</u></b>	<b>2,000</b>	<b>2,054</b>	<b>54</b>
<b><u>Intergovernmental Revenues:</u></b>			
Federal Thru State and State	14,458,524	14,096,859	(361,665)
Bank Excise Tax	25,000	33,201	8,201
Telecommunications Tax	3,000	1,772	(1,228)
<b>Total Intergovernmental Revenues</b>	<b>14,486,524</b>	<b>14,131,832</b>	<b>(354,692)</b>
<b><u>Charges for Services</u></b>	<b>285,000</b>	<b>261,016</b>	<b>(23,984)</b>
<b><u>Revenues from Use of Facilities</u></b>	<b>2,400</b>	<b>2,400</b>	<b>-</b>
<b><u>Investment Earnings</u></b>	<b>30,000</b>	<b>17,600</b>	<b>(12,400)</b>
<b><u>Other</u></b>	<b>484,966</b>	<b>394,626</b>	<b>(90,340)</b>
<b>Total Revenues</b>	<b>28,418,261</b>	<b>27,869,415</b>	<b>(548,846)</b>
<b><u>Expenditures:</u></b>			
<b><u>Instruction:</u></b>			
Regular Education	16,056,888	15,294,053	762,835
Alternate School	227,556	122,944	104,612
Special Education	1,873,897	1,573,584	300,313
Vocational Education	913,471	949,117	(35,646)
Student Body	5,000	3,202	1,798
<b>Total Instruction</b>	<b>19,076,812</b>	<b>17,942,900</b>	<b>1,133,912</b>
<b><u>Support Services:</u></b>			
Attendance	166,327	162,176	4,151
Health Services	159,839	243,489	(83,650)
Other Student Support	757,318	742,330	14,988
Regular Instruction	3,234,977	2,976,658	258,319
Alternate School	3,000	545	2,455
Special Education	173,616	175,289	(1,673)
Vocational Education	104,385	104,859	(474)

(Continued)

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b><u>Expenditures (Continued):</u></b>			
<b><u>Support Services (Continued):</u></b>			
Board of Education	561,995	543,623	18,372
Director of Schools	312,305	290,622	21,683
Office of Principal	2,046,385	2,119,636	(73,251)
Fiscal Services	353,528	340,461	13,067
Operation of Plant	2,557,542	2,017,153	540,389
Maintenance of Plant	1,267,119	1,238,849	28,270
Student Transportation	790,096	729,745	60,351
<b>Total Support Services</b>	<b>12,488,432</b>	<b>11,685,435</b>	<b>802,997</b>
<b><u>Non-Instructional Services</u></b>			
School Nutrition	150,816	157,397	(6,581)
Community Service	13,000	3,621	9,379
Early Childhood	314,440	386,430	(71,990)
<b>Total Non-Instructional Services</b>	<b>478,256</b>	<b>547,448</b>	<b>(69,192)</b>
<b><u>Non-capitalized Improvements</u></b>	<b>500,000</b>	<b>39,739</b>	<b>460,261</b>
<b><u>Capital Outlay</u></b>	<b>1,426,000</b>	<b>923,021</b>	<b>502,979</b>
<b>Total Expenditures</b>	<b>33,969,500</b>	<b>31,138,543</b>	<b>2,830,957</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(5,551,239)</b>	<b>(3,269,128)</b>	<b>2,282,111</b>
<b><u>Other Financing Sources (Uses):</u></b>			
Transfer from General Fund	4,556,000	4,556,000	-
Transfer to General Fund	(125,000)	(125,000)	-
Transfer to School Capital Projects Fund	(1,005,887)	(958,293)	47,594
<b>Total Other Financing Sources (Uses)</b>	<b>3,425,113</b>	<b>3,472,707</b>	<b>47,594</b>
<b>Net Change in Fund Balances</b>	<b>(2,126,126)</b>	<b>203,579</b>	<b>2,329,705</b>
<b>Fund Balance, July 1, 2009</b>	<b>6,864,001</b>	<b>7,955,974</b>	<b>1,091,973</b>
<b>Fund Balance, June 30, 2010</b>	<b>\$ 4,737,875</b>	<b>8,159,553</b>	<b>3,421,678</b>

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

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

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total Enterprise Funds</u>	<u>Governmental Activities- Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Demolition Landfill Fund</u>		
<b>ASSETS:</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 8,260,242	106,388	766,617	-	9,133,247	1,034,996
Accounts Receivable, (Net)	8,805,590	829,872	475,559	3,899	10,114,920	-
Customer Notes Receivable (Net) - Current Portion	410,000	-	40	-	410,040	-
Other Receivables	761,291	2,573	1,248	-	765,112	6,730
Due from Other Governments	-	-	1,221,223	-	1,221,223	-
Due from Joint Venture	-	-	303,092	-	303,092	-
Due from Other Funds	-	189,471	-	10,830	200,301	191,405
Inventories	1,067,125	319,492	57,207	-	1,443,824	-
Prepays	108,455	-	-	-	108,455	-
Discounted Energy Units - Current Portion	933,485	-	-	-	933,485	-
<b>Total Current Assets</b>	<b>20,346,188</b>	<b>1,447,796</b>	<b>2,824,986</b>	<b>14,729</b>	<b>24,633,699</b>	<b>1,233,131</b>
<b>Noncurrent Assets:</b>						
<b>Capital Assets</b>						
Capital Assets	126,457,474	40,632,891	29,034,786	1,841,110	197,966,261	-
Construction in Progress	2,750,894	222,417	2,210,382	75,965	5,259,658	-
<b>Total Capital Assets</b>	<b>129,208,368</b>	<b>40,855,308</b>	<b>31,245,168</b>	<b>1,917,075</b>	<b>203,225,919</b>	<b>0</b>
Less: Accumulated Depreciation	51,123,697	20,236,809	7,739,997	770,003	79,870,506	-
<b>Net Capital Assets</b>	<b>78,084,671</b>	<b>20,618,499</b>	<b>23,505,171</b>	<b>1,147,072</b>	<b>123,355,413</b>	<b>0</b>
<b>Other Noncurrent Assets:</b>						
Customer Notes Receivable, Less Current Portion	2,280,558	-	-	-	2,280,558	-
Certificates of Deposit - Long-term	8,000,000	-	-	-	8,000,000	-
Investment in Joint Venture	-	-	6,925,103	-	6,925,103	-
Due from Joint Venture	-	-	42,143	-	42,143	-
Prepaid Pension Cost	453,279	-	-	-	453,279	-
Discounted Energy Units, Less Current Portion	1,499,894	-	-	-	1,499,894	-
Other	301,173	16,846	-	4,547	322,566	-
<b>Total Other Noncurrent Assets</b>	<b>12,534,904</b>	<b>16,846</b>	<b>6,967,246</b>	<b>4,547</b>	<b>19,523,543</b>	<b>0</b>
<b>Total Noncurrent Assets</b>	<b>90,619,575</b>	<b>20,635,345</b>	<b>30,472,417</b>	<b>1,151,619</b>	<b>142,878,956</b>	<b>0</b>
<b>Total Assets</b>	<b>110,965,763</b>	<b>22,083,141</b>	<b>33,297,403</b>	<b>1,166,348</b>	<b>167,512,655</b>	<b>1,233,131</b>

(Continued)

CITY OF BRISTOL, TENNESSEE

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2010

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund		
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	7,083,466	93,700	24,583	12,923	7,214,672	-
Contracts Payable	-	-	112,702	-	112,702	-
Accrued Interest	335,775	8,223	1,293	1,117	346,408	-
Accrued Liabilities	1,144,128	-	-	-	1,144,128	562,118
Accrued Payroll and Related Liabilities	-	30,564	16,099	2,364	49,027	-
Deposits	2,078,716	4,050	-	-	2,082,766	-
Due to Other Funds	41,459	-	148,772	-	190,231	-
Due to Others	-	23,172	-	-	23,172	-
Deferred Revenue	523,152	-	-	-	523,152	-
Compensated Absences Payable	-	61,000	22,000	4,400	87,400	-
Bonds Payable	485,000	977,015	134,401	80,000	1,676,416	-
Notes Payable	-	43,269	142,776	-	186,045	-
<b>Total Current Liabilities</b>	<b>11,691,696</b>	<b>1,240,993</b>	<b>602,626</b>	<b>100,804</b>	<b>13,636,119</b>	<b>562,118</b>
<b>Long-term Liabilities:</b>						
Compensated Absences Payable	-	47,761	8,165	8,210	64,136	-
Bonds Payable, Net of Unamortized	-	-	-	-	-	-
Deferred Amounts	22,438,976	1,285,000	-	255,000	23,978,976	-
Notes Payable	-	298,026	1,221,816	-	1,519,842	-
OPEB Obligation Payable	595,607	-	-	-	595,607	-
Landfill Closure Costs	-	-	-	159,782	159,782	-
<b>Total Long-term Liabilities</b>	<b>23,034,583</b>	<b>1,630,787</b>	<b>1,229,981</b>	<b>422,992</b>	<b>26,318,343</b>	<b>0</b>
<b>Total Liabilities</b>	<b>34,726,279</b>	<b>2,871,780</b>	<b>1,832,607</b>	<b>523,796</b>	<b>39,954,462</b>	<b>562,118</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of Related Debt	53,974,367	18,005,489	21,940,861	812,072	94,732,789	-
Unrestricted	22,265,117	1,205,872	9,523,935	(169,520)	32,825,404	671,013
<b>Total Net Assets</b>	<b>\$ 76,239,484</b>	<b>19,211,361</b>	<b>31,464,796</b>	<b>642,552</b>	<b>127,558,193</b>	<b>671,013</b>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

39,684

Net Assets of Business-type Activities

\$127,597,877

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

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

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total Enterprise Funds</u>	<u>Governmental Activities- Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Demolition Landfill Fund</u>		
<b><u>Operating Revenues:</u></b>						
Charges for Services (Net)	\$ 85,887,764	4,192,182	4,515,032	151,783	94,746,761	2,830,473
Other Revenue	3,402,534	141,035	96,317	172,693	3,812,579	3,335
<b>Total Operating Revenues</b>	<b>89,290,298</b>	<b>4,333,217</b>	<b>4,611,349</b>	<b>324,476</b>	<b>98,559,340</b>	<b>2,833,808</b>
<b><u>Operating Expenses:</u></b>						
Maintenance and Administrative	16,778,421	107,327	1,350,073	347,257	18,583,078	410,909
Purchased Power	61,973,087	-	-	-	61,973,087	-
Water Filtration Plant	-	1,331,536	-	-	1,331,536	-
Water Distribution	-	839,348	-	-	839,348	-
Sewer Collection	-	-	907,552	-	907,552	-
Medical Claims	-	-	-	-	0	2,620,055
Depreciation	3,583,004	852,445	682,265	204,618	5,322,332	-
Other Expenses	-	678,684	778,447	-	1,457,131	-
<b>Total Operating Expenses</b>	<b>82,334,512</b>	<b>3,809,340</b>	<b>3,718,337</b>	<b>551,875</b>	<b>90,414,064</b>	<b>3,030,964</b>
<b>Operating Income (Loss)</b>	<b>6,955,786</b>	<b>523,877</b>	<b>893,012</b>	<b>(227,399)</b>	<b>8,145,276</b>	<b>(197,156)</b>
<b><u>Nonoperating Revenues (Expenses):</u></b>						
Interest Revenue	589,533	1,073	3,459	-	594,065	3,816
Interest Expense	(998,144)	(96,743)	(64,719)	(18,942)	(1,178,548)	-
Fiscal Agent Fees	-	(39)	-	(14)	(53)	-
Amortization of Bond Costs	(11,583)	(1,889)	-	(1,161)	(14,633)	-
Capital Contribution to Joint Venture	-	-	(250,000)	-	(250,000)	-
Loss on Investment in Joint Venture	-	-	(172,148)	-	(172,148)	-
State Income Tax	(66,352)	-	-	-	(66,352)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(486,546)</b>	<b>(97,598)</b>	<b>(483,408)</b>	<b>(20,117)</b>	<b>(1,087,669)</b>	<b>3,816</b>
<b>Net Income (Loss) Before Operating Transfers and Capital Contributions</b>	<b>6,469,240</b>	<b>426,279</b>	<b>409,604</b>	<b>(247,516)</b>	<b>7,057,607</b>	<b>(193,340)</b>

(Continued)

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

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total Enterprise Funds</u>	<u>Governmental Activities- Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Demolition Landfill Fund</u>		
Net Income (Loss) Before Operating Transfers and Capital Contributions (Brought Forward)	<u>6,469,240</u>	<u>426,279</u>	<u>409,604</u>	<u>(247,516)</u>	<u>7,057,607</u>	<u>(193,340)</u>
<b>Transfers:</b>						
Transfer from General Fund	-	-	-	450,000	450,000	-
Transfer to General Fund	<u>(1,558,418)</u>	<u>(200,000)</u>	<u>(256,329)</u>	-	<u>(2,014,747)</u>	-
Total Transfers	<u>(1,558,418)</u>	<u>(200,000)</u>	<u>(256,329)</u>	450,000	<u>(1,564,747)</u>	0
<b>Capital Contributions and Grants</b>	-	496,600	2,447,675	-	2,944,275	-
Change in Net Assets	<u>4,910,822</u>	<u>722,879</u>	<u>2,600,950</u>	<u>202,484</u>	<u>8,437,135</u>	<u>(193,340)</u>
Net Assets, July 1, 2009	71,328,662	18,533,051	28,863,846	440,068		947,959
<b>Prior Period Adjustment:</b>						
Accrued Revenue Adjustment	-	(44,569)	-	-		-
HRA Liability	-	-	-	-		<u>(83,606)</u>
Adjusted Net Assets, July 1, 2009	<u>71,328,662</u>	<u>18,488,482</u>	<u>28,863,846</u>	<u>440,068</u>		<u>864,353</u>
Net Assets, June 30, 2010	<u>\$ 76,239,484</u>	<u>19,211,361</u>	<u>31,464,796</u>	<u>642,552</u>		<u>671,013</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>(23,005)</u>	
Change in Net Assets of Business-type Activities					<u>\$ 8,414,130</u>	

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

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

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund		
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers and Users	\$ 86,668,496	4,281,359	4,602,838	153,896	95,706,589	560,671
Receipts from Other	-	-	-	-	-	12,207
Receipts for Interfund Services Provided	2,234,163	175,145	-	-	2,409,308	2,269,802
Payments to Suppliers	(75,195,305)	(1,613,470)	(667,285)	(278,855)	(77,754,915)	(2,687,452)
Payments for Employees	(3,906,026)	(859,527)	(263,947)	(71,451)	(5,100,951)	-
Payments to Joint Venture	-	-	(1,194,600)	-	(1,194,600)	-
Payments for Interfund Services Used	-	(678,663)	(765,580)	-	(1,444,243)	-
Net Cash Provided by/(Used for) Operating Activities	<u>9,801,328</u>	<u>1,304,844</u>	<u>1,711,426</u>	<u>(196,410)</u>	<u>12,621,188</u>	<u>155,228</u>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Due From/To General Fund	-	(878,712)	342,741	(86,902)	(622,873)	(155,271)
State Income Tax	(66,352)	-	-	-	(66,352)	-
Transfers From/(To) Other Funds	(1,558,418)	(200,000)	(256,329)	450,000	(1,564,747)	-
Net Cash Provided by/(Used for) Noncapital Financing Activities	<u>(1,624,770)</u>	<u>(1,078,712)</u>	<u>86,412</u>	<u>363,098</u>	<u>(2,253,972)</u>	<u>(155,271)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchase of Capital Assets	(6,782,283)	(91,044)	(2,231,521)	(72,482)	(9,177,330)	-
Principal Paid on Capital Debt	(470,000)	(259,241)	(137,832)	(75,000)	(942,073)	-
Capital Contributions	-	-	727,845	-	727,845	-
Interest Paid on Capital Debt	(1,015,550)	(104,037)	(64,906)	(19,192)	(1,203,685)	-
Fiscal Agent Fees Paid	-	(39)	-	(14)	(53)	-
Net Cash Provided by/(Used for) Capital and Related Financing Activities	<u>(8,267,833)</u>	<u>(454,361)</u>	<u>(1,706,414)</u>	<u>(166,688)</u>	<u>(10,595,296)</u>	<u>0</u>
<b>Total Net Assets</b>						
Purchase of Investments	(31,203,351)	-	-	-	(31,203,351)	-
Sale of Investments	31,203,351	-	-	-	31,203,351	-
Interest and Dividends Received	438,422	1,073	3,459	-	442,954	3,816
Due from Joint Venture	-	-	8,428	-	8,428	-
Contribution to Joint Venture	-	-	(250,000)	-	(250,000)	-
Net Cash Provided by/(Used for) Investing Activities	<u>438,422</u>	<u>1,073</u>	<u>(238,113)</u>	<u>0</u>	<u>201,382</u>	<u>3,816</u>
Net Increase (Decrease) in Cash and Cash Equivalents	347,147	(227,156)	(146,689)	-	(26,698)	3,773
Cash and Cash Equivalents, Beginning of Year	7,913,095	333,544	913,306	0	9,159,945	1,031,223
Cash and Cash Equivalents, End of Year	<u>\$ 8,260,242</u>	<u>106,388</u>	<u>766,617</u>	<u>0</u>	<u>9,133,247</u>	<u>1,034,996</u>

(Continued)

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

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total Enterprise Funds</u>	<u>Governmental Activities- Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Demolition Landfill Fund</u>		
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>						
<b>Provided by/(Used for) Operating Activities:</b>						
Operating Income (Loss)	\$ 6,955,786	523,877	893,012	(227,399)	8,145,276	(197,156)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:</b>						
Depreciation Expense	3,583,004	852,445	682,265	204,618	5,322,332	-
Increase in Allowance for Uncollectible Accounts	100,330	115,000	-	-	215,330	-
Redemption of Discounted Energy Units	1,044,000	-	-	-	1,044,000	-
<b>(Increase) Decrease:</b>						
Accounts Receivable	(1,122,275)	(172,152)	(9,287)	(901)	(1,304,615)	-
Other Receivables	506,671	3,705	154,224	-	664,600	8,872
Inventories	17,589	(26,633)	(6,652)	-	(15,696)	-
Prepaid Items	55,458	-	-	-	55,458	-
Other Assets	52,421	-	-	-	52,421	-
Customer Notes Receivable	(113,936)	-	2,024	-	(111,912)	-
<b>Increase (Decrease):</b>						
Accounts Payable	1,023,182	(2,692)	(9,471)	4,709	1,015,728	-
Accrued Liabilities	(2,490,052)	-	-	(178,525)	(2,668,577)	343,512
Accrued Payroll and Related Deductions	-	857	1,691	(20)	2,528	-
Compensated Absences Payable	-	5,143	3,620	1,108	9,871	-
Deposits	402,894	1,800	-	-	404,694	-
Due to Other Funds	(213,744)	-	-	-	(213,744)	-
Due to Others	-	3,494	-	-	3,494	-
<b>Net Cash Provided by/(Used for) Operating Activities</b>	<b>\$ 9,801,328</b>	<b>1,304,844</b>	<b>1,711,426</b>	<b>(196,410)</b>	<b>12,621,188</b>	<b>155,228</b>

Schedule of Noncash Investing, Capital and Financing Activities:

Accounts payable in the Electric Fund at June 30, 2010, included \$1,307,113 for construction in progress.

Accounts payable were \$9,700 in the Water Fund at June 30, 2010, for capital assets. Water lines were also contributed that were valued at \$496,600.

Accounts payable and contracts payable were \$3,187 and \$112,702, respectively, in the Sewer Fund at June 30, 2010, for capital assets. Sewer lines were also contributed that were valued at \$619,980.

The Sewer Fund had a loss on investment of \$172,148 which equals the City's share of depreciation and amortization in the assets of the Joint Sewerage System.

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

CITY OF BRISTOL, TENNESSEE  
STATEMENT OF FIDUCIARY AND PLAN NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2010

	<u>Other Post Employment Benefits Trust Fund</u>	<u>BTES Other Post Employment Benefits Trust Fund</u>	<u>Agency Funds</u>
<b><u>ASSETS:</u></b>			
Cash and Cash Equivalents	\$ -	12,752	2,371,638
Pooled Cash Held by General Fund	1,456	-	-
Investments Held in Trust, At Fair Value			
Mutual Funds	<u>589,956</u>	<u>180,143</u>	<u>-</u>
Total Assets	<u>591,412</u>	<u>192,895</u>	<u>2,371,638</u>
<b><u>LIABILITIES:</u></b>			
Accrued Liabilities	15,000	-	-
Due to Others	<u>-</u>	<u>-</u>	<u>2,371,638</u>
Total Liabilities	<u>15,000</u>	<u>0</u>	<u>2,371,638</u>
<b><u>NET ASSETS</u></b>			
Net Assets Held In Trust for OPEB Benefits	<u>576,412</u>	<u>192,895</u>	
Total Net Assets	<u>\$ 576,412</u>	<u>192,895</u>	

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

**CITY OF BRISTOL, TENNESSEE**  
**STATEMENT OF CHANGES IN FIDUCIARY AND PLAN NET ASSETS**  
**FIDUCIARY FUNDS**  
June 30, 2010

	<u>Other Post Employment Benefits Trust Fund</u>	<u>BTES Other Post Employment Benefits Trust Fund</u>
<b><u>ADDITIONS</u></b>		
Employer Contributions	\$ 222,213	642,242
Retiree Contributions	78,396	-
Dividend Income	-	1,217
Net Appreciation (Depreciation) in Value of Investments	<u>42,730</u>	<u>(6,322)</u>
<b>Total Additions</b>	<u><b>343,339</b></u>	<u><b>637,137</b></u>
<b><u>DEDUCTIONS</u></b>		
Retiree Benefits	153,897	442,242
Administrative Expenses	<u>11,547</u>	<u>2,000</u>
<b>Total Deductions</b>	<u><b>165,444</b></u>	<u><b>444,242</b></u>
<b>Change in Net Assets</b>	<b>177,895</b>	<b>192,895</b>
Net Assets, July 1, 2009	<u>398,517</u>	<u>0</u>
<b>Net Assets, July 1, 2010</b>	<u><b>\$ 576,412</b></u>	<u><b>192,895</b></u>

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

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Bristol, Tennessee, (the City) was incorporated in 1856 and operates under a council-manager form of government that provides services as authorized by its charter. Along with two other comparably-sized cities within a twenty mile radius, the City is part of a twelve county area in northeast Tennessee and southwest Virginia known as the Tri-Cities Tennessee/Virginia region.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. 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. The Governmental Accounting and Financial Reporting Standards, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

A. Reporting Entity

Primary Government

The accompanying financial statements present the City (primary government) and its component units, entities for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on the organization or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that those entities are legally separate from the City.

Discretely Presented Component Unit

The Tennessee General Assembly's passage of Emergency Communications District Law (Acts 1984, ch. 867) declared that the establishment of a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid is a matter of public concern and interest. It is the intent of communication districts to provide a simplified means of securing emergency services.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

A. Reporting Entity (Continued)

Discretely Presented Component Unit (Continued)

The voters in Bristol, Tennessee approved a referendum to form the Bristol Tennessee Emergency Communications District (the "District") in March 1994. The District began operations July 1, 1994, and is responsible for providing emergency communication services to the residents of the City. The Board is appointed by the City and the City must approve all bonded debt issues. The District is reported as an enterprise fund and is presented in a separate column as the Bristol Tennessee Emergency Communications District on the government-wide financial statements to emphasize that it is a legally separate unit. For the year ended June 30, 2010, the District reimbursed \$153,336 to the City for payment. The District owed the City \$12,778 as of year end in accordance with the "Inter-local Cooperation Agreement".

Complete financial statements for the District may be obtained at the entity's administrative offices.

Bristol Tennessee Emergency Communications District  
801 Anderson Street  
Bristol, Tennessee 37620

Related Organizations

The City Council is responsible for all board appointments of the following:

Bristol Tennessee Housing and Redevelopment Authority  
Bristol Industrial Development Board

However, the City has no further accountability for any of these organizations. The City cannot impose its will on these boards since it does not have the ability to modify or approve their budgets or overrule or modify decisions of the boards. The boards are fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, they are not included in the City's financial statements.

Joint Ventures

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

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

A. Reporting Entity (Continued)

Joint Ventures (Continued)

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

The Tri-Cities Airport is jointly administered by City of Bristol, Tennessee; City of Johnson City, Tennessee; City of Kingsport, Tennessee; City of Bristol, Virginia; Washington County, Tennessee; and Sullivan County, Tennessee. While the City's portion of the joint administrative ownership in the Airport is 10%, there is no equity ownership to the administrators due to a lack of ongoing financial interest. The City is represented by one of the twelve commissioners. A separate enterprise fund is maintained by the Airport and the administrators do not record any balances for the Airport.

The Tri-County Industrial Park is a joint venture between City of Bristol, Tennessee; City of Johnson City, Tennessee; and Sullivan County, Tennessee. The purpose is to promote regional economic development. The joint venture owns vacant parcels of land used for industrial and economic development. The City holds a 12.5% interest in the proceeds from all sales of vacant lots. During the year ended June 30, 2010, the City received \$4,743 in proceeds from vacant lot sales. Administrators retain only an ongoing financial responsibility for this venture and do not record any balances in their financial statements. Financial statements are not prepared for the Tri-County Industrial Park.

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

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

A. Reporting Entity (Continued)

Joint Ventures (Continued)

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

Bristol Public Library 701 Goode Street Bristol, VA 24201	Joint Sewerage System City of Bristol, Tennessee 801 Anderson Street Bristol, TN 37620	Networks P.O. Box 1157 Blountville, TN 37617	Tri-Cities Airport Commission P. O. Box 1055 Blountville, TN 37617
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Audited information as of June 30, 2010, is presented for Bristol Public Library, Joint Sewerage System, and Tri-Cities Airport. Information presented for Networks is for the year ended June 30, 2009, since audited financial information has yet to be released for the 2010 year. Information for each joint venture is presented on the accrual basis.

	<u>Bristol Public Library</u>	<u>Joint Sewerage System</u>	<u>Networks - Sullivan Partnership</u>	<u>Tri-Cities Airport</u>
Revenues	\$ 1,871,583	3,048,869	1,464,577	13,634,495
Expenses	<u>(2,146,277)</u>	<u>(3,393,166)</u>	<u>(1,213,580)</u>	<u>(8,525,172)</u>
Net Income (Loss) Transferred to Net Assets	(274,694)	(344,297)	250,997	5,109,323
Net Assets, July 1	<u>1,759,536</u>	<u>14,194,503</u>	<u>(202,030)</u>	<u>55,949,414</u>
Net Assets, June 30	<u>\$ 1,484,842</u>	<u>13,850,206</u>	<u>48,967</u>	<u>61,058,737</u>
Total Assets	\$ 1,605,736	14,583,750	8,789,787	69,451,205
Total Liabilities	<u>120,894</u>	<u>733,544</u>	<u>8,740,820</u>	<u>8,392,468</u>
Total Net Assets	<u>\$ 1,484,842</u>	<u>13,850,206</u>	<u>48,967</u>	<u>61,058,737</u>

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 and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

**B. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**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 funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivables have been reported as deferred revenue prior to the period of revenue recognition. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements utilize the accrual basis of accounting for its receivables and payables.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB 33, certain revenues are required to be recognized as a receivable and either as revenue or deferred revenue, depending upon the revenue recognition policies of the entity. The amounts due for penalties, fines and forfeitures, and clerk's fees for business tax were determined to be immaterial; therefore, receivables were not recorded. Gross receipts tax, minimum business tax, and corporate (bank) excise taxes that were earned but not received by June 30, 2010, were not recorded as receivables because they were not estimable.

The City reports the following major governmental funds:

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

The *General Purpose School Fund* is the operating fund of the City of Bristol, Tennessee Board of Education (BOE) and accounts for all general revenues and other receipts that are not allocated by law or contractual agreement to another BOE fund. General operating expenditures and capital improvement costs that are not paid through other BOE funds are paid from the General Purpose School Fund.

The *School Capital Projects Fund* is used to account for significant capital asset projects related to education, such as construction of the new Fairmount Elementary School.

The City reports the following major proprietary funds:

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

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

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

The *Demolition Landfill Fund* is used to account for the administration, maintenance, and operation of the municipal demolition landfill.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

Additionally, the City reports the following fund types:

The *Internal Service Fund* is used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. This fund is used to account for contributions from operation funds and the related payments and accruals for health and dental claims. This fund receives employee, retiree, and City contributions for the payment of claims.

Agency funds generally are used to account for assets that the City holds on behalf of others as their agent. The City currently has three agency funds. The *Youth Counselor Office Fund* accounts for the receipt and disposition of funds held on behalf of juveniles. The *Wastewater Treatment Plant External Agency Fund* and the *Bristol Industrial Development Board External Agency Fund* are used to account for cash held by the City on behalf of the other entities.

The *Other Post Employment Benefits Trust Fund* and *BTES Other Post Employment Benefits Trust Fund* accumulate funds for the payment of post employment health and life insurance benefits for qualified employees as determined under City and BTES policies based on age and years of service at the time of retirement.

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

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 *non-operating* 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 City's enterprise funds and the internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the related system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

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

The internal service fund of the government (which traditionally provide services primarily to other funds of the government), is presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of the internal service fund are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (public safety, public works, etc.).

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's and the District'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. The Electric Fund also considers those investments which are generally a part of the short-term cash management activities as cash equivalents.

Investments for the City are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Temporary investments in the Electric Fund, consisting entirely of certificates of deposits, are stated at cost which approximates fair value.

2. Receivables and Payables

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."

Property taxes receivable are recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in Tennessee and is referred to as the "lien date." Revenues from property taxes are recognized in the period for which the taxes are levied. The City's levy date is October 1, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivable before the period of revenue recognition have been reported as deferred revenues.

Trade and property tax receivables are shown net of allowances for uncollectibles.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

2. Receivables and Payables (Continued)

The City provides loans to customers for heat pump and insulation costs under the Electric Fund's Residential Energy Efficiency Program. The majority of these loans bear interest at rates ranging from 8% to 10.25% and have maturities of up to 10 years. Satisfactory credit reports are required prior to loan approval. Additionally, these loans are secured by a deed of trust on the property. The City recorded interest income of approximately \$224,500 in 2010 related to these loans. These amounts offset operating expenses in the Statement of Revenues, Expenses, and Changes in Net Assets, since management believes this is an operating activity and the income should offset the additional expenses associated with maintaining this loan program.

3. Inventories and Prepaid Items

Inventories for the proprietary funds, except Electric, and the General Fund are valued, maintained, and issued using the average cost method. Inventories for the Electric Fund are valued at the lower of cost or market, utilizing the moving average method of determining cost. The costs of inventories are recorded as expenditures when consumed. The cafeteria inventory reflected in the child nutrition fund is valued at cost using the first-in, first-out method, and is recorded as expenditures at the time of purchase. All inventory on hand at year end for the general fund and the Child Nutrition Fund is reported as an asset and is fully reserved in the equity section of the fund's balance sheet at the fund level. The government-wide financial statements reflect inventory as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements and 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

Certain cash and investment balances of the City are classified as restricted assets at the government-wide and fund level because they are maintained in separate accounts and their use is limited by certain agreements and contracts with third parties. Resources have been set aside in a restricted account with the Local Government Investment Pool for capital projects.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years for machinery and equipment. The individual costs used for buildings and improvements and for infrastructure are \$10,000 and \$50,000, respectively. The City has also collectively capitalized library books. 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 lives of the assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure (Roads, etc.)	50
Water and Sewer Lines	45
Buildings	40-50
Building Improvements	20-50
Transmission Equipment, Fixtures, and Devices	30-40
Fiber Optic System Cable, Equipment, Fixtures, and Devices	40
Distribution Transformers, Fixtures, and Devices	15-50
Electronic Communication Equipment	15-20
Large Trucks	10
Vehicles	7
Computers and Office Equipment	5
Library Books	6

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

6. Discounted Energy Units

During 2003, the Electric Fund purchased \$8,000,000 in discounted energy units from TVA which are redeemable on a straight-line basis over the next ten years. The units carry a discount of 5.5% and amounted to \$2,433,379 as of June 30, 2010.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accumulated sick leave does not vest upon the employee's termination; accordingly, no liability is reported for unpaid accumulated sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The proprietary fund financial statements reflect \$151,536 of long-term vacation benefits payable. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Expenditures are recorded in the governmental funds when payments are made to employees upon their termination of employment for their accrued vacation time. At June 30, 2010, there are no amounts expected to be paid with current financial resources, thus no liability has been reported in the fund financial statements. Expected future demands of \$2,066,741 for vacation benefits have been reflected in the statement of net assets as compensated absences for the governmental activities.

The Electric Fund recognizes the cost of vacation pay as earned. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days. In general, accumulated vacation days are limited to thirty days.

8. Long-Term Obligations

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

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

9. 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.

Net assets are the differences between assets and liabilities. Net assets invested in capital assets, net of related debt, are capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

10. Estimates

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

11. New Accounting Standards Issued

The Governmental Accounting Standards Board (GASB) has also issued its Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement will change the reporting of fund balance in the balance sheets of governmental fund types to improve transparency and disclosure in order to benefit users of governmental financial statements. This Statement is effective for the City for the period ending June 30, 2011.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

The governmental fund balance sheet includes a 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, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(20,388,629) difference are as follows:

Bonds and notes payable	\$ (17,407,012)
Less: Deferred charge on refunding (net of amortization of \$105,462 recorded as interest expense)	90,745
Add: Bond premium (net of amortization of \$9,285 recorded as interest expense)	(66,971)
Accrued interest payable	(62,781)
Compensated absences	(2,066,741)
Other Post Employment Benefit Obligation	<u>(875,869)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (20,388,629)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net 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 miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets.” The details of this \$1,322,323 difference are as follows:

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.	\$ 1,454,087
Capital assets transferred to the business-type activities which were originally governmental assets are recorded as capital contributions in the fund level and as transfers in the statement of activities. However, the transfer on the governmental activities is recorded only in the statement of activities and not on the fund level.	(100,000)
The statement of activities reports adjustment to expenses arising from the disposal of capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.	<u>(31,764)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,322,323</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,335,771 difference are as follows:

Debt issued or incurred:	
Bonds issued	\$ (2,760,000)
Premium on bonds issued	(65,911)
Bond issuance costs	50,911
Bonds payable refunded	2,775,000
Principal repayments:	
General obligation debt	<u>1,335,571</u>

Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>1,335,571</u>
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Another element of that reconciliation states that “Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds.” The details of this \$(5,192) difference are as follows:

Compensated absences for the prior year	\$ 2,061,549
Compensated absences for the current year	<u>(2,066,741)</u>

Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(5,192)</u>
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CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$(294,570) difference are as follows:

Prior year accrued interest	\$ 68,223
Current year accrued interest	(62,781)
Prior year other post employment benefit obligation	643,974
Current year other post employment benefit obligation	(875,869)
Amortization of deferred charge on refunding	(19,621)
Amortization of bond issuance costs	(53,255)
Amortization of bond premiums	<u>4,759</u>

Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities.</i>	\$ <u>(294,570)</u>
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The assets and liabilities of the internal service fund were recorded at the government-wide level as part of the governmental activities. The internal service fund’s current year change in net assets was proportionately allocated to the governmental and business-type activities based upon an allocation of fund usage. The loss allocated to the governmental activities was \$170,335 and to the business-type activities was \$23,005. The allocation to the business-type activities was recorded at the government-wide level as an interfund receivable and payable between governmental activities and business-type activities.

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

- 1) At the council work session in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the method of financing. Also, a five-year capital budget is presented in conjunction with the operating budget.
- 2) A public hearing is conducted to obtain taxpayer comments.
- 3) Prior to July 1, the budgets for all governmental funds are legally enacted through passage of an ordinance.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED):

A. Budgetary Information (Continued)

- 4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by City Council. Expenditures may not exceed appropriations at the fund level.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund, capital project funds, special revenue funds, and Debt Service Fund. Budgetary control is also achieved for the Debt Service Fund through general obligation bond indenture provisions.
- 6) The budgets for all governmental funds are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budget and actual comparisons presented in the accompanying financial report include all governmental funds whose budgets were legally enacted by City Council through passage of the appropriate ordinance. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted or as amended by the City Council.
- 7) All appropriations which are not expended or encumbered lapse at year end.

Encumbrance accounting is employed in the General Purpose School Fund, School Federal Projects Fund, and the Child Nutrition Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The following supplements were made to the original budget.

<u>Fund</u>	<u>Original Budget</u>	<u>Total Revisions</u>	<u>Revised Budget</u>
School Nutrition Fund	\$ 1,897,400	60,600	1,958,000
Solid Waste Fund	1,494,339	49,661	1,544,000
Viking Hall Fund	481,675	368,325	850,000
Debt Service Fund	2,215,476	2,809,524	5,025,000

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**NOTE III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):**

**B. Deficit Fund Balances**

The City has an accumulated deficit fund balance in the Solid Waste Fund of \$1,278 as of June 30, 2010. The Solid Waste Fund receives funding primarily from charges from services. Management supplements any operating deficits with a General Fund transfer. In the current year, the net operating loss exceeded the operating transfer by \$4,663, which resulted in the negative fund balance. This deficit does not indicate that the fund is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

**NOTE IV. DETAILED NOTES ON ALL FUNDS:**

**A. Deposits and Investments**

Deposits include demand deposits, money market accounts, and certificates of deposit.

State statutes impose various restrictions on the City's and the District's deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

**DEPOSITS** - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

**INVESTMENTS** - State statutes authorize the City to invest in treasury bonds, notes or bills of the United States of America; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States of America or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States of America or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

A. Deposits and Investments (Continued)

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The TN LGIP has not been rated by a nationally recognized statistical rating organization. The LGIP is audited as part of the Comprehensive Annual Financial Report for the State of Tennessee. That report may be obtained by writing Tennessee Department of Finance and Administration, 312 Rosa L. Parks Avenue, 21st Floor Tennessee Tower, Nashville, TN 37243 or can be accessed at [www.state.tn.us/finance/act/cafr.html](http://www.state.tn.us/finance/act/cafr.html).

The City does not have a policy for interest rate risk or for other credit risk other than pledging securities for amounts in excess of FDIC coverage that are also not covered by the Tennessee State Collateral Pool.

Deposits

At year end, the City had \$12,580 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$21,319,479 and the balance in financial institutions was \$22,621,335. Carrying amounts differ from financial institution balances primarily due to outstanding checks and deposits in transit. State statutes require collateral pledged by each financial institution to equal a certain percentage of the uninsured public deposits it holds. Members of the State Pool can be assessed if the collateral is inadequate to cover a loss. This is similar to depository insurance. The entire City's bank balance was covered by the State of Tennessee Collateral Pool, which is a multiple financial institution collateral pool, or by amounts insured by the Federal Deposit Insurance Corporation (FDIC), or with securities held by the pledging financial institution's trust department.

The City also manages cash for the agency funds maintained by the City. The City's carrying amount of deposits for the agency funds was \$844,615 and the balance in financial institutions was \$844,615. The deposits have not been reflected in the statement of net assets. The entire amount of the deposits was covered by the State of Tennessee Collateral Pool or FDIC Insurance.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

A. Deposits and Investments (Continued)

Investments

At June 30, 2010, the City's investment balances were as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Investments:		
State of Tennessee Local Government Investment Pool	\$ <u>17,423,159</u>	<u>17,423,159</u>

For financial statement purposes, the LGIP investments have been included in cash and cash equivalents since they are comprised of short-term investments. Investments in the LGIP are uncategorized in terms of credit risk because specific securities related to the City cannot be identified.

A reconciliation of deposits to the amounts reflected on the statement of net assets is as follows:

<i>Total Deposits:</i>	<u>Total</u>	
Cash on Hand	\$ 12,580	
Carrying Amount of Deposits	21,319,479	
Carrying Amount of Short-term Investments	<u>17,423,159</u>	
Total Deposits		\$ <u>38,755,218</u>
 <i>Amounts per Statement of Net Assets:</i>		
Cash and Cash Equivalents	\$ 30,519,910	
Long-term Certificates of Deposit	8,000,000	
Restricted Cash	<u>235,308</u>	
Total per Statement of Net Assets		\$ <u>38,755,218</u>

The City also manages investments for the agency funds maintained by the City in the State of Tennessee Local Government Investment Pool. The City's reported amount of investments for the agency funds was \$1,527,023 and the fair value was \$1,527,023. The investments have not been reflected in the statement of net assets.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

A. Deposits and Investments (Continued)

Discretely Presented Component Unit

All of the District's cash and cash equivalents were deposited with financial institutions at June 30, 2010. All deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits were fully collateralized by the Tennessee Bank Collateral Pool.

B. Receivables

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

	General	General Purpose School	Electric	Water	Sewer	Demolition Landfill	Nonmajor Governmental Funds	Internal Service Fund	Total
Receivables:									
Taxes	\$ 15,971,994	-	-	-	-	-	-	-	15,971,994
Accounts	-	-	9,425,153	1,524,872	475,559	3,899	174,026	-	11,603,509
Notes Receivable	938,400	-	2,690,558	-	40	-	191,502	-	3,820,500
Other Receivables	958,770	142,508	761,291	2,573	1,248	-	595	6,730	1,873,715
Due from Other Governments:									
Federal Government	14,593	-	-	-	-	-	285,467	-	300,060
State of Tennessee and Federal Through the State	1,938,036	444,876	-	-	-	-	924,485	-	3,307,397
Other Governments and Agencies	204,832	9,470,499	-	-	1,221,223	-	9,508	-	10,906,062
Due from Component Units	12,778	-	-	-	-	-	-	-	12,778
Due from Joint Ventures	8,429	-	-	-	345,235	-	-	-	353,664
Gross Receivables	20,047,832	10,057,883	12,877,002	1,527,445	2,043,305	3,899	1,585,583	6,730	48,149,679
Less: Allowance for Uncollectibles	(575,000)	-	(619,563)	(695,000)	-	-	-	-	(1,889,563)
Total Receivables	\$ 19,472,832	10,057,883	12,257,439	832,445	2,043,305	3,899	1,585,583	6,730	46,260,116

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.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

**B. Receivables (Continued)**

At the end of the current fiscal year, the two components of *deferred revenue* were funds not available and funds not earned. *Unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant drawdowns, reimbursements, and payments held prior to meeting all revenue eligibility requirements:		
Community Development Grant Fund	\$ -	158,380
General Fund	-	414
Grant Fund	-	4,914
HOME Consortium Fund	-	33,122
School Nutrition Fund	-	19,618
Receivables not received within period of availability:		
Property tax levied for ensuing fiscal year:		
General Fund	-	14,429,623
General Purpose School Fund	-	8,748,479
Property tax levied but not collected in period of availability	1,230,399	-
Note receivable on property	938,400	-
Sales taxes	342,300	-
Other taxes	40,010	-
State revenue	241,200	-
Reimbursements and appropriations	306,408	-
Ambulance service charges	184,334	-
Show revenue	12,909	37,395
	<u>\$ 3,295,960</u>	<u>23,431,945</u>

Deferred revenue is \$26,727,905 for the current year on the fund financial statement level for the governmental activities.

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 4,038,348	-	-	-	4,038,348
Construction in Progress	10,152,903	5,269,220	(9,541)	(15,233,720)	178,862
<b>Total Capital Assets, Not Being Depreciated</b>	<b>14,191,251</b>	<b>5,269,220</b>	<b>(9,541)</b>	<b>(15,233,720)</b>	<b>4,217,210</b>
Capital Assets, Being Depreciated:					
Land Improvements	2,660,198	-	-	19,889	2,680,087
Buildings and Improvements	38,369,510	769,540	-	14,995,939	54,134,989
Other Improvements	832,965	84,995	-	117,892	1,035,852
Machinery and Equipment	15,317,831	912,902	(485,679)	-	15,745,054
Infrastructure	107,780,355	1,259,160	-	-	109,039,515
<b>Total Capital Assets, Being Depreciated</b>	<b>164,960,859</b>	<b>3,026,597</b>	<b>(485,679)</b>	<b>15,133,720</b>	<b>182,635,497</b>
Less Accumulated Depreciation For:					
Land Improvements	(869,815)	(56,534)	-	-	(926,349)
Buildings and Improvements	(18,131,484)	(1,091,802)	-	-	(19,223,286)
Other Improvements	(43,101)	(39,551)	-	-	(82,652)
Machinery and Equipment	(10,255,010)	(1,259,385)	463,456	-	(11,050,939)
Infrastructure	(37,256,525)	(2,149,778)	-	-	(39,406,303)
<b>Total Accumulated Depreciation</b>	<b>(66,555,935)</b>	<b>(4,597,050)</b>	<b>463,456</b>	<b>0</b>	<b>(70,689,529)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>98,404,924</b>	<b>(1,570,453)</b>	<b>(22,223)</b>	<b>15,133,720</b>	<b>111,945,968</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 112,596,175</b>	<b>3,698,767</b>	<b>(31,764)</b>	<b>(100,000)</b>	<b>116,163,178</b>

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**C. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities:</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 1,896,198	76,574	(146)	-	1,972,626
Construction in Progress	2,685,775	5,642,650	-	(3,068,767)	5,259,658
<b>Total Capital Assets, Not Being Depreciated</b>	<b>4,581,973</b>	<b>5,719,224</b>	<b>(146)</b>	<b>(3,068,767)</b>	<b>7,232,284</b>
<b>Capital Assets, Being Depreciated:</b>					
Land Improvements	1,020,705	-	-	-	1,020,705
Building and Building Improvements	5,644,052	-	-	102,595	5,746,647
Other Improvements	126,330,468	1,209,932	(413,370)	1,296,533	128,423,563
Machinery and Equipment	55,831,551	3,422,001	(220,471)	1,769,639	60,802,720
<b>Total Capital Assets, Being Depreciated</b>	<b>188,826,776</b>	<b>4,631,933</b>	<b>(633,841)</b>	<b>3,168,767</b>	<b>195,993,635</b>
<b>Less Accumulated Depreciation For:</b>					
Land Improvements	(144,880)	(174,576)	-	-	(319,456)
Building and Building Improvements	(2,847,451)	(129,548)	-	-	(2,976,999)
Other Improvements	(65,429,282)	(3,209,710)	465,669	-	(68,173,323)
Machinery and Equipment	(6,708,775)	(1,912,994)	221,041	-	(8,400,728)
<b>Total Accumulated Depreciation</b>	<b>(75,130,388)</b>	<b>(5,426,828)</b>	<b>686,710</b>	<b>0</b>	<b>(79,870,506)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>113,696,388</b>	<b>(794,895)</b>	<b>52,869</b>	<b>3,168,767</b>	<b>116,123,129</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 118,278,361</b>	<b>4,924,329</b>	<b>52,723</b>	<b>100,000</b>	<b>123,355,413</b>

During 2010, the Water Fund capitalized \$5,691 in interest expense related to the Series 2007 Bonds Payable that were issued to fund capital projects.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

C. Capital Assets (Continued)

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

Governmental Activities:	
Community Relations	\$ 5,699
General Government	432,242
Education	882,513
Parks and Recreation	166,478
Public Safety	587,740
Public Works	<u>2,522,378</u>
Total Depreciation Expense – Governmental Activities	\$ <u>4,597,050</u>
Business-type Activities:	
Electric	\$ 3,583,004
Water	852,445
Sewer	682,265
Demolition Landfill	<u>204,618</u>
Total Depreciation Expense – Business-type Activities	\$ <u>5,322,332</u>

The provision for electric depreciation does not include depreciation on transportation equipment. The transportation equipment depreciation amount for the year ended June 30, 2010, totaled \$147,801 and was charged as an operating expense.

Construction Commitments

The City has active construction projects as of June 30, 2010. The projects include an improvement project on East Cedar Street, construction of the new Evans Creek pump station, State Route 394 Sewer Extensions, and resurfacing of Anderson Street, Exide Drive, and Old Jonesboro Road. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
East Cedar Street Gateway Project	\$ 17,796	105,704
Evans Creek Pump Station	622,147	117,781
State Route 394 Sewer Extensions	231,133	14,597
Roadway Resurfacing- Anderson Street	110,808	48,625
Roadway Resurfacing- Exide Drive	134,797	27,604
Roadway Resurfacing- Old Jonesboro Road	<u>355,776</u>	<u>41,896</u>
Total	\$ <u>1,472,457</u>	<u>356,207</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

C. Capital Assets (Continued)

Discretely Presented Component Unit

Activity for the District for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ <u>440,105</u>	<u>40,900</u>	<u>15,454</u>	<u>465,551</u>
Total Capital Assets, Being Depreciated	<u>440,105</u>	<u>40,900</u>	<u>15,454</u>	<u>465,551</u>
Less Accumulated Depreciation For:				
Machinery and Equipment	<u>(271,786)</u>	<u>(66,405)</u>	<u>(15,454)</u>	<u>(322,737)</u>
Total Accumulated Depreciation	<u>(271,786)</u>	<u>(66,405)</u>	<u>(15,454)</u>	<u>(322,737)</u>
Total Capital Assets, Net	\$ <u>168,319</u>	<u>(25,505)</u>	<u>0</u>	<u>142,814</u>

Depreciation expense for the fiscal year ended June 30, 2010, was \$66,405.

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$ 41,459
	Sewer	148,772
	Nonmajor Governmental	423,039
General Purpose School	Nonmajor Governmental	63,997
Internal Service Fund	General	191,405
Nonmajor Governmental	General	553,700
Nonmajor Governmental	General Purpose School	66,894
Water	General	189,471
Demolition Landfill	General	<u>10,830</u>
Total		\$ <u>1,689,567</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

D. Interfund Receivables, Payables and Transfers

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

At the government-wide level at June 30, 2010, the business-type activities owed the governmental activities \$39,684 for their portion of the Employee Insurance Fund.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 1,558,418
	Water Fund	200,000
	Sewer Fund	256,329
	General Purpose School Fund	125,000
	Nonmajor Governmental	61,529
General Purpose School Fund	General Fund	4,556,000
School Capital Projects Fund	General Fund	800,000
School Capital Projects Fund	General Purpose School Fund	958,293
Nonmajor Governmental	General Fund	2,694,341
Demolition Landfill Fund	General Fund	<u>450,000</u>
Total		\$ <u>11,659,910</u>

All transfers were either routine transfers from the general fund or transfers from the enterprise funds to the general fund to compensate for public services received. A transfer was made from the governmental activities of \$100,000 to transfer water system capital assets into the Water Fund that were purchased with grant funding in the Community Development Grant Fund.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

E. Long-Term Debt

Annual Debt Service Requirements – Governmental Activity Debt

The annual requirements to amortize all debt outstanding as of June 30, 2010, for the governmental activities are as follows:

June 30	<u>Principal</u>		<u>Interest</u>		<u>Governmental Activity Debt Service</u>
	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Bonds Payable</u>	<u>Notes Payable</u>	
2011	\$ 1,668,584	60,571	609,812	-	2,338,967
2012	1,585,000	60,571	564,468	-	2,210,039
2013	1,610,000	60,571	515,868	-	2,186,439
2014	1,825,000	60,572	465,442	-	2,351,014
2015	985,000	60,572	396,463	-	1,442,035
2016	1,080,000	60,572	362,888	-	1,503,460
2017	1,125,000	-	323,987	-	1,448,987
2018	1,170,000	-	283,238	-	1,453,238
2019	1,220,000	-	240,644	-	1,460,644
2020	1,215,000	-	193,375	-	1,408,375
2021	1,065,000	-	145,744	-	1,210,744
2022	1,110,000	-	102,081	-	1,212,081
2023	1,155,000	-	56,556	-	1,211,556
2024	230,000	-	9,200	-	239,200
	<u>\$ 17,043,584</u>	<u>363,429</u>	<u>4,269,766</u>	<u>0</u>	<u>21,676,779</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

E. Long-Term Debt (Continued)

Governmental Activity Debt	Governmental Activity Debt			Balance 6/30/10
	Balance 7/01/09	Additions	Retirements	
Series VI-D-4 Local Government Public Improvement Bonds Issue: \$3,500,000, maturity 2025 Interest Rate: Variable Based Upon BMA Index Funded Library Renovations	2,775,000	-	2,775,000	0
Series 2005 General Obligation Refunding Bonds Issue: \$3,085,000, maturity 2015 Interest Rate: Fixed Rate of 5% Partial Refunding of Series 1999 General Obligation Bonds	2,535,000	-	390,000	2,145,000
Series 2007 General Obligation Bonds Issue: \$7,750,000, maturity 2023 Interest Rate: 4.00%-4.125% Funded School Projects	7,750,000	-	-	7,750,000
Series 2008 General Obligation Bonds Issue: \$5,150,000, maturity 2020 Interest Rate: 3.00% Fixed Funded School and Capital Projects	4,950,000	-	750,000	4,200,000
Series 2008B General Obligation Refunding Bonds Issue: \$323,584, maturity 2011 Interest Rate: 3.21% Fixed Refunding of Series 2003 General Obligation Refunding Bonds	323,584	-	-	323,584
Energy Efficiency Capital Outlay Note Issue: \$500,000, maturity 2016 Interest Rate: 0%, Energy Projects	424,000	-	60,571	363,429
Series 2009 General Obligation Refunding Bonds \$2,760,000, maturity 2024 Interest Rate: 3.00% - 4.00% Fixed, Refunding of Series VI-D-4 Local Government Public Improvement Bonds	0	2,760,000	135,000	2,625,000
	<u>\$ 18,757,584</u>	<u>2,760,000</u>	<u>4,110,571</u>	<u>17,407,013</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

E. Long-Term Debt (Continued)

Debt service requirements to maturity for general obligation bonds for the fiscal year ended June 30, 2010, are as follows:

Series 2005 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 405,000	71,780	476,780
2012	420,000	59,630	479,630
2013	425,000	45,980	470,980
2014	440,000	31,105	471,105
2015	<u>455,000</u>	<u>15,925</u>	<u>470,925</u>
Total	\$ <u>2,145,000</u>	<u>224,420</u>	<u>2,369,420</u>

Series 2007 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ -	315,344	315,344
2012	-	315,344	315,344
2013	-	315,344	315,344
2014	1,225,000	315,343	1,540,343
2015	175,000	266,344	441,344
2016	650,000	259,344	909,344
2017	700,000	233,343	933,343
2018	725,000	205,344	930,344
2019	775,000	176,344	951,344
2020	825,000	144,375	969,375
2021	850,000	110,344	960,344
2022	900,000	75,281	975,281
2023	<u>925,000</u>	<u>38,156</u>	<u>963,156</u>
Total	\$ <u>7,750,000</u>	<u>2,770,250</u>	<u>10,520,250</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

E. Long-Term Debt (Continued)

Series 2008 General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 800,000	126,000	926,000
2012	1,000,000	102,000	1,102,000
2013	1,025,000	72,000	1,097,000
2014	-	41,250	41,250
2015	175,000	41,250	216,250
2016	250,000	36,000	286,000
2017	250,000	28,500	278,500
2018	250,000	21,000	271,000
2019	250,000	13,500	263,500
2020	<u>200,000</u>	<u>6,000</u>	<u>206,000</u>
Total	\$ <u>4,200,000</u>	<u>487,500</u>	<u>4,687,500</u>

Series 2008B General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ <u>323,584</u>	<u>15,381</u>	<u>338,965</u>
Total	\$ <u>323,584</u>	<u>15,381</u>	<u>338,965</u>

Energy Efficiency State Capital Outlay Note

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 60,571	-	60,571
2012	60,571	-	60,571
2013	60,571	-	60,571
2014	60,572	-	60,572
2015	60,572	-	60,572
2016	<u>60,572</u>	-	<u>60,572</u>
Total	\$ <u>363,429</u>	<u>0</u>	<u>363,429</u>

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**E. Long-Term Debt (Continued)**

**Series 2009 General Obligation Refunding Bonds**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 140,000	91,694	231,694
2012	165,000	87,494	252,494
2013	160,000	82,544	242,544
2014	160,000	77,744	237,744
2015	180,000	72,944	252,944
2016	180,000	67,544	247,544
2017	175,000	62,144	237,144
2018	195,000	56,894	251,894
2019	195,000	50,800	245,800
2020	190,000	43,000	233,000
2021	215,000	35,400	250,400
2022	210,000	26,800	236,800
2023	230,000	18,400	248,400
2024	<u>230,000</u>	<u>9,200</u>	<u>239,200</u>
<b>Total</b>	<b>\$ <u>2,625,000</u></b>	<b><u>782,602</u></b>	<b><u>3,407,602</u></b>

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**E. Long-Term Debt (Continued)**

**Annual Debt Service Requirements – Business-type Activity Debt**

The annual requirements to amortize all business-type activity debt as of June 30, 2010 are as follows:

June 30	Principal			Interest			Business-type Activity Debt Service
	General Obligation Bonds Payable	Revenue Bonds Payable	Notes Payable	General Obligation Bonds Payable	Revenue Bonds Payable	Notes Payable	
2011	\$ 1,191,416	485,000	176,447	108,973	998,838	65,761	1,964,518
2012	220,000	505,000	191,218	61,832	981,513	62,023	1,959,754
2013	230,000	520,000	196,618	53,031	964,225	53,992	1,964,835
2014	240,000	540,000	202,268	43,831	947,000	45,709	1,974,977
2015	155,000	555,000	208,160	34,231	928,859	37,175	1,884,194
2016	165,000	575,000	214,328	28,031	909,431	28,388	1,892,147
2017	170,000	600,000	209,916	21,431	888,494	19,313	1,887,723
2018	175,000	625,000	216,648	14,631	861,994	9,951	1,888,593
2019	185,000	655,000	90,283	7,631	829,994	1,044	1,761,321
2020	-	690,000	-	-	796,369	-	1,486,369
2021	-	725,000	-	-	760,994	-	1,485,994
2022	-	760,000	-	-	724,819	-	1,484,819
2023	-	800,000	-	-	687,769	-	1,487,769
2024	-	835,000	-	-	648,938	-	1,483,938
2025	-	880,000	-	-	608,206	-	1,488,206
2026	-	920,000	-	-	567,756	-	1,487,756
2027	-	960,000	-	-	527,806	-	1,487,806
2028	-	1,000,000	-	-	486,156	-	1,486,156
2029	-	1,050,000	-	-	438,656	-	1,488,656
2030	-	1,100,000	-	-	384,906	-	1,484,906
2031	-	1,155,000	-	-	332,141	-	1,487,141
2032	-	1,205,000	-	-	280,516	-	1,485,516
2033	-	1,260,000	-	-	226,594	-	1,486,594
2034	-	1,315,000	-	-	170,266	-	1,485,266
2035	-	1,380,000	-	-	107,000	-	1,487,000
2036	-	1,450,000	-	-	36,247	-	1,486,247
	<u>\$ 2,731,416</u>	<u>22,545,000</u>	<u>1,705,886</u>	<u>373,622</u>	<u>16,095,487</u>	<u>323,356</u>	<u>42,448,201</u>

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**E. Long-Term Debt (Continued)**

**Business-type Activity Bonds and Notes Payable**

	Date Issued	Amount Authorized and Issued	Maturity Dates	Interest Rates	Outstanding June 30, 2010	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund
<b>Bonds Payable:</b>									
<b>General Obligation Bonds:</b>									
2007 General Obligation Bonds	2007	2,100,000	2014 -2019	4.00% - 4.125%	\$ 1,755,000	-	1,420,000	-	335,000
2008B General Obligation Refunding Bonds	2008	976,416	2011	3.21%	976,416	-	842,015	134,401	-
<b>Total General Obligation Bonds</b>					<u>2,731,416</u>	<u>0</u>	<u>2,262,015</u>	<u>134,401</u>	<u>335,000</u>
<b>Revenue Bonds:</b>									
2005 Electric System Revenue Bonds	2006	23,910,000	2036	3.25% - 5.00%	22,545,000	22,545,000	-	-	-
<b>Total Revenue Bonds</b>					<u>22,545,000</u>	<u>22,545,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Bonds</b>					<u>25,276,416</u>	<u>22,545,000</u>	<u>2,262,015</u>	<u>134,401</u>	<u>335,000</u>
<b>Notes Payable:</b>									
Tennessee State Revolving Fund			2019	4.40%	1,160,744	-	-	1,160,744	-
2006 Capital Outlay Note			2018	3.90 - 4.38%	480,000	-	326,723	153,277	-
Energy Efficiency State Capital Outlay Note			2016	0%	65,142	-	14,571	50,571	-
<b>Total Notes Payable</b>					<u>1,705,886</u>	<u>0</u>	<u>341,294</u>	<u>1,364,592</u>	<u>0</u>
<b>Total Business-type Activity Bonds and Notes Payable</b>					<u>\$ 26,982,302</u>	<u>22,545,000</u>	<u>2,603,309</u>	<u>1,498,993</u>	<u>335,000</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

E. Long-Term Debt (Continued)

Debt service requirements to maturity for the business-type activity bonds and notes payable are as follows:

2005 Electric System Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 485,000	998,838	1,483,838
2012	505,000	981,513	1,486,513
2013	520,000	964,225	1,484,225
2014	540,000	947,000	1,487,000
2015	555,000	928,859	1,483,859
2016	575,000	909,431	1,484,431
2017	600,000	888,494	1,488,494
2018	625,000	861,994	1,486,994
2019	655,000	829,994	1,484,994
2020	690,000	796,369	1,486,369
2021	725,000	760,994	1,485,994
2022	760,000	724,819	1,484,819
2023	800,000	687,769	1,487,769
2024	835,000	648,938	1,483,938
2025	880,000	608,206	1,488,206
2026	920,000	567,756	1,487,756
2027	960,000	527,806	1,487,806
2028	1,000,000	486,156	1,486,156
2029	1,050,000	438,656	1,488,656
2030	1,100,000	384,906	1,484,906
2031	1,155,000	332,141	1,487,141
2032	1,205,000	280,516	1,485,516
2033	1,260,000	226,594	1,486,594
2034	1,315,000	170,266	1,485,266
2035	1,380,000	107,000	1,487,000
2036	<u>1,450,000</u>	<u>36,248</u>	<u>1,486,248</u>
Total	\$ <u>22,545,000</u>	<u>16,095,488</u>	<u>38,640,488</u>

The 2005 Series Electric System Revenue Bonds were issued in 2006 at a premium of \$451,855. The unamortized amount of the premium as of June 30, 2010, was \$378,976. The City has obtained a surety bond in lieu of funding a debt service reserve, as required by the bond agreement.

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

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

**E. Long-Term Debt (Continued)**

**Series 2007 General Obligation Bonds**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 215,000	70,432	285,432
2012	220,000	61,832	281,832
2013	230,000	53,031	283,031
2014	240,000	43,831	283,831
2015	155,000	34,231	189,231
2016	165,000	28,031	193,031
2017	170,000	21,431	191,431
2018	175,000	14,631	189,631
2019	<u>185,000</u>	<u>7,631</u>	<u>192,631</u>
Total	\$ <u>1,755,000</u>	<u>335,081</u>	<u>2,110,081</u>

**Tennessee State Revolving Fund Note Payable**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 105,589	44,715	150,304
2012	120,360	43,608	163,968
2013	125,760	38,208	163,968
2014	131,412	32,556	163,968
2015	137,304	26,652	163,956
2016	143,472	20,496	163,968
2017	149,916	14,052	163,968
2018	156,648	7,320	163,968
2019	<u>90,283</u>	<u>1,044</u>	<u>91,327</u>
Total	\$ <u>1,160,744</u>	<u>228,651</u>	<u>1,389,395</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

E. Long-Term Debt (Continued)

2006 Capital Outlay Note

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 60,000	21,046	81,046
2012	60,000	18,415	78,415
2013	60,000	15,784	75,784
2014	60,000	13,153	73,153
2015	60,000	10,523	70,523
2016	60,000	7,892	67,892
2017	60,000	5,261	65,261
2018	<u>60,000</u>	<u>2,631</u>	<u>62,631</u>
Total	\$ <u>480,000</u>	<u>94,705</u>	<u>574,705</u>

Series 2008B General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ <u>976,416</u>	<u>46,412</u>	<u>1,022,828</u>
Total	\$ <u>976,416</u>	<u>46,412</u>	<u>1,022,828</u>

Energy Efficiency State Capital Outlay Note

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 10,858	-	10,858
2012	10,858	-	10,858
2013	10,858	-	10,858
2014	10,856	-	10,856
2015	10,856	-	10,856
2016	<u>10,856</u>	<u>-</u>	<u>10,856</u>
Total	\$ <u>65,142</u>	<u>0</u>	<u>65,142</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

E. Long-Term Debt (Continued)

Refunding of Debt

During 2009, the City refunded \$2,775,000 of its outstanding Series VI-D-4 Local Government Public Improvement Bonds that carried a variable interest rate with new Series 2009 General Obligation Refunding Bonds of \$2,760,000 that were issued at fixed rates ranging from 3% to 4%. The new bonds mature June 1, 2024. The primary purpose of the refunding was to restructure the outstanding debt in order to reduce debt service requirements by taking advantage of lower interest rates and to reduce variable interest rate risk. The bonds were issued at a premium of \$65,911. As of June 30, 2010, the unamortized amount of the premium reported as an addition in the face amount of the bonds payable in the financial statements is \$66,971.

During 2005, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2010, the following bonds outstanding are considered to be defeased:

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

The City refunded \$2,775,000 as a partial refunding of its outstanding Series 1999 General Obligation Bonds that carry a variable interest rate with new Series 2005 General Obligation Bonds of \$3,085,000 that were issued at a fixed rate of 5%. The new bonds mature April 1, 2015. The primary purpose of the refunding was to restructure the outstanding debt in order to reduce debt service requirements by taking advantage of lower interest rates. The bonds were issued at a premium of \$10,345 and as of June 30, 2010, the unamortized amount of the premium reported as an addition in the face amount of the bonds payable in the financial statements is \$4,784. The new bonds were more than the debt defeased and related costs by \$196,207 which is being deferred over the life of the new bonds. The unamortized deferred amount for these bonds of \$90,745 is reported as a deduction in the face amount of the bonds payable in the financial statements.

During 2003, the City refunded its outstanding Tennessee Municipal League Bond Fund – General Obligation of \$1,086,754, Tennessee Municipal League Bond Fund – Water and Sewer of \$806,645, and the Tennessee Local Development Authority Note for Water and Sewer of \$2,500,955, which carried variable interest rates with new Series 2003 General Obligation Bonds of \$1,120,097 and Series 2003 Water and Sewer System General Obligation Bonds of \$3,379,903, issued at a variable rate. On September 15, 2008, the City issued \$1,300,000 in General Obligation Refunding Bonds, Series 2008B, for the purpose of refinancing the remaining balance of the City's 2003 General Obligation Bonds Payable. This decision to refinance was based upon changes in the economic environment that caused concern of interest rate risk related to the variable nature of the existing debt.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

E. Long-Term Debt (Continued)

The new bonds were issued with a two-year maturity and are payable in payments of \$625,000 and \$675,000. Interest is payable semi-annually at a fixed rate of 3.21%. The bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. The indebtedness used for refinancing the debt related to the water and sewer systems shall be additionally payable from revenues derived from operation of the water and sewer systems.

Changes in Long-term Liabilities

The following is a summary of debt transactions of the City for the year ended June 30, 2010:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 18,333,584	2,760,000	4,050,000	17,043,584	1,668,584
Less Deferred Amounts:					
On Refunding	(110,366)	-	(19,620)	(90,746)	-
For Issuance Premium	5,818	65,911	4,759	66,970	-
Total General Obligation Bonds	<u>18,229,036</u>	<u>2,825,911</u>	<u>4,035,139</u>	<u>17,019,808</u>	<u>1,668,584</u>
Notes Payable	424,000	-	60,571	363,429	60,571
Compensated Absences	2,061,549	1,074,795	1,069,603	2,066,741	958,105
Other Post Employment Benefit Obligation	<u>643,974</u>	<u>843,004</u>	<u>611,109</u>	<u>875,869</u>	<u>-</u>
<b>Governmental Activity Long-term Liabilities</b>	<u><b>21,358,559</b></u>	<u><b>4,743,710</b></u>	<u><b>5,776,422</b></u>	<u><b>20,325,847</b></u>	<u><b>2,687,260</b></u>
<b>Business-type Activities:</b>					
General Obligation Bonds	2,936,416	-	205,000	2,731,416	1,191,416
Revenue Bonds	23,015,000	-	470,000	22,545,000	485,000
Less Deferred Amounts:					
For Issuance Premium	393,551	-	14,575	378,976	-
Total Revenue Bonds Payable	<u>23,408,551</u>	<u>0</u>	<u>484,575</u>	<u>22,923,976</u>	<u>485,000</u>
Notes Payable	1,972,960	-	267,073	1,705,887	186,045
Compensated Absences	141,665	97,271	87,400	151,536	87,400
Landfill Closure Costs	338,307	98,311	276,836	159,782	-
Other Post Employment Benefit Obligation	<u>489,039</u>	<u>324,560</u>	<u>217,992</u>	<u>595,607</u>	<u>-</u>
<b>Business-type Activity Long-term Liabilities</b>	<u><b>29,286,938</b></u>	<u><b>520,142</b></u>	<u><b>1,538,876</b></u>	<u><b>28,268,204</b></u>	<u><b>1,949,861</b></u>
<b>Total Changes in Long-Term Debt</b>	<u><b>\$ 50,645,497</b></u>	<u><b>5,263,852</b></u>	<u><b>7,315,298</b></u>	<u><b>48,594,051</b></u>	<u><b>4,637,121</b></u>

Other long-term liabilities have been liquidated through the use of the General, Water, Sewer, Demolition Landfill, Solid Waste, and Viking Hall Funds. All of these funds have employees who receive wages and the payment of compensated absences is made from available resources in these funds. The Demolition Landfill Fund also liquidates landfill closure costs when necessary.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

F. Other Post Employment Benefits Than Pensions (OPEB)

*City of Bristol, Tennessee OPEB*

*Plan Description*

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

*Benefits Provided*

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

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

Retired employees paid 100% of the health and dental care premiums in the period of time covered by the initial actuarial study. In March 2009, the City implemented a Medicare Advantage Program for Medicare eligible employees. The City contributes 35% of the premiums as part of the program for these retired employees. Retired employees not Medicare eligible continue to pay 100% of the calculated premiums.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

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

Membership

The number of participants at June 30, 2010, was as follows:

Retirees Currently Receiving Benefits	28	
Active Employees	314	
Total	342	

Funding Policy

The City funds postemployment health care and life insurance benefits on a pay-as-you-go basis. The City established an other employment benefits trust fund in 2009 in order to accumulate and invest assets necessary to pay for the accumulated liability and related claims. As of June 30, 2010, the Plan did not issue a stand alone financial report.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

The information for the year ending June 30, 2010, is based upon ARC funding beginning in the 2009 year and the establishment of the OPEB Trust in 2009.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>2010</u>	<u>2009</u>
Annual Required Contribution	\$ 222,213	193,927
Interest on Net OPEB Obligation	-	19,235
Adjustment to Annual Required Contribution	-	(12,662)
Annual OPEB Cost	222,213	200,500
Actual Contributions	(222,213)	(456,968)
Increase in Net OPEB Obligation	0	(256,468)
Net OPEB Obligation – Beginning of Year	0	256,468
Net OPEB Obligation – End of Year	\$ 0	0

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

The City's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2010 and the preceding two years are as follows.

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution (1)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 222,213	\$ 222,213	100%	\$ 0
June 30, 2009	\$ 200,500	\$ 456,968	227.9%	\$ 0
June 30, 2008	\$ 243,885	\$ (12,583)	(5.2)%	\$ 256,468

(1) The contribution for the fiscal year ending June 30, 2008, is based upon actual claims incurred and contributions paid by retirees. Since the contributions paid were greater than the claims incurred, there were negative benefits paid to the retirees.

**Funding Status and Funding Progress**

The funded status of the plan as of June 30, 2010 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/09	\$ 398,517	\$2,424,841	\$2,026,324	16.4%	\$12,406,758	16.3%
7/01/08	\$ 0	\$2,600,380	\$2,600,380	0%	\$10,283,000	25.3%
7/01/07	\$ 0	\$3,751,063	\$3,751,063	0%	\$9,793,720	38.3%

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

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 7.50% discount rate. Assumptions also included an annual healthcare cost trend of 10% initially, reduced by decrements to an ultimate rate of 4.5% after twelve years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over 30 years. The remaining amortization period at June 30, 2010, is 27 years.

Electric Fund OPEB

Plan Description

Bristol Tennessee Essential Services (the Electric Fund) administers the Bristol Tennessee Essential Services Retiree Benefit Plan as a single-employer defined benefit Other Post Employment Benefit plan (OPEB). As discussed in Note V.K., the Electric Fund is self-insured for employee group health benefits, with the medical plan administered by MCA Administrators and the prescription drug program administered by MEDCO. The Electric Fund also provides these benefits to certain retired employees, although not required by any statutory, contractual or other authority. Additionally, the Electric Fund is self-insured for certain life insurance benefits for retirees.

Benefits Provided

Employees with thirty years of service or age sixty with twenty years of service are eligible for health and prescription drug benefits under the plan. The Electric Fund pays full coverage for all retirees who meet these eligibility requirements.

Employees who retire with thirty years of service or age sixty with a minimum of twenty years of service receive \$5,000 in life insurance for annual salaries less than \$10,000 plus \$1,000 in life insurance for each additional \$5,000 of annual salary or fraction thereof.

Membership

There were 28 retirees eligible to receive benefits under the healthcare portion of the plan as of June 30, 2010. As of year end, there were also 20 retirees eligible to receive life insurance benefits.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

*Funding Policy*

Bristol Tennessee Essential Services Board established the Bristol Tennessee Essential Post Employment Benefits Trust for the purpose of funding other post employment benefits accrued by its employees, to be paid as they come due in accordance with BTES post employment benefit plan. The Electric Fund's annual contribution is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The costs of administering the plan are paid by the Trust.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>2010</u>	<u>2009</u>
Annual Required Contribution	\$ 306,568	247,432
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	<u>-</u>	<u>-</u>
Annual OPEB Cost	306,568	247,432
Actual Contributions	<u>200,000</u>	<u>-</u>
Increase in Net OPEB Obligation	106,568	247,432
Net OPEB Obligation – Beginning of Year	<u>489,039</u>	<u>241,607</u>
Net OPEB Obligation – End of Year	\$ <u>595,607</u>	<u>489,039</u>

The Electric Fund's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2010, 2009, and 2008 fiscal years ended, are as follows.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 306,568	65%	\$ 595,607
June 30, 2009	\$ 247,432	0%	\$ 489,039
June 30, 2008	\$ 241,607	0%	\$ 241,607

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

Funding Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/01/09	\$ 200,000	\$3,841,608	\$3,641,608	5.2%	\$3,231,177	112.7%
7/01/07	\$ 0	\$2,850,537	\$2,850,537	0%	N/A	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued 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 July 1, 2009, actuarial valuation for the plan, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 7% investment rate of return (net of administrative expenses) and an annual healthcare cost trend of 9-10% initially, reduced by decrements to an ultimate rate of 5% after three years. The unfunded actuarial accrued liability is being amortized over a thirty year period. The remaining amortization period at June 30, 2010, is 26.39 years.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

School Funds OPEB

Plan Description

The Bristol Tennessee City School System (School Funds) will pay to all eligible retirees an annual contribution to be used toward health insurance premiums for the State Insurance Plan (SIP) or toward the purchase of a private medical insurance plan if ineligible to remain on SIP, not sponsored by the Schools.

Payments are made to retirees over sixty-five years of age as part of a Medicare Supplemental Plan. This plan is a single-employer defined contribution plan. The School Funds also participate in the state-administered Teacher Group Insurance Plan for healthcare benefits and makes payments to retirees under the age of sixty-five. For accounting purposes, this plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/fiannce/act/cafr.html>.

Benefits Provided

A participant must meet certain criteria to be eligible for the \$1,800 annual contribution upon retirement. Employees must have either 30 years of Tennessee Consolidated Retirement System (TCRS) service or attainment of age sixty and five years of TCRS service. Employees who retire on or after June 1, 1999, must also have at least eight years of continuous full-time employment with Bristol Tennessee City Schools. Retirees who retired before June 1, 1999, are eligible if they also had ten years of employment with the School System. The School System will pay the \$1,800 until the retiree becomes eligible for Medicare or for a maximum of fifteen years. The System will pay a maximum of \$500 per year toward the purchase of a Medicare supplement upon reaching Medicare age for individuals who were eligible for the \$1,800 prior to Medicare age.

For the Teacher Group Insurance Plan, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits prior to reaching the age of sixty-five. Subsequent to age sixty-five, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

Membership

For the fiscal year ended June 30, 2010, 204 retired employees were receiving benefits through either the Teacher Group Insurance Plan or the Medicare Supplemental Plan.

Funding Policy

The Schools currently fund postemployment health care benefits for both plans on a pay-as-you-go basis at a cost of \$190,384 for the 2010 year. The Schools do not intend to establish a trust to pre-fund this liability. For the Teacher Group Insurance Plan, the premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants.

Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2010, the following information is presented.

	<u>Teacher Group Plan</u>	<u>Medicare Supplemental Plan</u>	<u>Total</u>
Annual Required Contribution	\$ 543,000	94,282	637,282
Interest on Net OPEB Obligation	26,798	2,181	28,979
Adjustment to Annual Required Contribution	<u>(25,383)</u>	<u>(2,095)</u>	<u>(27,478)</u>
Annual OPEB Cost	544,415	94,368	638,783
Actual Contributions	<u>(339,845)</u>	<u>(67,043)</u>	<u>(406,888)</u>
Increase in Net OPEB Obligation	204,570	27,325	231,895
Net OPEB Obligation – Beginning of Year	<u>595,515</u>	<u>48,459</u>	<u>643,974</u>
Net OPEB Obligation – End of Year	\$ <u>800,085</u>	<u>75,784</u>	<u>875,869</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

For the fiscal year ended June 30, 2009, the following information is presented.

	<u>Teacher Group Plan</u>	<u>Medicare Supplemental Plan</u>	<u>Total</u>
Annual Required Contribution	\$ 552,000	84,944	636,944
Interest on Net OPEB Obligation	12,794	1,204	13,998
Adjustment to Annual Required Contribution	<u>(12,452)</u>	<u>(1,110)</u>	<u>(13,562)</u>
Annual OPEB Cost	552,342	85,038	637,380
Actual Contributions	<u>(241,129)</u>	<u>(61,923)</u>	<u>(303,052)</u>
Increase in Net OPEB Obligation	311,213	23,115	334,328
Net OPEB Obligation – Beginning of Year	<u>284,302</u>	<u>25,344</u>	<u>309,646</u>
Net OPEB Obligation – End of Year	\$ <u>595,515</u>	<u>48,459</u>	<u>643,974</u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010 and 2009 are as follows.

Fiscal Year Ending	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	Teacher Group Ins.	\$ 544,415	62.4%	\$ 800,085
June 30, 2010	Medicare Supplemental Plan	<u>94,368</u>	<u>71.0%</u>	<u>75,784</u>
	Total	<u>\$ 638,783</u>	<u>63.7%</u>	<u>\$ 875,869</u>
June 30, 2009	Teacher Group Ins.	\$ 552,342	43.7%	\$ 595,515
June 30, 2009	Medicare Supplemental Plan	<u>85,038</u>	<u>72.8%</u>	<u>48,459</u>
	Total	<u>\$ 637,380</u>	<u>47.4%</u>	<u>\$ 643,974</u>
June 30, 2008	Teacher Group Ins.	\$ 547,000	48.0%	\$ 284,302
June 30, 2008	Medicare Supplemental Plan	<u>84,944</u>	<u>70.2%</u>	<u>25,344</u>
	Total	<u>\$ 631,944</u>	<u>51.0%</u>	<u>\$ 309,646</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

Funding Status and Funding Progress

The funded status of the plans as of June 30, 2010, was as follows:

Valuation Date of 7/1/09	Teacher Group Insurance <u>Plan</u>	Medicare Supplemental <u>Plan</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$ 4,822,000	1,473,187	6,295,187
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	4,822,000	1,473,187	6,295,187
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	0%
Covered Payroll (Active Plan Members)	19,657,553	19,657,553	19,657,553
UAAL as a Percentage of Covered Payroll	24.5%	7.5%	32.0%

The funded status of the plans as of June 30, 2009, was as follows:

Valuation Date of 7/1/07	Teacher Group Insurance <u>Plan</u>	Medicare Supplemental <u>Plan</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$ 4,130,000	1,416,126	5,546,126
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	4,130,000	1,416,126	5,546,126
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	0%
Covered Payroll (Active Plan Members)	20,262,973	20,262,973	20,262,973
UAAL as a Percentage of Covered Payroll	20.4%	7.0%	27.4%

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

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

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

*Actuarial Methods and Assumptions*

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

In the July 1, 2009, actuarial valuation for the Teacher Group Insurance Plan, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend of 10% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates include a 3% inflation adjustment. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a thirty year period. The remaining amortization period at June 30, 2010, is 27 years.

In the July 1, 2009, actuarial valuation for the Medicare Supplemental Plan, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4.5% investment rate of return (net of administrative expenses). The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a thirty year period. The remaining amortization period at June 30, 2010, is 27 years.

G. Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to place a final cover on its demolition landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The City commissioned the preparation of closure and post-closure cost estimates based on the use of an outside contractor; however, the City intends to utilize City resources to the maximum extent possible. The City reported a liability for closure and post-closure care in the Demolition Landfill Fund of \$159,782 that was estimated assuming that outside resources will be utilized in the closure process. The estimated total costs of closure and post closure care remaining to be recognized is \$510,913. These costs will be recognized over the future life of the landfill as capacity is used. Actual costs may be higher upon completion of the cost estimates, or due to inflation, change in technology, changes in regulations, or if the work is performed internally by City staff.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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

G. Closure and Postclosure Care Costs (Continued)

Areas 1 and 4 are currently filled to 24% and 24% of capacity, respectively. Area 2 and Area 3 have been filled to capacity and have been closed. Areas 1 and 4 have estimated remaining lives at June 30, 2010, of 67 and 4 years, respectively.

NOTE V. OTHER INFORMATION:

A. Commitments

Beginning in 2005, Sullivan County Economic Development Commission d/b/a Networks Sullivan Partnership issued \$2,250,000 Revenue Bonds, Series 2005, of which the City is contingently liable for 17% or \$382,500. During May 2007, Networks issued an additional \$6,500,000 Revenue Bonds, of which the City is contingently liable for \$1,105,000. The 2005 Series was issued to finance the acquisition of considerable acreage near the Tri-Cities Regional Airport for the purpose of establishing a new industrial park. The 2007 Series was issued to finance the development of a 225 acre industrial park off State Route 394 in Bristol, referred to as Partnership Park II. Both bonds are secured by the assignment of the revenue from the industrial parks. The related liability is on the books of Sullivan County. Networks is responsible for making the bond payments. However, in the event of default, the City would have to payoff the bonds if they wanted to retain the project. As of June 30, 2010, \$8,375,000 was outstanding of these bonds.

The Electric System has a power contract with the Tennessee Valley Authority (TVA) whereby the System purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. Either party may terminate this contract at any time upon not less than five years prior written notice.

B. Concentration of Credit Risk

The Electric Fund provides electric, cable, internet, and telephone services service primarily to customers in northeastern Tennessee. Customers include residential, commercial, and industrial service. Residential and commercial customers are required to have satisfactory credit reports or place deposits that approximate two month's highest expected bill. Industrial customers are generally required to either place deposits with the System that approximate two month's highest expected bill or obtain a letter of credit or surety bond as security. Interest accrues on any deposits at the passbook interest rate of the bank where the funds are deposited and totaled \$11,047 in 2010. Cable, internet, and telephone customers are billed in advance of their service. Deferred revenue in the amount of \$523,152 is recorded, of which \$424,822 relates to cable and internet services and \$98,330 relates to telephone services. Service loans are also made to customers for heat pump and insulation costs. A subordinate deed of trust is obtained on the related property for these loans. Loss experience on accounts and notes receivable has not been significant to the Electric Fund's operations.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

C. Contingent Liabilities

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired or a liability has been incurred, and (2) the amount of loss can be reasonably estimated. No material pending or threatened claims, litigation or assessments, asserted or unasserted against the City exist at this time.

D. Employee Retirement Systems and Pension Plans:

*City of Bristol, Tennessee Plan Description*

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

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS>.

*Funding Policy*

The City of Bristol has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll.

The City of Bristol is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010, was 17.27% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Cost

For the year ending June 30, 2010, the City's annual pension cost of \$2,608,690 to TCRS was equal to the City's required and actual contributions.

The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

*Trend Information*

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 2,608,690	100.00%	\$ 0.00
June 30, 2009	2,646,398	100.00%	0.00
June 30, 2008	2,385,774	100.00%	0.00

Funding Status and Funding Process

As of July 1, 2009, the most recent actuarial valuation date, the plan was 78.42% percent funded. The actuarial accrued liability for benefits was \$61.69 million, and actuarial value of assets was \$48.38 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$13.31 million. The covered payroll (annual payroll of active employees covered by the plan) was \$15.06 million, and the ratio of the UAAL to the covered payroll was 88.35% percent.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2009	\$48,379	\$61,689	\$13,310	78.42%	\$15,064	88.35%
July 01, 2007	\$46,750	\$57,678	\$10,928	81.05%	\$14,366	76.07%

Electric Fund Plan Description

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

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs>.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Policy

Bristol Tennessee Essential Services requires employees to contribute 5% of earnable compensation. Bristol Tennessee Essential Services is required to contribute at an actuarially determined rate using the frozen entry age actuarial cost method; the rate for the fiscal year ending June 30, 2010, was 13.27% of annual covered payroll. The contribution requirement of the plan members is set by state statute. The contribution requirement for Bristol Tennessee Essential Services is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2010, the Electric Fund's annual pension cost of \$490,763 to TCRS was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Bristol Tennessee Essential Service's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed July 1, 2009, which established contribution rates effective July 1, 2010.

*Trend Information*

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 490,763	100%	\$ 0
June 30, 2009	471,232	100%	0
June 30, 2008	491,517	100%	0

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 79.26% funded. The actuarial accrued liability for benefits was \$17.60 million, and the actuarial value of assets was \$13.95 million, resulting in an unfunded actuarial accrued liability of \$3.65 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.53 million, and the ratio of the UAAL to the covered payroll was 103.36%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2009	\$13,951	\$17,603	\$3,652	79.26%	\$3,533	103.36%
July 01, 2007	\$13,703	\$16,363	\$2,659	83.75%	\$3,222	82.53%

Prepaid Pension Cost

GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*, requires employers to record contributions to a pension plan in excess of the annual pension cost as an asset. The Electric Fund has previously contributed amounts in excess of the annual pension costs to the PSPP and recorded these amounts as a prepaid pension cost.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Activity in the prepaid pension cost is as follows for the year ended June 30:

Balance at beginning of year		\$ 508,737
Annual pension cost:		
Annual required contribution	(490,763)	
Interest on prepaid pension costs	34,075	
Adjustment to required annual contribution	<u>(89,533)</u>	
Total annual pension cost		(546,221)
Contributions made		<u>490,763</u>
Balance at end of year		\$ <u>453,279</u>

School Funds Plan Description

The Bristol Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of sixty with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members who are at least fifty-five years of age or have twenty-five years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly.

Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs>.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Bristol Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2010, was 6.42% of annual covered payroll. The employer contribution requirement for Bristol Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2010, 2009, and 2008 were \$1,098,446, \$1,132,434, and \$1,083,859, respectively, equal to the required contributions for each year. Other employees of the Board are noncontributory whereby the Board is responsible for the entire contribution.

401(k) Retirement Plan

Bristol Tennessee Essential Services (Electric Fund) administers a defined contribution plan in the form of a 401(k) plan (Bristol Tennessee Electric System 401(k) Retirement Plan) available to all employees who have completed six months of employment. The plan is managed by the Board of Directors for BTES who has the authority for establishing and amending the plan's provisions. During 2010, the amount of payroll covered by the plan was \$3,178,978 of total payroll of \$3,861,658. Under the plan terms, the System will match participant contributions up to 6% of the participant's salary. Participants are not required but may contribute up to a total of 15% of their pre-tax earnings, subject to IRS limitations. Additionally, participants may contribute up to 10% of their after tax earnings. Participants are 100% vested in the employer contributions when they are made. During 2010, the System contributed \$166,022 to the plan, which represents 5.2% of the covered payroll and 100% of the required contribution for each year. The participants contributed \$225,505 which represents 7.1% of the covered payroll.

Deferred Compensation Plan

The City offers a deferred compensation plan to the employees of the primary government which excludes Bristol Schools and the Electric Fund. The plan is in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are in custodial accounts and are not subject to the claims of the City's general creditors and are not reflected in the funds of the City.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

E. Leases

Capital Leases

The District entered into a license agreement on February 17, 2009 that is classified as a capital lease agreement. The cost of the license is included in the balance sheet as property, plant, and equipment totaling \$29,108 at June 30, 2010. Accumulated amortization of the license at June 30, 2010, was approximately \$11,062. Amortization expense of the license under the agreement is included in depreciation expense.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2011	9,641

Operating Leases

In June 2009, the School Board approved an operating contract for the operation of school buses. The term is for four years ending June 30, 2013, with an unstated number of renewal options of four-year periods. The base contract price is adjusted annually based upon the Consumer's Price Index as of the commencement of each school year. The annual contract price is paid in ten monthly installments over the school year. Total payments under the contract in the current year were \$641,619 with additional payments of \$4,165 for a total of \$645,784.

Discretely Presented Component Unit

The District leases certain telecommunications equipment under a 60 month operating lease, which began October 1, 2005 (but was revised May 2, 2007), with Century Link that expires on May 1, 2012. The lease payments are \$5,865 per month for 60 months. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2011	70,380
June 30, 2012	58,650

Lease and rental expenses were \$101,401 for the fiscal year ended June 30, 2010.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information

The Electric System operates three different business units or functions within the Electric Fund. The System accounts for the electric utility operations in the Electric Business Unit (EBU), the cable and internet operations in the Cable and Internet Business Unit (CBU), and telephone operations in the Telephone Business Unit (TBU).

As required by Section 7-52-603 of the Tennessee Code Annotated ("TCA"), the EBU may not subsidize the other two units with revenue from the power operations. In addition, the CBU and TBU must maintain their own accounting records and any funds that are lent from the EBU must have a rate of interest, not less than the highest rate earned by the EBU on investment funds. The City received approval in 2006 from the Tennessee Regulatory Authority for authorization to provide telecommunication services pursuant to Section 7-52-401 of the TCA. The industries that the CBU and TBU are entering into are regulated by the Federal Communications Commission.

Direct costs are allocated to the specific business unit. Common costs (costs that cannot be directly assigned to a business unit) are allocated based upon a direct analysis of the origin of the costs, an indirect, cost-causative linkage to another category for which direct assignment or allocation is available, or based upon a general allocator. For inter-unit loans, the business unit charges the highest rate of interest earned on the invested funds. Depreciation, pole attachment fees, interest expense, and taxes are allocated based on a per service usage model.

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**NOTE V. OTHER INFORMATION (CONTINUED):**

**F. Multiple Function Enterprise Fund Information (Continued)**

Financial information for each of the business units is as follows (does not include inter-unit eliminations):

**STATEMENT OF NET ASSETS BY BUSINESS UNIT**

	<u>Electric Business Unit</u>	<u>Cable and Internet Business Unit</u>	<u>Telephone Business Unit</u>	<u>Total Electric Fund</u>
<b>ASSETS:</b>				
<b><u>Current Assets:</u></b>				
Cash and Cash Equivalents	\$ 7,237,246	-	1,022,996	8,260,242
Accounts Receivable, (Net)	8,065,018	544,818	195,754	8,805,590
Customer Notes Receivable (Net) - Current Portion	410,000	-	-	410,000
Other Receivables	761,291	-	-	761,291
Due from Other Business Units	2,188,589	-	-	2,188,589
Inventories	1,067,125	-	-	1,067,125
Prepays	107,225	617	613	108,455
Discounted Energy Units - Current Portion	933,485	-	-	933,485
<b>Total Current Assets</b>	<b><u>20,769,979</u></b>	<b><u>545,435</u></b>	<b><u>1,219,363</u></b>	<b><u>22,534,777</u></b>
<b><u>Noncurrent Assets:</u></b>				
<b><u>Capital Assets</u></b>				
Capital Assets	117,727,115	7,552,290	1,178,068	126,457,473
Construction in Progress	2,750,894	-	-	2,750,894
<b>Total Capital Assets</b>	<b><u>120,478,009</u></b>	<b><u>7,552,290</u></b>	<b><u>1,178,068</u></b>	<b><u>129,208,367</u></b>
Less: Accumulated Depreciation	49,801,657	944,036	378,003	51,123,696
<b>Net Capital Assets</b>	<b><u>70,676,352</u></b>	<b><u>6,608,254</u></b>	<b><u>800,065</u></b>	<b><u>78,084,671</u></b>
<b><u>Other Noncurrent Assets:</u></b>				
Customer Notes Receivable, Less Current Portion	2,280,558	-	-	2,280,558
Certificates of Deposit - Long-term	8,000,000	-	-	8,000,000
Prepaid Pension Cost	453,279	-	-	453,279
Discounted Energy Units, Less Current Portion	1,499,894	-	-	1,499,894
Other	301,173	-	-	301,173
<b>Total Other Noncurrent Assets</b>	<b><u>12,534,904</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>12,534,904</u></b>
<b>Total Noncurrent Assets</b>	<b><u>83,211,256</u></b>	<b><u>6,608,254</u></b>	<b><u>800,065</u></b>	<b><u>90,619,575</u></b>
<b>Total Assets</b>	<b><u>\$ 103,981,235</u></b>	<b><u>7,153,689</u></b>	<b><u>2,019,428</u></b>	<b><u>113,154,352</u></b>

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**NOTE V. OTHER INFORMATION (CONTINUED):**

**F. Multiple Function Enterprise Fund Information (Continued)**

**STATEMENT OF NET ASSETS BY BUSINESS UNIT (CONTINUED)**

	Electric Business Unit	Cable and Internet Business Unit	Telephone Business Unit	Total Electric Fund
<b>LIABILITIES:</b>				
<b><u>Current Liabilities:</u></b>				
Accounts Payable	\$ 5,437,977	1,594,823	50,666	7,083,466
Accrued Interest	335,775	-	-	335,775
Accrued Liabilities	1,020,070	69,546	54,512	1,144,128
Deposits	2,078,716	-	-	2,078,716
Due to Other Business Units	-	2,188,589	-	2,188,589
Due to Other Funds	-	41,459	-	41,459
Deferred Revenue	-	424,822	98,330	523,152
Bonds Payable	485,000	-	-	485,000
<b>Total Current Liabilities</b>	<b>9,357,538</b>	<b>4,319,239</b>	<b>203,508</b>	<b>13,880,285</b>
<b>Long-term Liabilities:</b>				
Bonds Payable, Net of Unamortized				
Deferred Amounts	22,438,976	-	-	22,438,976
Other Noncurrent Accrued Liabilities	595,607	-	-	595,607
<b>Total Long-term Liabilities</b>	<b>23,034,583</b>	<b>0</b>	<b>0</b>	<b>23,034,583</b>
<b>Total Liabilities</b>	<b>32,392,121</b>	<b>4,319,239</b>	<b>203,508</b>	<b>36,914,868</b>
<b><u>NET ASSETS:</u></b>				
Invested in Capital Assets, Net of				
Related Debt	48,754,637	4,419,665	800,065	53,974,367
Unrestricted	22,834,477	(1,585,215)	1,015,855	22,265,117
<b>Total Net Assets</b>	<b>71,589,114</b>	<b>2,834,450</b>	<b>1,815,920</b>	<b>76,239,484</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 103,981,235</b>	<b>7,153,689</b>	<b>2,019,428</b>	<b>113,154,352</b>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY BUSINESS UNIT

	<u>Electric Business Unit</u>	<u>Cable and Internet Business Unit</u>	<u>Telephone Business Unit</u>	<u>Total Electric Fund</u>
<b>Operating Revenues:</b>				
Charges for Services (Net)	\$ 73,658,790	9,334,483	2,894,491	85,887,764
Interunit Revenue	3,830,808	-	-	3,830,808
Other Revenue	2,975,327	166,986	260,221	3,402,534
<b>Total Operating Revenues</b>	<u>80,464,925</u>	<u>9,501,469</u>	<u>3,154,712</u>	<u>93,121,106</u>
<b>Operating Expenses:</b>				
Maintenance and Administrative	8,004,821	7,740,090	2,376,860	18,121,771
Purchased Power	64,460,545	-	-	64,460,545
Depreciation	3,167,096	299,898	116,010	3,583,004
<b>Total Operating Expenses</b>	<u>75,632,462</u>	<u>8,039,988</u>	<u>2,492,870</u>	<u>86,165,320</u>
<b>Operating Income (Loss)</b>	<u>4,832,463</u>	<u>1,461,481</u>	<u>661,842</u>	<u>6,955,786</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest Revenue	639,566	-	-	639,566
Interest Expense	(998,144)	(50,033)	-	(1,048,177)
Amortization of Bond Costs	(11,583)	-	-	(11,583)
State Income Tax	-	(66,352)	-	(66,352)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(370,161)</u>	<u>(116,385)</u>	<u>-</u>	<u>(486,546)</u>
<b>Net Income (Loss) Before Operating Transfers</b>	<u>4,462,302</u>	<u>1,345,096</u>	<u>661,842</u>	<u>6,469,240</u>
<b>Transfers:</b>				
Transfer to General Fund	(1,477,908)	(24,727)	(55,783)	(1,558,418)
<b>Total Transfers</b>	<u>(1,477,908)</u>	<u>(24,727)</u>	<u>(55,783)</u>	<u>(1,558,418)</u>
<b>Change in Net Assets</b>	2,984,394	1,320,369	606,059	4,910,822
<b>Net Assets, July 1, 2009</b>	<u>68,604,720</u>	<u>1,514,081</u>	<u>1,209,861</u>	<u>71,328,662</u>
<b>Net Assets, June 30, 2010</b>	<u>\$ 71,589,114</u>	<u>2,834,450</u>	<u>1,815,920</u>	<u>76,239,484</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF CASH FLOWS BY BUSINESS UNIT

	<u>Electric Business Unit</u>	<u>Cable and Internet Business Unit</u>	<u>Telephone Business Unit</u>	<u>Total Electric Fund</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers and Users	\$ 73,945,119	9,534,540	3,188,837	86,668,496
Receipts for Interfund Services Provided	2,223,679	10,484	-	2,234,163
Payments to Suppliers	(66,274,649)	(6,666,854)	(2,253,802)	(75,195,305)
Payments for Employees	(3,906,026)	-	-	(3,906,026)
Net Cash Provided by/(Used for) Operating Activities	<u>5,988,123</u>	<u>2,878,170</u>	<u>935,035</u>	<u>9,801,328</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Net Repayments on Interunit Loans	-	(676,564)	-	(676,564)
Interest Payments on Interunit Loans	-	(50,033)	-	(50,033)
State Income Tax	-	(66,352)	-	(66,352)
Transfers From/(To) Other Funds	(1,477,908)	(24,727)	(55,783)	(1,558,418)
Net Cash Provided by/(Used for) Noncapital Financing Activities	<u>(1,477,908)</u>	<u>(817,676)</u>	<u>(55,783)</u>	<u>(2,351,367)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of Capital Assets	(4,547,723)	(2,060,494)	(174,066)	(6,782,283)
Principal Paid on Capital Debt	(470,000)	-	-	(470,000)
Interest Paid on Capital Debt	(1,015,550)	-	-	(1,015,550)
Net Cash Provided by/(Used for) Capital and Related Financing Activities	<u>(6,033,273)</u>	<u>(2,060,494)</u>	<u>(174,066)</u>	<u>(8,267,833)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest and Dividends Received	438,422	-	-	438,422
Sales of Certificates of Deposits	31,203,351	-	-	31,203,351
Purchases of Certificates of Deposits	(31,203,351)	-	-	(31,203,351)
Net Receipts from Interunit Loans	676,564	-	-	676,564
Interest Receipts on Interunit Loans	50,033	-	-	50,033
Net Cash Provided by/(Used for) Investing Activities	<u>1,165,019</u>	<u>0</u>	<u>0</u>	<u>1,165,019</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(358,039)	0	705,186	347,147
Cash and Cash Equivalents, Beginning of Year	7,595,285	-	317,810	7,913,095
Cash and Cash Equivalents, End of Year	<u>\$ 7,237,246</u>	<u>0</u>	<u>1,022,996</u>	<u>8,260,242</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

STATEMENT OF CASH FLOWS BY BUSINESS UNIT (CONTINUED)

	<u>Electric Business Unit</u>	<u>Cable and Internet Business Unit</u>	<u>Telephone Business Unit</u>	<u>Total Electric Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash <u>Provided by/(Used for) Operating Activities:</u>				
Operating Income (Loss)	\$ 4,832,463	1,461,481	661,842	6,955,786
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Depreciation Expense	3,080,592	239,563	262,849	3,583,004
Increase in Allowance for Uncollectible Accounts	55,330	40,000	5,000	100,330
Redemption of Discounted Energy Units	1,044,000	-	-	1,044,000
(Increase) Decrease:				
Accounts Receivable	(1,048,070)	(83,539)	9,334	(1,122,275)
Other Receivables	506,671	-	-	506,671
Inventories	17,589	-	-	17,589
Prepaid Items	55,458	-	-	55,458
Other Assets	(53,236)	(617)	(613)	(54,466)
Customer Notes Receivable	(113,936)	-	-	(113,936)
Increase (Decrease):				
Accounts Payable	(123,652)	1,160,482	(13,648)	1,023,182
Accrued Liabilities	(2,454,236)	60,800	10,271	(2,383,165)
Accrued Payroll and Related Deductions	-	-	-	-
Compensated Absences Payable	-	-	-	-
Deposits	-	-	-	-
Due to Other Funds	(213,744)	-	-	(213,744)
Due to Others	402,894	-	-	402,894
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 5,988,123</u>	<u>2,878,170</u>	<u>935,035</u>	<u>9,801,328</u>

Schedule of Noncash Investing, Capital and Financing Activities:

Accounts payable in the Electric Fund at June 30, 2010, included \$1,307,113 for capital assets.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

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

For fiscal year 2010, the State of Tennessee contributed payments on behalf of City employees of \$36,000 to Police Department staff and \$30,600 to Fire Department staff. The State also contributed \$170,279 to the General Purpose School Fund on behalf of employees of the Bristol Tennessee School System.

H. Pledged Revenue

During 2006, the City issued \$23,910,000 in 2005 Electric System Revenue Bonds (the “Bonds”) on behalf of Bristol Tennessee Essential Services. The Bonds were issued for the purposes of providing funds to construct improvements and extensions of the Electric Fund’s transmission and distribution system and to pre-purchase electric power from TVA. The Bonds are secured by the net power revenues of the Electric Fund. Annual principal and interest payments in 2010 of \$1,485,550 were 19% of the net revenue available for debt service of \$7,999,559.

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

I. Prior Period Adjustments

Adjustments were recorded in the financial records for both the government-wide and the fund levels.

Government-wide adjustments were made to the governmental activities for the following:

To record revenue at the government-wide level for a note receivable not received at the fund level	\$ 911,200
To record Health Reimbursement Account liability	<u>(73,422)</u>
Total governmental activities adjustment to net assets	\$ <u>837,778</u>

Government-wide adjustments were made to the business-type activities for the following:

To record Health Reimbursement Account liability	\$ <u>(10,184)</u>
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Proprietary funds were adjusted for the following:

To adjust unbilled revenue for amount improperly recorded in the prior year	\$ <u>(44,569)</u>
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CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

**J. Risk Management**

The City and the District are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, natural disasters; and injuries of employees for which commercial insurance is purchased from independent third parties. The City purchases conventional insurance coverage through TML for certain policies. Even though the TML policies contain an assessment clause, no assessment has been levied during the years the City has participated in this program. There has been no significant reduction in insurance coverage from the prior year, and neither the City nor the District have had any settlements in the last three years which were not covered by insurance.

**K. Self-Insurance Plans**

The City is self-insured for employee group health and dental benefits, other than the school funds. A liability has been established for those claims incurred but not paid prior to year-end, both reported and unreported, based on prior experience and claims reported subsequent to year-end. Changes in estimates for claims incurred but not reported are recorded in the year that the estimates are revised. The City has purchased specific stop-loss insurance with an independent third party for the City in the amount of \$105,000 per person covered. The City accounts for these benefits in the internal service fund. The Electric Fund's risk is \$75,000 per covered employee up to an annual maximum of \$897,456. An insurance company has insured all claims exceeding \$897,456.

Activity in the estimated liability for claims incurred but not paid is as follows for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 312,416	539,782
Claims Incurred	3,342,318	3,203,920
Claims Paid	<u>(3,182,318)</u>	<u>(3,431,286)</u>
Balance at end of year	\$ <u>472,416</u>	<u>312,416</u>

**L. Subsequent Events**

Management evaluated all activity of the City through December 23, 2010. In November 2010, the City of Bristol, Tennessee Board of Education entered into a contract for \$8,597,713 with Energy Systems Group to conduct work as part of an energy savings project that will improve various school facilities. Various improvements are planned, including lighting, HVAC, and electrical upgrades. Debt financing, a grant, and a potential use of fund balance will provide funding for this project. A substantial portion of the funding will consist of debt financing.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

NOTE V. OTHER INFORMATION (CONTINUED):

M. Surcharge Revenue

The District recognizes surcharge revenue as earned. Century Link, BTES, and Charter, the local telephone service suppliers collect and remit surcharge revenues on a monthly basis. Such funds are being remitted to the District within thirty days subsequent to the last business day of the preceding month. The service supplier is entitled to retain as an administrative fee, three percent of its collections of service charges. The District also receives revenue from the State of Tennessee for wireless revenue. This revenue is equivalent to 25% of the revenue generated by wireless communications and is based on a proportion of the population of each District. These funds are remitted to the District on a bi-monthly basis. The District, and all properties at any time owned by it and the income therefrom, and all bonds issued by it and the income therefrom, is exempt from all taxation in the State of Tennessee (Acts 1984, ch. 867).

**CITY OF BRISTOL, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS**  
**For the Fiscal Year Ended June 30, 2010**

**City of Bristol, Tennessee Schedule of Funding Progress – Defined Benefit Pension Plan**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2009	\$48,379	\$61,689	\$13,310	78.42%	\$15,064	88.35%
July 01, 2007	\$46,750	\$57,678	\$10,928	81.05%	\$14,366	76.07%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made for the 2007 valuation and therefore only two years of data is presented.

**Bristol Tennessee Essential Services Schedule of Funding Progress – Defined Benefit Pension Plan**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2009	\$13,951	\$17,603	\$3,652	79.26%	\$3,533	103.36%
July 01, 2007	13,703	16,363	2,659	83.75%	3,222	82.53%
July 01, 2005	12,335	13,290	955	92.81%	2,890	33.06%

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS – OPEB PLANS**  
**For the Fiscal Year Ended June 30, 2010**

**City of Bristol, Tennessee Schedule of Funding Progress – OPEB Plan**

The funded status of the plan as of June 30, 2010, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/09	\$ 398,517	\$2,424,841	\$2,026,324	16.4%	\$12,406,758	16.3%
7/01/08	\$ 0	\$2,600,380	\$2,600,380	0%	\$11,815,960	22.0%
7/01/07	\$ 0	\$3,751,063	\$3,751,063	0%	\$9,793,720	38.3%

**City of Bristol, Tennessee Schedule of Employer Contributions – OPEB Plan**

Fiscal Year	Annual Required Contribution	Contribution Made	Percentage Contributed
2010	222,213	222,213	100%
2009	200,500	456,968	227.9%
2008	243,885	(12,583)	(5.2)%

**Bristol Tennessee Essential Services Schedule of Funding Progress – OPEB Plan**

The funded status of the plan as of June 30, 2010 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/09	\$ 200,000	\$3,841,608	\$3,641,608	5.2%	\$3,231,177	112.7%
7/01/07	\$ 0	\$2,850,537	\$2,850,537	0%	N/A	N/A

**Bristol Tennessee Essential Services Schedule of Contributions – OPEB Plan**

Fiscal Year	Annual Required Contribution	Contribution Made	Percentage Contributed
2010	\$ 306,568	200,000	65%
2009	247,432	0	0%
2008	241,607	0	0%

(Continued)

**CITY OF BRISTOL, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS – OPEB PLANS**  
**For the Fiscal Year Ended June 30, 2010**

**Bristol Tennessee City School System Schedule of Funding Progress – OPEB Plans**

The funded status of the plans as of June 30, 2010 was as follows:

Valuation Date of 7/1/09	Teacher Group Insurance Plan	Medicare Supplemental Plan	Total
Actuarial Accrued Liability (AAL)	\$ 4,822,000	1,473,187	6,295,187
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	4,822,000	1,473,187	6,295,187
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	0%
Covered Payroll (Active Plan Members)	19,657,553	19,657,553	19,657,553
UAAL as a Percentage of Covered Payroll	24.5%	7.5%	32.0%

The funded status of the plans as of June 30, 2009 was as follows:

Valuation Date of 7/1/07	Teacher Group Insurance Plan	Medicare Supplemental Plan	Total
Actuarial Accrued Liability (AAL)	\$ 4,130,000	1,416,126	5,546,126
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	4,130,000	1,416,126	5,546,126
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	0%
Covered Payroll (Active Plan Members)	20,262,973	20,262,973	20,262,973
UAAL as a Percentage of Covered Payroll	20.4%	7.0%	27.4%

The funded status of the plans as of June 30, 2008 was as follows:

Valuation Date of 7/1/07	Teacher Group Insurance Plan	Medicare Supplemental Plan	Total
Actuarial Accrued Liability (AAL)	\$ 4,130,000	1,416,126	5,546,126
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	4,130,000	1,416,126	5,546,126
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	0%
Covered Payroll (Active Plan Members)	20,055,704	20,055,704	20,055,704
UAAL as a Percentage of Covered Payroll	20.6%	7.1%	27.7%

(Continued)

CITY OF BRISTOL, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS – OPEB PLANS  
For the Fiscal Year Ended June 30, 2010

Bristol Tennessee City School System Schedule of Contributions – OPEB Plan

Teacher Group Plan

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Contribution Made</u>	<u>Percentage Contributed</u>
2010	\$ 543,000	\$ 339,845	63%
2009	552,000	241,129	44%
2008	547,000	262,698	48%

Medicare Supplemental Plan

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Contribution Made</u>	<u>Percentage Contributed</u>
2010	\$ 94,282	\$ 67,043	71%
2009	84,944	61,923	73%
2008	84,944	59,600	70%

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
**For the Fiscal Year Ended June 30, 2010**  
**(All Amounts in Gallons)**

<b><u>Water Treated and Purchased:</u></b>		
Water Pumped (Potable)	2,126,121,000	
Water Purchased	-	
<b>Total Water Treated and Purchased</b>	<b>2,126,121,000</b>	<b>2,126,121,000</b>
<b>Accounted for Water:</b>		
Water Sold	1,521,098,300	
Metered for Consumption (In House Usage)	-	
Fire Department(s) Usage	159,550	
Flushing	21,828,925	
Tank Cleaning/Filling	1,922,900	
Street Cleaning	63,775	
Bulk Sales	-	
Water Bill Adjustments	-	
<b>Total Accounted for Water</b>	<b>1,545,073,450</b>	<b>1,545,073,450</b>
Unaccounted for Water		<b>581,047,550</b>
Percent Unaccounted for Water		<b>27.33%</b>
<b>Other Known Consumption Not Included in</b>		
<b>Unaccounted for Water (Explained Below):</b>		<b>222,281,953</b>
<b><u>Other Known Consumption:</u></b>		
Leaks and Repairs	218,519,800	
Theft	3,762,153	
	<b>222,281,953</b>	
		<b>222,281,953</b>

**Note:** All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item, or if the item is not applicable, a "0" is shown.

The other known consumption section is those items that could not be included in the unaccounted for water calculations because they are estimated instead of metered. When these items are taken into consideration, unaccounted for water is reduced to 358,765,597 gallons.

See Independent Auditors' Report.

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## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Community Development Grant Fund** – This fund is used to account for programs and expenditures funded by grants from the United States Department of Housing and Urban Development and the emergency shelter grant from the State of Tennessee.

**Drug Fund** – This fund is used to account for investigation of violations and controlled substance laws and is funded primarily from the receipt of fines and costs related to drug enforcement cases, as dictated by state statute.

**Grant Fund** – This fund is used to account for all the non-community development, housing type, transit, and MPO expenditures that are supported by grants. This fund aids in the management of grant supported activities and staff.

**HOME Consortium Fund** – This fund is used to account for the HOME Consortium formed by City of Bluff City, TN, City of Bristol, TN, City of Bristol, VA, City of Johnson City, TN, City of Kingsport, TN, Sullivan County, TN, Washington County, TN, and CHDO. The City acts as the lead entity for the grant from the United States Department of Housing and Urban Development.

**School Federal Projects Fund** – This fund is used to account for programs and expenditures of the Bristol, Tennessee Board of Education which are funded by grants from various Federal agencies.

**School Nutrition Fund** – This fund is used to account for the financial activities relative to the Bristol, Tennessee Board of Education school breakfast and lunch programs.

**Solid Waste Fund** – This fund is used to account for the financial activities related to the collection and transportation of solid waste.

**State Street Aid Fund** – This fund is used to account for maintenance of all non-state streets in the City. Revenues are provided from a portion of the State of Tennessee gasoline and motor fuels tax.

**Transportation Grant Fund** – This fund is used to account for all Metropolitan Planning Organization (MPO) and transit-related operating, capital, and planning grants.

**Viking Hall Fund** – This fund is used to account for the financial activities relating to the operations of Viking Hall, a combination sports arena and concert hall operated by the City.

### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

### **Capital Project Funds**

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

**Capital Projects Fund** – This fund is used to account for capital asset activity of the municipality, excluding education related capital projects.

CITY OF BRISTOL, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010

	Special Revenue Funds						
	Community Development Grant Fund	Drug Fund	Grant Fund	HOME Consortium Fund	School Federal Projects Fund	School Nutrition Fund	Solid Waste Fund
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ -	4,709	-	-	37,241	1,104,429	-
Accounts Receivable	-	-	-	-	-	-	141,814
Notes Receivable	158,380	-	-	33,122	-	-	-
Other Receivables	-	-	-	-	-	235	175
Due from Other Funds	-	77,143	-	-	-	-	-
Due from Other Governments	88,239	3,458	65,462	34,569	27,751	3,226	-
Inventory	-	-	-	-	-	63,369	-
Restricted Cash	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 246,619</b>	<b>85,310</b>	<b>65,462</b>	<b>67,691</b>	<b>64,992</b>	<b>1,171,259</b>	<b>141,989</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts Payable	\$ 137	143	18,618	17,072	995	-	34,791
Contracts Payable	5,000	-	-	8,000	-	-	-
Accrued Payroll and Deductions	-	-	-	-	-	-	16,346
Due to Other Funds	83,102	-	41,930	9,497	63,997	-	92,130
Due to Others	-	-	-	-	-	-	-
Deferred Revenue	158,380	-	4,914	33,122	-	19,618	-
<b>Total Liabilities</b>	<b>246,619</b>	<b>143</b>	<b>65,462</b>	<b>67,691</b>	<b>64,992</b>	<b>19,618</b>	<b>143,267</b>
<b>Fund Balances:</b>							
Reserved for Drug Control	-	60,610	-	-	-	-	-
Reserved for Drug Education	-	3,601	-	-	-	-	-
Reserved for Federal Forfeitures	-	16,470	-	-	-	-	-
Reserved for Inventory	-	-	-	-	-	63,369	-
Reserved for State Street Aid	-	-	-	-	-	-	-
Reserved for Virginia Forfeitures	-	4,486	-	-	-	-	-
Unreserved:							
Undesignated	-	-	-	-	-	1,088,272	(1,278)
<b>Total Fund Balances</b>	<b>0</b>	<b>85,167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,151,641</b>	<b>(1,278)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 246,619</b>	<b>85,310</b>	<b>65,462</b>	<b>67,691</b>	<b>64,992</b>	<b>1,171,259</b>	<b>141,989</b>

Continued

CITY OF BRISTOL, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010

	<u>Special Revenue Funds (Continued)</u>				Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Transportation Grant Fund	Viking Hall Fund	Total Special Revenue Funds			
<b>ASSETS:</b>							
Cash and Cash Equivalents	175,517	-	33,352	1,355,248	-	-	1,355,248
Accounts Receivable	-	-	32,212	174,026	-	-	174,026
Notes Receivable	-	-	-	191,502	-	-	191,502
Other Receivables	-	185	-	595	-	-	595
Due from Other Funds	103,293	-	-	180,436	-	373,264	553,700
Due from Other Governments	124,804	236,534	-	584,043	-	635,417	1,219,460
Inventory	-	-	-	63,369	-	-	63,369
Restricted Cash	-	-	-	-	-	235,308	235,308
<b>Total Assets</b>	<b>403,614</b>	<b>236,719</b>	<b>65,564</b>	<b>2,549,219</b>	<b>0</b>	<b>1,243,989</b>	<b>3,793,208</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts Payable	9,102	14,042	829	95,729	-	13,021	108,750
Contracts Payable	-	-	-	13,000	-	638,976	651,976
Accrued Payroll and Deductions	-	13,823	-	30,169	-	-	30,169
Due to Other Funds	-	195,345	1,035	487,036	-	-	487,036
Due to Others	-	13,509	2,278	15,787	-	-	15,787
Deferred Revenue	-	-	50,304	266,338	-	-	266,338
<b>Total Liabilities</b>	<b>9,102</b>	<b>236,719</b>	<b>54,446</b>	<b>908,059</b>	<b>0</b>	<b>651,997</b>	<b>1,560,056</b>
<b>Fund Balances:</b>							
Reserved for Drug Control	-	-	-	60,610	-	-	60,610
Reserved for Drug Education	-	-	-	3,601	-	-	3,601
Reserved for Federal Forfeitures	-	-	-	16,470	-	-	16,470
Reserved for Inventory	-	-	-	63,369	-	-	63,369
Reserved for State Street Aid	394,512	-	-	394,512	-	-	394,512
Reserved for Virginia Forfeitures	-	-	-	4,486	-	-	4,486
Unreserved:							
Undesignated	-	-	11,118	1,098,112	-	591,992	1,690,104
<b>Total Fund Balances</b>	<b>394,512</b>	<b>0</b>	<b>11,118</b>	<b>1,641,160</b>	<b>0</b>	<b>591,992</b>	<b>2,233,152</b>
<b>Total Liabilities and Fund Balances</b>	<b>403,614</b>	<b>236,719</b>	<b>65,564</b>	<b>2,549,219</b>	<b>0</b>	<b>1,243,989</b>	<b>3,793,208</b>

See Independent Auditors' Report.

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

	Special Revenue Funds						
	Community Development Grant Fund	Drug Fund	Grant Fund	HOME Consortium Fund	School Federal Projects Fund	School Nutrition Fund	Solid Waste Fund
<b>REVENUES:</b>							
Intergovernmental	\$ 279,855	8,898	310,141	1,294,874	3,466,826	1,202,151	-
Charges for Services	-	-	-	-	-	730,349	1,428,379
Revenue from Use of Facilities	-	-	-	-	-	-	-
Fines and Forfeitures	-	51,776	-	-	-	-	24,043
Investment Earnings	-	26	-	-	-	18,620	-
Other	34,024	2,400	-	70,616	-	80	4,299
<b>Total Revenues</b>	<b>313,879</b>	<b>63,100</b>	<b>310,141</b>	<b>1,365,490</b>	<b>3,466,826</b>	<b>1,951,200</b>	<b>1,456,721</b>
<b>EXPENDITURES:</b>							
Current:							
General Government	313,879	-	13,063	1,366,032	-	-	-
Community Relations	-	-	23,713	-	-	-	-
Education	-	-	-	-	3,252,072	1,827,581	-
Parks and Recreation	-	-	54,436	-	-	-	-
Public Safety	-	57,510	232,993	-	-	-	-
Public Works	-	-	-	-	-	-	1,488,384
Capital Outlay	-	-	12,295	-	214,754	32,644	-
Debt Service:							
Principal Retirement	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>313,879</b>	<b>57,510</b>	<b>336,500</b>	<b>1,366,032</b>	<b>3,466,826</b>	<b>1,860,225</b>	<b>1,488,384</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	5,590	(26,359)	(542)	0	90,975	(31,663)
<b>Other Financing Sources (Uses):</b>							
Issuance of Refunding Bonds	-	-	-	-	-	-	-
Premium on Bonds Payable	-	-	-	-	-	-	-
Payment on Refunded Bonds Payable	-	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-	-
Transfer from General Fund	-	-	26,359	-	-	-	27,000
Transfer to General Fund	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>26,359</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,000</b>
Net Change in Fund Balances	0	5,590	0	(542)	0	90,975	(4,663)
Fund Balance, July 1, 2009	0	79,577	0	542	0	1,069,876	3,385
Purchase Method Inventory Adj.	-	-	-	-	-	(9,210)	-
<b>Fund Balance, June 30, 2010</b>	<b>\$ 0</b>	<b>85,167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,151,641</b>	<b>(1,278)</b>

Continued

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

	Special Revenue Funds (Continued)				Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds
	State Street Aid Fund	Transportation Grant Fund	Viking Hall Fund	Total Special Revenue Funds			
<b>REVENUES:</b>							
Intergovernmental	679,231	686,281	-	7,928,257	-	635,417	8,563,674
Charges for Services	-	25,227	34,728	2,218,683	-	-	2,218,683
Revenue from Use of Facilities	-	-	541,153	541,153	-	-	541,153
Fines and Forfeitures	-	-	-	75,819	-	-	75,819
Investment Earnings	825	-	250	19,721	9	2,091	21,821
Other	-	-	439	111,858	-	234,490	346,348
<b>Total Revenues</b>	<b>680,056</b>	<b>711,508</b>	<b>576,570</b>	<b>10,895,491</b>	<b>9</b>	<b>871,998</b>	<b>11,767,498</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General Government	-	175,642	-	1,868,616	-	2,227	1,870,843
Community Relations	-	-	643,223	666,936	-	-	666,936
Education	-	-	-	5,079,653	-	-	5,079,653
Parks and Recreation	-	69,500	-	123,936	-	42,964	166,900
Public Safety	-	-	-	290,503	-	5,405	295,908
Public Works	723,467	463,278	-	2,675,129	-	644,952	3,320,081
Capital Outlay	-	106,278	-	365,971	-	647,751	1,013,722
<b>Debt Service:</b>							
Principal Retirement	-	-	-	0	1,335,571	-	1,335,571
Interest	-	-	-	0	646,982	-	646,982
Other Costs	-	-	-	0	4,593	-	4,593
<b>Total Expenditures</b>	<b>723,467</b>	<b>814,698</b>	<b>643,223</b>	<b>11,070,744</b>	<b>1,987,146</b>	<b>1,343,299</b>	<b>14,401,189</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,411)	(103,190)	(66,653)	(175,253)	(1,987,137)	(471,301)	(2,633,691)
<b>Other Financing Sources (Uses):</b>							
Issuance of Refunding Bonds	-	-	-	0	2,760,000	-	2,760,000
Premium on Bonds Payable	-	-	-	0	65,911	-	65,911
Payment on Refunded Bonds Payable	-	-	-	0	(2,775,000)	-	(2,775,000)
Bond Issue Costs	-	-	-	0	(50,911)	-	(50,911)
Transfer from General Fund	124,126	164,719	65,000	407,204	1,987,137	300,000	2,694,341
Transfer to General Fund	-	(61,529)	-	(61,529)	-	-	(61,529)
<b>Total Other Financing Sources (Uses)</b>	<b>124,126</b>	<b>103,190</b>	<b>65,000</b>	<b>345,675</b>	<b>1,987,137</b>	<b>300,000</b>	<b>2,632,812</b>
<b>Net Change in Fund Balances</b>	<b>80,715</b>	<b>0</b>	<b>(1,653)</b>	<b>170,422</b>	<b>0</b>	<b>(171,301)</b>	<b>(879)</b>
Fund Balance, July 1, 2009	313,797	0	12,771	1,479,948	0	763,293	2,243,241
Purchase Method Inventory Adj.	-	-	-	(9,210)	-	-	(9,210)
<b>Fund Balance, June 30, 2010</b>	<b>394,512</b>	<b>0</b>	<b>11,118</b>	<b>1,641,160</b>	<b>0</b>	<b>591,992</b>	<b>2,233,152</b>

See Independent Auditors' Report.

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 355,620	279,855	75,765
Other	28,500	34,024	(5,524)
Total Revenues	<u>384,120</u>	<u>313,879</u>	<u>70,241</u>
<b>Expenditures:</b>			
Operating Expenditures	384,120	313,879	(70,241)
Total Expenditures	<u>384,120</u>	<u>313,879</u>	<u>(70,241)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 0</u>	<u>0</u>	<u>0</u>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
DRUG FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ -	8,898	8,898
Fines, Forfeitures, Restituion, Seizures	45,000	51,776	6,776
Investment Earnings	400	26	(374)
Other	2,000	2,400	400
Total Revenues	<u>47,400</u>	<u>63,100</u>	<u>15,700</u>
<u>Expenditures:</u>			
Public Safety	<u>73,943</u>	<u>57,510</u>	<u>16,433</u>
Total Expenditures	<u>73,943</u>	<u>57,510</u>	<u>16,433</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,543)	5,590	32,133
Fund Balance, July 1, 2009	<u>26,543</u>	<u>79,577</u>	<u>53,034</u>
Fund Balance, June 30, 2010	<u>\$ 0</u>	<u>85,167</u>	<u>85,167</u>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
**GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 591,483	310,141	(281,342)
<b>Total Revenues</b>	<b>591,483</b>	<b>310,141</b>	<b>(281,342)</b>
<b>Expenditures:</b>			
Community Development Grants	10,400	10,200	200
Community Relations Grants	15,000	23,713	(8,713)
Finance Grants	3,000	2,863	137
Parks and Recreation Grants	59,400	54,436	4,964
Police Grants	549,877	232,993	316,884
Police Capital Outlay	-	12,295	(12,295)
<b>Total Expenditures</b>	<b>637,677</b>	<b>336,500</b>	<b>301,177</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,194)	(26,359)	19,835
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	51,559	26,359	(25,200)
Transfer to General Fund	(5,365)	-	5,365
<b>Total Other Financing Sources (Uses)</b>	<b>46,194</b>	<b>26,359</b>	<b>(19,835)</b>
Net Change in Fund Balances	0	0	0
Fund Balance, July 1, 2009	-	-	-
<b>Fund Balance, June 30, 2010</b>	<b>\$ 0</b>	<b>0</b>	<b>0</b>

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**HOME CONSORTIUM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental:			
City of Bluff City, Tennessee	\$ 145,520	80,689	(64,831)
City of Bristol, Tennessee	114,305	5,862	(108,443)
City of Bristol, Virginia	99,413	63,397	(36,016)
City of Johnson City, Tennessee	472,498	292,714	(179,784)
City of Kingsport, Tennessee	326,999	224,121	(102,878)
Sullivan County, Tennessee	154,406	123,464	(30,942)
Washington County, Virginia	226,752	193,272	(33,480)
CHDO	500,939	190,147	(310,792)
Administration	165,689	121,208	(44,481)
Other	-	70,616	70,616
<b>Total Revenues</b>	<b>2,206,521</b>	<b>1,365,490</b>	<b>(841,031)</b>
<b>Expenditures:</b>			
Program Expenditures:			
City of Bluff City, Tennessee	145,520	80,689	64,831
City of Bristol, Tennessee	114,305	36,050	78,255
City of Bristol, Virginia	99,413	63,397	36,016
City of Johnson City, Tennessee	472,498	318,684	153,814
City of Kingsport, Tennessee	326,999	224,121	102,878
Sullivan County, Tennessee	154,406	123,464	30,942
Washington County, Virginia	226,752	208,272	18,480
CHDO	500,939	190,147	310,792
Administrative Expenditures	165,689	121,208	44,481
<b>Total Expenditures</b>	<b>2,206,521</b>	<b>1,366,032</b>	<b>840,489</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(542)	(542)
Fund Balance, July 1, 2009	-	542	542
Fund Balance, June 30, 2010	<b>\$ 0</b>	<b>0</b>	<b>0</b>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
SCHOOL FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b><u>Revenues:</u></b>			
Intergovernmental	\$ 4,227,721	3,466,826	(760,895)
<b>Total Revenues</b>	<b>4,227,721</b>	<b>3,466,826</b>	<b>(760,895)</b>
<b><u>Expenditures:</u></b>			
<b><u>Instruction:</u></b>			
Regular Education	1,098,955	1,099,952	(997)
Alternate School	109,265	70,886	38,379
Special Education	1,271,726	1,416,675	(144,949)
Vocational Education	51,129	54,752	(3,623)
<b>Total Instruction</b>	<b>2,531,075</b>	<b>2,642,265</b>	<b>(111,190)</b>
<b><u>Support Services:</u></b>			
Health Services	30,375	24,089	6,286
Other Student Support	958,816	207,793	751,023
Regular Instruction	240,023	151,246	88,777
Alternative School	-	30,915	(30,915)
Special Education	32,500	42,879	(10,379)
Vocational Education	3,000	2,700	300
Board of Education	-	17,160	(17,160)
Office of Superintendent	-	19,530	(19,530)
Office of Principal	15,000	1,747	13,253
Fiscal Services	15,578	14,819	759
Operation of Plant	-	105	(105)
Student Transportation	2,000	49,802	(47,802)
<b>Total Support Services</b>	<b>1,297,292</b>	<b>562,785</b>	<b>734,507</b>
<b><u>Non-Instructional Services:</u></b>			
Community Services	28,596	15,707	12,889
Early Childhood	48,258	31,315	16,943
<b>Total Non-Instructional Services</b>	<b>76,854</b>	<b>47,022</b>	<b>29,832</b>
<b>Capital Outlay</b>	<b>322,500</b>	<b>214,754</b>	<b>107,746</b>
<b>Total Expenditures</b>	<b>4,227,721</b>	<b>3,466,826</b>	<b>760,895</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance, July 1, 2009	-	-	-
<b>Fund Balance, June 30, 2010</b>	<b>\$ 0</b>	<b>0</b>	<b>0</b>

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**SCHOOL NUTRITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 1,073,000	1,133,600	1,202,151	68,551
Charges for Services	812,000	812,000	730,349	(81,651)
Investment Earnings	12,400	12,400	18,620	6,220
Other	-	-	80	80
<b>Total Revenues</b>	<b><u>1,897,400</u></b>	<b><u>1,958,000</u></b>	<b><u>1,951,200</u></b>	<b><u>(6,800)</u></b>
<b>Expenditures:</b>				
Food Services	1,897,400	1,908,000	1,827,581	80,419
Capital Outlay	-	50,000	32,644	17,356
<b>Total Expenditures</b>	<b><u>1,897,400</u></b>	<b><u>1,958,000</u></b>	<b><u>1,860,225</u></b>	<b><u>97,775</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>90,975</u>	<u>90,975</u>
Fund Balance, July 1, 2009	888,151	888,151	1,069,876	181,725
Purchase Method Inventory Adjustment	<u>-</u>	<u>-</u>	<u>(9,210)</u>	<u>(9,210)</u>
<b>Fund Balance, June 30, 2010</b>	<b><u>\$ 888,151</u></b>	<b><u>888,151</u></b>	<b><u>1,151,641</u></b>	<b><u>263,490</u></b>

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**SOLID WASTE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for Services	\$ 1,432,800	1,472,461	1,428,379	(44,082)
Fines and Forfeitures	22,000	27,000	24,043	(2,957)
Other	-	5,000	4,299	(701)
<b>Total Revenues</b>	<u>1,454,800</u>	<u>1,504,461</u>	<u>1,456,721</u>	<u>(47,740)</u>
<b>Expenditures:</b>				
<b>Refuse Collection:</b>				
Personnel	241,601	241,601	252,354	(10,753)
Operating Expenditures	522,500	522,500	455,144	67,356
Other Expenditures	5,384	5,384	6,183	(799)
<b>Total Refuse Collection</b>	<u>769,485</u>	<u>769,485</u>	<u>713,681</u>	<u>55,804</u>
<b>Brush and Bulk Collection:</b>				
Personnel	538,624	538,624	570,561	(31,937)
Operating Expenditures	178,750	228,411	189,857	38,554
Other Expenditures	7,480	7,480	14,285	(6,805)
<b>Total Brush and Bulk Collection</b>	<u>724,854</u>	<u>774,515</u>	<u>774,703</u>	<u>(188)</u>
<b>Total Expenditures</b>	<u>1,494,339</u>	<u>1,544,000</u>	<u>1,488,384</u>	<u>55,616</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(39,539)</u>	<u>(39,539)</u>	<u>(31,663)</u>	<u>7,876</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	-	-	27,000	27,000
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>27,000</u>	<u>27,000</u>
<b>Net Change in Fund Balances</b>	<u>(39,539)</u>	<u>(39,539)</u>	<u>(4,663)</u>	<u>34,876</u>
<b>Fund Balance, July 1, 2009</b>	<u>41,967</u>	<u>41,967</u>	<u>3,385</u>	<u>(38,582)</u>
<b>Fund Balance, June 30, 2010</b>	<u>\$ 2,428</u>	<u>2,428</u>	<u>(1,278)</u>	<u>(3,706)</u>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
STATE STREET AID FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 1,088,624	679,231	(409,393)
Investment Earnings	3,000	825	(2,175)
<b>Total Revenues</b>	<u>1,091,624</u>	<u>680,056</u>	<u>(411,568)</u>
<u>Expenditures:</u>			
Resurfacing	795,624	392,990	402,634
Sidewalk Maintenance	20,000	24,187	(4,187)
Pavement Markings	25,000	48,886	(23,886)
Guardrails	12,000	7,404	4,596
Other	255,000	250,000	5,000
<b>Total Expenditures</b>	<u>1,107,624</u>	<u>723,467</u>	<u>384,157</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,000)</u>	<u>(43,411)</u>	<u>(27,411)</u>
<u>Other Financing Sources (Uses):</u>			
Transfer from General Fund	134,316	124,126	(10,190)
<b>Total Other Financing Sources (Uses)</b>	<u>134,316</u>	<u>124,126</u>	<u>(10,190)</u>
Net Change in Fund Balances	118,316	80,715	(37,601)
Fund Balance, July 1, 2009	<u>122,795</u>	<u>313,797</u>	<u>191,002</u>
<b>Fund Balance, June 30, 2010</b>	<u>\$ 241,111</u>	<u>394,512</u>	<u>153,401</u>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
TRANSPORTATION GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 1,261,173	686,281	(574,892)
Charges for Services	24,000	25,227	1,227
<b>Total Revenues</b>	<u>1,285,173</u>	<u>711,508</u>	<u>(573,665)</u>
<u>Expenditures:</u>			
ADA Transit	43,637	43,805	(168)
Job Access	118,245	107,487	10,758
MPO	270,000	175,642	94,358
Senior Citizen Transportation	61,424	69,500	(8,076)
Transit	294,785	311,986	(17,201)
Capital Outlay	627,730	106,278	521,452
<b>Total Expenditures</b>	<u>1,415,821</u>	<u>814,698</u>	<u>601,123</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(130,648)</u>	<u>(103,190)</u>	<u>27,458</u>
<u>Other Financing Sources (Uses):</u>			
Transfer from General Fund	186,523	164,719	(21,804)
Transfer to General Fund	(55,875)	(61,529)	(5,654)
<b>Total Other Financing Sources (Uses)</b>	<u>130,648</u>	<u>103,190</u>	<u>(27,458)</u>
<b>Net Change in Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, July 1, 2009</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, June 30, 2010</b>	<u>\$ 0</u>	<u>0</u>	<u>0</u>

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**VIKING HALL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Charges for Services	\$ 10,000	10,000	34,728	24,728
Revenue from Use of Facilities	292,850	661,175	541,153	(120,022)
Investment Earnings	300	300	250	(50)
Other	3,500	3,500	439	(3,061)
<b>Total Revenues</b>	<b><u>306,650</u></b>	<b><u>674,975</u></b>	<b><u>576,570</u></b>	<b><u>(98,405)</u></b>
<b><u>Expenditures:</u></b>				
Personnel	101,334	101,334	109,689	(8,355)
Operating Expenditures	63,140	63,140	36,725	26,415
Show Expenditures	311,120	679,445	478,284	201,161
Other Expenditures	6,081	6,081	18,525	(12,444)
<b>Total Expenditures</b>	<b><u>481,675</u></b>	<b><u>850,000</u></b>	<b><u>643,223</u></b>	<b><u>206,777</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b><u>(175,025)</u></b>	<b><u>(175,025)</u></b>	<b><u>(66,653)</u></b>	<b><u>108,372</u></b>
<b><u>Other Financing Sources (Uses):</u></b>				
Transfer from General Fund	175,000	175,000	65,000	(110,000)
<b>Total Other Financing Sources (Uses)</b>	<b><u>175,000</u></b>	<b><u>175,000</u></b>	<b><u>65,000</u></b>	<b><u>(110,000)</u></b>
<b>Net Change in Fund Balances</b>	<b>(25)</b>	<b>(25)</b>	<b>(1,653)</b>	<b>(1,628)</b>
<b>Fund Balance, July 1, 2009</b>	<b><u>1,884</u></b>	<b><u>1,884</u></b>	<b><u>12,771</u></b>	<b><u>10,887</u></b>
<b>Fund Balance, June 30, 2010</b>	<b><u>\$ 1,859</u></b>	<b><u>1,859</u></b>	<b><u>11,118</u></b>	<b><u>9,259</u></b>

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Investment Earnings	\$ -	-	9	9
Total Revenues	<u>0</u>	<u>0</u>	<u>9</u>	<u>9</u>
<b><u>Expenditures:</u></b>				
Principal Retirement	1,494,015	1,494,015	1,335,571	158,444
Interest	696,461	696,461	646,982	49,479
Other Costs	25,000	25,000	4,593	20,407
Total Expenditures	<u>2,215,476</u>	<u>2,215,476</u>	<u>1,987,146</u>	<u>228,330</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,215,476)</u>	<u>(2,215,476)</u>	<u>(1,987,137)</u>	<u>228,339</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Issuance of Refunding Bonds	-	2,760,000	2,760,000	-
Premium on Bonds Payable	-	49,524	65,911	16,387
Payment on Refunded Bonds Payable	-	(2,775,000)	(2,775,000)	-
Bond Issue Costs	-	(34,524)	(50,911)	(16,387)
Transfer from General Fund	2,215,476	2,215,476	1,987,137	(228,339)
Total Other Financing Sources (Uses)	<u>2,215,476</u>	<u>2,215,476</u>	<u>1,987,137</u>	<u>(228,339)</u>
Net Change in Fund Balances	0	0	0	0
Fund Balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 5,336,000	635,417	(4,700,583)
Investment Earnings	2,000	2,091	91
Other	<u>462,000</u>	<u>234,490</u>	<u>(227,510)</u>
Total Revenues	<u>5,800,000</u>	<u>871,998</u>	<u>(4,928,002)</u>
<u>Expenditures:</u>			
Capital Outlay	6,885,000	647,751	6,237,249
Other	<u>318,000</u>	<u>695,548</u>	<u>(377,548)</u>
Total Expenditures	<u>7,203,000</u>	<u>1,343,299</u>	<u>5,859,701</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,403,000)</u>	<u>(471,301)</u>	<u>931,699</u>
<u>Other Financing Sources (Uses):</u>			
Transfer from General Fund	<u>1,113,000</u>	<u>300,000</u>	<u>(813,000)</u>
Total Other Financing Sources (Uses)	<u>1,113,000</u>	<u>300,000</u>	<u>(813,000)</u>
Net Change in Fund Balances	(290,000)	(171,301)	118,699
Fund Balance, July 1, 2009	<u>337,770</u>	<u>763,293</u>	<u>425,523</u>
Fund Balance, June 30, 2010	<u>\$ 47,770</u>	<u>591,992</u>	<u>544,222</u>

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**SCHOOL CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2010**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b><u>Revenues:</u></b>			
Investment Earnings	\$ 30,000	5,616	(24,384)
Total Revenues	<u>30,000</u>	<u>5,616</u>	<u>(24,384)</u>
<b><u>Expenditures:</u></b>			
Capital Outlay	6,452,728	4,523,458	1,929,270
Other	-	1,564	(1,564)
Total Expenditures	<u>6,452,728</u>	<u>4,525,022</u>	<u>1,927,706</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,422,728)</u>	<u>(4,519,406)</u>	<u>1,903,322</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Transfer from General Fund	800,000	800,000	-
Transfer from General Purpose School Fund	1,005,887	958,293	(47,594)
Total Other Financing Sources (Uses)	<u>1,805,887</u>	<u>1,758,293</u>	<u>(47,594)</u>
Net Change in Fund Balances	(4,616,841)	(2,761,113)	1,855,728
Fund Balance, July 1, 2009	<u>4,616,841</u>	<u>2,761,113</u>	<u>(1,855,728)</u>
Fund Balance, June 30, 2010	<u>\$ 0</u>	<u>0</u>	<u>0</u>

See Independent Auditors' Report.

## **Fiduciary Funds**

### **Agency Funds**

Agency Funds are used to account for assets held by the City as an agent for private organizations, other governments, and/or other funds.

CITY OF BRISTOL, TENNESSEE  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
June 30, 2010

	<u>Youth Counselor Office</u>	<u>WWTP External Agency</u>	<u>Total Agency Funds</u>
<b><u>ASSETS:</u></b>			
Cash and Cash Equivalents	\$ -	2,371,638	2,371,638
Pooled Cash Held by General Fund	-	-	-
<b>Total Assets</b>	<b><u>\$ 0</u></b>	<b><u>2,371,638</u></b>	<b><u>2,371,638</u></b>
<b><u>LIABILITIES:</u></b>			
Due to Others	\$ -	2,371,638	2,371,638
<b>Total Liabilities</b>	<b><u>\$ 0</u></b>	<b><u>2,371,638</u></b>	<b><u>2,371,638</u></b>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
For the Fiscal Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>YOUTH COUNSELOR OFFICE FUND</u>				
ASSETS				
Pooled Cash Held by General Fund	\$ 796	5,879	6,675	0
TOTAL ASSETS	<u>\$ 796</u>	<u>5,879</u>	<u>6,675</u>	<u>0</u>
LIABILITIES				
Due to Others	<u>\$ 796</u>	<u>5,879</u>	<u>6,675</u>	<u>0</u>
 <u>WWTP EXTERNAL AGENCY FUND</u>				
ASSETS				
Cash and Cash Equivalents	<u>\$ 2,177,993</u>	<u>3,313,068</u>	<u>3,119,423</u>	<u>2,371,638</u>
LIABILITIES				
Due to Others	<u>\$ 2,177,993</u>	<u>3,313,068</u>	<u>3,119,423</u>	<u>2,371,638</u>
 <u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Pooled Cash Held by General Fund	\$ 399	5,879	6,675	0
Cash and Cash Equivalents	2,707,261	3,313,068	3,119,423	2,371,638
TOTAL ASSETS	<u>\$ 2,707,660</u>	<u>3,318,947</u>	<u>3,126,098</u>	<u>2,371,638</u>
LIABILITIES				
Due to Others	<u>\$ 2,707,660</u>	<u>3,318,947</u>	<u>3,126,098</u>	<u>2,371,638</u>

See Independent Auditors' Report.

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**CAPITAL ASSETS**  
**USED IN THE OPERATION**  
**OF GOVERNMENTAL FUNDS**

**CITY OF BRISTOL, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**June 30, 2010**

	2010
<b>Governmental Funds Capital Assets:</b>	
Land	\$ 4,038,348
Land Improvements	2,680,087
Buildings	44,189,985
Building Improvements	9,945,004
Other Improvements	1,035,852
Machinery and Equipment	15,745,054
Infrastructure	109,039,515
Construction in Progress	178,862
Total Governmental Funds Capital Assets	\$ 186,852,707
 <b>Investments in Governmental Funds Capital Assets by Source:</b>	
Bond Issue	\$ 73,264,084
Capital Outlay Notes	1,409,150
Capital Leases	537,438
Donated	81,155,828
Grant Funds	6,251,526
School Activity Funds	116,829
General Fund	13,654,030
Special Revenue/Capital Projects Funds	10,463,822
Total Governmental Funds Capital Assets	\$ 186,852,707

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**June 30, 2010**

<u>Function and Activity</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Building Improvements</u>	<u>Other Improvements</u>	<u>Machinery &amp; Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>General Government:</b>									
General Administration	\$ 113,469	-	1,753,647	-	387,973	405,784	90,974	-	2,751,847
Community Development	65,975	497,417	476,992	84,106	-	166,898	-	-	1,291,388
Other Administrative	286,157	-	5,805,150	158,722	-	1,207,519	-	-	7,457,548
<b>Total General Government</b>	<b>465,601</b>	<b>497,417</b>	<b>8,035,789</b>	<b>242,828</b>	<b>387,973</b>	<b>1,780,201</b>	<b>90,974</b>	<b>0</b>	<b>11,500,783</b>
<b>Education:</b>									
General Operations	2,711,741	-	29,129,860	7,989,377	75,000	1,989,460	-	100,320	41,995,758
Child Nutrition	-	-	-	-	-	546,905	-	-	546,905
<b>Total Education</b>	<b>2,711,741</b>	<b>0</b>	<b>29,129,860</b>	<b>7,989,377</b>	<b>75,000</b>	<b>2,536,365</b>	<b>0</b>	<b>100,320</b>	<b>42,542,663</b>
<b>Parks and Recreation</b>	<b>632,788</b>	<b>2,182,670</b>	<b>1,538,045</b>	<b>646,365</b>	<b>38,307</b>	<b>1,445,335</b>	<b>0</b>	<b>25,467</b>	<b>6,508,977</b>
<b>Public Safety:</b>									
Police	6,925	-	3,103,930	807,962	-	2,315,913	-	-	6,234,730
Fire	82,624	-	583,270	-	-	2,766,305	-	-	3,432,199
<b>Total Public Safety</b>	<b>89,549</b>	<b>0</b>	<b>3,687,200</b>	<b>807,962</b>	<b>0</b>	<b>5,082,218</b>	<b>0</b>	<b>0</b>	<b>9,666,929</b>
<b>Community Relations</b>									
Viking Hall	-	-	33,901	-	-	94,666	-	-	128,567
<b>Total Community Relations</b>	<b>0</b>	<b>0</b>	<b>33,901</b>	<b>0</b>	<b>0</b>	<b>94,666</b>	<b>0</b>	<b>0</b>	<b>128,567</b>
<b>Public Works:</b>									
Streets	138,669	-	1,765,190	258,472	534,572	2,796,773	108,948,541	53,075	114,495,292
Solid Waste	-	-	-	-	-	2,009,496	-	-	2,009,496
<b>Total Public Works</b>	<b>138,669</b>	<b>0</b>	<b>1,765,190</b>	<b>258,472</b>	<b>534,572</b>	<b>4,806,269</b>	<b>108,948,541</b>	<b>53,075</b>	<b>116,504,788</b>
<b>Total Governmental Funds</b>									
Capital Assets	<b>\$ 4,038,348</b>	<b>2,680,087</b>	<b>44,189,985</b>	<b>9,945,004</b>	<b>1,035,852</b>	<b>15,745,054</b>	<b>109,039,515</b>	<b>178,862</b>	<b>186,852,707</b>

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**For the Fiscal Year Ended June 30, 2010**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Governmental Funds Capital Assets June 30, 2010</u>
<b>General Government:</b>						
General Administration	\$ 2,659,764	77,862	-	15,211	(990)	2,751,847
Community Development	1,377,561	13,827	-	(100,000)	-	1,291,388
Other Administrative	7,446,954	92,159	81,565	-	-	7,457,548
<b>Total General Government</b>	<b>11,484,279</b>	<b>183,848</b>	<b>81,565</b>	<b>(84,789)</b>	<b>(990)</b>	<b>11,500,783</b>
<b>Education:</b>						
General Operations	36,338,213	5,679,694	13,598	-	(8,551)	41,995,758
Child Nutrition	537,888	32,644	23,627	-	-	546,905
<b>Total Education</b>	<b>36,876,101</b>	<b>5,712,338</b>	<b>37,225</b>	<b>0</b>	<b>(8,551)</b>	<b>42,542,663</b>
<b>Parks and Recreation</b>	<b>5,894,517</b>	<b>574,601</b>	<b>-</b>	<b>39,859</b>	<b>0</b>	<b>6,508,977</b>
<b>Public Safety:</b>						
Police	6,093,672	218,629	116,632	39,061	-	6,234,730
Fire	3,525,285	115,017	125,621	(82,482)	-	3,432,199
<b>Total Public Safety</b>	<b>9,618,957</b>	<b>333,646</b>	<b>242,253</b>	<b>(43,421)</b>	<b>0</b>	<b>9,666,929</b>
<b>Community Relations:</b>						
Viking Hall	140,216	-	-	(11,649)	-	128,567
<b>Total Public Venue</b>	<b>140,216</b>	<b>0</b>	<b>0</b>	<b>(11,649)</b>	<b>0</b>	<b>128,567</b>
<b>Public Works:</b>						
Streets	113,077,908	1,491,384	74,000	-	-	114,495,292
Solid Waste	2,060,132	-	50,636	-	-	2,009,496
<b>Total Public Works</b>	<b>115,138,040</b>	<b>1,491,384</b>	<b>124,636</b>	<b>-</b>	<b>0</b>	<b>116,504,788</b>
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 179,152,110</b>	<b>8,295,817</b>	<b>485,679</b>	<b>(100,000)</b>	<b>(9,541)</b>	<b>186,852,707</b>

See Independent Auditors' Report.

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

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2010
<b>Capital Projects Fund</b>							
Pass Through State of Tennessee:							
20.205	Section 5303: Transit Planning STP-M/HPP-9102(6)	U.S. Department of Transportation	\$ 0	-	14,237	-	(14,237) *
20.205	Section 5303: Transit Planning ARRA-STP-M-9102(7)	U.S. Department of Transportation	0	-	621,179	-	(621,179) *
Total Capital Projects Fund			0	0	635,416	0	(635,416)
<b>Community Development Block Grant Fund:</b>							
14.218	Community Development Block Grant	U.S. Department of Housing and Urban Development	(102,529)	265,137	250,847	-	(88,239) *
14.253	Community Development Block Grant ARRA Entitlement Grant	U.S. Department of Housing and Urban Development	0	22,998	22,998	-	0
Pass Through State of Tennessee:							
14.231	Emergency Shelter Grant ESG-09-21	U.S. Department of Housing and Urban Development	0	40,034	40,034	-	0
Total Community Development Block Grant Fund			(102,529)	328,169	313,879	0	(88,239)
<b>General Fund:</b>							
97.083	SAFER Grant EMW-2007-FF-00158	U.S. Department of Homeland Security	(24,800)	206,367	195,280	-	(13,713) *
<b>General Purpose School Fund:</b>							
Pass Through State of Tennessee:							
84.394	SFSF - BFP - Basic Education Program	U.S. Department of Education	0	711,100	711,100	-	0
84.397	SFSF - CSH - Coordinated School Health	U.S. Department of Education	0	77,431	95,000	-	(17,569) *
84.397	SFSF - Extended Contracts	U.S. Department of Education	0	19,392	86,655	-	(67,263) *
84.397	SFSF - Internet Connectivity	U.S. Department of Education	0	11,238	11,238	-	0
84.397	SFSF - Safe Schools	U.S. Department of Education	0	9,300	9,300	-	0
Total General Purpose School Fund			0	828,461	913,293	0	(84,832)

\* Receivable      \*\* Unused Revenue

(Continued)

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

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2010
<u>Grant Fund:</u>							
10.769	Rural Business Enterprise Grant	U.S. Department of Agriculture	(1,016)	6,125	13,713	1,016	(7,588) *
16.607	Bulletproof Vest Partnership Grant	U.S. Department of Justice	(4,540)	5,338	2,199	-	(1,401) *
16.710	COPS Hiring Recovery Program 2009 RK WX0811	U.S. Department of Justice	0	31,898	26,984	-	4,914 **
16.580	Edward Byrne Memorial Justice Assistance Grant	U.S. Department of Justice	0	14,165	14,667	-	(502) *
16.804	Edward Byrne Memorial Justice 2009-SB-B9-2387	U.S. Department of Justice	0	14,708	50,150	-	(35,442) *
<u>Pass Through State of Tennessee:</u>							
10.664	Cooperative Forestry Assistance Z-09-213674-00	U.S. Department of Agriculture	(1,236)	-	-	-	(1,236) *
10.664	Cooperative Forestry Assistance Z-08-21278-00	U.S. Department of Agriculture	0	-	5,000	-	(5,000) *
15.904	Historic Preservation Funds Grant	U.S. Department of Interior	(5,880)	16,080	10,200	-	0
16.751	Edward Byrne Memorial Justice Assistance Grant 206027526 00	U.S. Department of Justice	0	42,111	46,123	-	(4,012) *
16.588	STOP Grant	U.S. Department of Justice	0	17,788	23,956	-	(6,168) *
16.588	STOP Grant Z-07-033062-00	U.S. Department of Justice	(2,032)	2,032	-	-	0
20.600	Impaired Driving Initiative #154AL-09-158	U.S. Department of Transportation	0	21	21	-	0
<u>Pass Through Other Entities:</u>							
16.609	Project SAFE Neighborhood	U.S. Department of Justice (Subrecipient from City of Knoxville, TN)	(5,694)	10,523	4,829	-	0
93.043	Title III D Grant for Health Promotion and Medication Management	U.S. Department of Health and Human Services (Subrecipient from First Tennessee Development District)	0	912	3,412	-	(2,500) *
93.044	Title III B Grants for Supportive Services and Senior Centers Grant	U.S. Department of Health and Human Services (Subrecipient from First Tennessee Development District)	(1,052)	21,359	22,048	-	(1,741) *
93.052	Title III E National Family Caregiver	U.S. Department of Health and Human Services (Subrecipient from First Tennessee Development District)	(236)	3,308	2,944	-	128 **
<b>Total Grant Fund</b>			<u>(21,686)</u>	<u>186,368</u>	<u>226,246</u>	<u>1,016</u>	<u>(60,548)</u>

\* Receivable

\*\* Unused Revenue

(Continued)

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

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2010
<u>HOME Consortium Fund</u>							
14.239	HOME Investment Partnership Program	U.S. Department of Housing and Urban Development	(190,444)	1,451,291	1,295,416	0	(34,569) *
<u>School Federal Projects Fund:</u>							
84.148L	Safe Schools/Healthy Students	U.S. Departments of Education, Health and Human Services, and Justice	(6,936)	459,831	452,895	-	0
<u>Pass Through State of Tennessee:</u>							
84.01	Title I, Project 2009.01	U.S. Department of Education	(83,461)	913,271	843,645	-	(13,835) *
84.389	Title I - ARRA, Project 2010.01	U.S. Department of Education	0	225,828	225,828	-	0
	Total Title I		(83,461)	1,139,099	1,069,473	0	(13,835)
84.027	IDEA, Project 2010.01	U.S. Department of Education	(28,726)	758,812	730,519	-	(433) *
84.027	IDEA, Project 2009.21	U.S. Department of Education	0	65,693	65,693	-	0
84.027A	Special Education Grant - Inclusion	U.S. Department of Education	(22,688)	121,177	102,966	-	(4,477) *
84.391	IDEA - ARRA, Project 2010.01	U.S. Department of Education	0	702,477	709,322	-	(6,845) *
	Total IDEA		(51,414)	1,648,159	1,608,500	0	(11,755)
84.173	Preschool Incentive, Project 2010.01	U.S. Department of Education	0	20,381	20,381	-	0
84.392	Preschool Incentive-ARRA, Project 2010.01	U.S. Department of Education	0	28,660	28,660	-	0
	Total IDEA - Preschool		0	49,041	49,041	0	0
84.048	Carl Perkins (Vocational Program Improvements)	U.S. Department of Education	(87,366)	154,255	66,889	-	0
84.367	Title II, Part A Project 2010.01	U.S. Department of Education	0	175,415	175,415	-	0
84.367	Title II, Part D Project 2010.01	U.S. Department of Education	0	7,515	7,515	-	0
84.386	Title II, Part D-ARRA - Project 2010.01	U.S. Department of Education	0	18,481	18,481	-	0
	Total Title II		0	201,411	201,411	0	0
84.186	Drug Free Schools, Project 2010.01	U.S. Department of Education	0	16,455	18,617	-	(2,162) *
<b>Total School Federal Projects Fund</b>			<b>(229,177)</b>	<b>3,668,251</b>	<b>3,466,826</b>	<b>0</b>	<b>(27,752)</b>

\* Receivable

\*\* Unused Revenue

(Continued)

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

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2010
<u>School Nutrition Fund</u>							
Pass Through State of Tennessee:							
10.553	National School Breakfast Program	U.S. Department of Agriculture	0	206,871	206,871	-	0
10.555	National School Lunch Program	U.S. Department of Agriculture	0	736,505	736,505	-	0
10.579	ARRA - Equipment	U.S. Department of Agriculture	0	12,125	12,125	-	0
10.582	Fresh Fruit and Vegetable Program	U.S. Department of Agriculture	0	17,881	21,107	-	(3,226) *
Pass Through Northeast Tennessee Cooperative:							
10.555	USDA: Commodity Supplemental Feeding - Commodities Distributed	U.S. Department of Agriculture	0	206,870	206,870	-	0
Total School Nutrition Fund			0	1,180,252	1,183,478	0	(3,226)
<u>Transportation Grant Fund:</u>							
20.507	Section 5307: Operating Assistance TN-90-X289	U.S. Department of Transportation	(95,417)	182,796	87,379	-	0
20.507	Section 5307: Operating Assistance TN-90-X304	U.S. Department of Transportation	0	167,868	275,930	-	(108,062) *
20.507	Section 5307: ARRA Operating Assistance TN-96-X011	U.S. Department of Transportation	0	11,000	20,664	-	(9,664) *
Pass Through State of Tennessee:							
20.205	Section 112: Transportation Planning Z-07-036290-00	U.S. Department of Transportation	(26,513)	98,302	104,667	-	(32,878) *
20.205	Section 5303: Transit Planning GG-07-20729-00	U.S. Department of Transportation	(4,740)	4,740	-	-	0
20.205	Section 5303: Transit Planning GG-07-26132-00	U.S. Department of Transportation	0	18,272	22,934	-	(4,662) *
20.600	Impaired Driving Initiative Z-09-214598-00	U.S. Department of Transportation	(270)	270	-	-	0
Pass Through State of Virginia							
20.205	Section 112: Transportation Planning FY 09 Authorization	U.S. Department of Transportation	(9,041)	9,041	-	-	0
20.205	Section 112: Transportation Planning FY 10 Authorization	U.S. Department of Transportation	0	12,385	14,107	-	(1,722) *

\* Receivable      \*\* Unused Revenue

(Continued)

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

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2010
<b>Transportation Grant Fund (Continued):</b>							
20.205	Section 5303: Transit Planning 41008-01	U.S Department of Transportation	(10,643)	10,643	-	-	0
20.205	Section 5303: Transit Planning 41009-01	U.S Department of Transportation	<u>0</u>	<u>12,008</u>	<u>12,008</u>	<u>-</u>	<u>0</u>
Total Transportation Grant Fund			<u>(146,624)</u>	<u>527,325</u>	<u>537,689</u>	<u>0</u>	<u>(156,988) *</u>
TOTAL FEDERAL GRANTS			<u>\$ (715,260)</u>	<u>8,376,484</u>	<u>8,767,523</u>	<u>1,016</u>	<u>(1,105,282)</u>

\* Receivable      \*\* Unused Revenue

(Continued)

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

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Bristol, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and used.

NOTE C: PAYMENTS TO SUB-RECIPIENTS

Payments were made from the Community Development Block Grant to the YWCA, Believe in Bristol Inc., and the Patricia Freedman Literacy Academy in the amounts of \$25,000, \$22,500, and \$16,000, respectively.

Payments were made from proceeds of the Emergency Shelter Grant to Abuse Alternatives and Salvation Army in the amounts of \$19,064 and \$19,064, respectively.

Payments were made from the HOME Investment Partnership Program to People Inc. of Virginia in the amount of \$190,147.

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2010**

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance June 30, 2010
<b><u>General Purpose School Fund</u></b>						
N/A	Career Ladder Supplement	Tennessee Department of Education	\$ 9,242	182,957	179,181	13,018 **
N/A	Driver's Education	Tennessee Department of Education	(8,162)	28,593	20,431	0
N/A	Early Childhood Grant - Pilot / State	Tennessee Department of Education	(65,027)	364,964	316,541	(16,604) *
N/A	Extended Contract	Tennessee Department of Education	25,173	-	23,955	1,218 **
<b>Total General Purpose School Fund</b>			<b>(38,774)</b>	<b>576,514</b>	<b>540,108</b>	<b>(2,368)</b>
<b><u>Grant Fund:</u></b>						
N/A	Tennessee Agricultural Enhancement Program Grants	Tennessee Department of Agriculture	(1,338)	11,338	10,000	0
N/A	Juvenile Court	Tennessee Commission on Children and Youth (Subrecipient of Sullivan County)	0	2,863	2,863	0
N/A	State Senior Center Operations Grant	Tennessee Department of Health and Human Services (Subrecipient from First Tennessee Development District)	0	17,500	17,500	0
N/A	Service Coordination Funds	Tennessee Department of Health and Human Services (Subrecipient from First Tennessee Development District)	(283)	3,815	3,532	0
<b>Total Grant Fund</b>			<b>(1,621)</b>	<b>35,516</b>	<b>33,895</b>	<b>0</b>
<b><u>School Nutrition Fund:</u></b>						
N/A	State Matching Funds	Tennessee Department of Agriculture	0	18,673	18,673	0
<b>Total School Nutrition Fund</b>			<b>0</b>	<b>18,673</b>	<b>18,673</b>	<b>0</b>

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance June 30, 2010
<u>Transportation Grant Fund:</u>						
N/A	State Transit Capital Assistance Grant GG-09-27631-00	Tennessee Department of Transportation	(2,019)	6,299	4,280	0
N/A	State Transit Operating Assistance Grant GG-06-10-09	Tennessee Department of Transportation	(149,158)	222,101	72,943	0
N/A	State Transit Operating Assistance Grant GG-11-3-09	Tennessee Department of Transportation	0	-	78,748	(78,748) *
N/A	Section 5303: Transit Planning GG-07-20729-00	Tennessee Department of Transportation	(593)	2,876	2,866	(583) *
N/A	Section 112: Transportation Planning FY 09 Authorization	Virginia Department of Transportation	(1,130)	1,130	-	0
N/A	Section 112: Transportation Planning FY 10 Authorization	Virginia Department of Transportation	0	1,548	1,763	(215) *
N/A	Section 5303: Transit Planning 41008-01	Virginia Department of Transportation	(1,330)	1,330	-	0
N/A	Section 5303: Transit Planning 41009-01	Virginia Department of Transportation	0	1,501	1,501	0
Total Transportation Grant Fund			<u>(154,230)</u>	<u>236,785</u>	<u>162,101</u>	<u>(79,546)</u>
TOTAL STATE GRANTS			\$ <u>(194,625)</u>	<u>867,488</u>	<u>754,777</u>	<u>(81,914)</u>

\* Receivable      \*\* Unused Revenue

See Independent Auditors' Report.

STATISTICAL  
SECTION

## STATISTICAL SECTION

This part of the City of Bristol, Tennessee's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends:</b> <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	150
<b>Revenue Capacity:</b> <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	157
<b>Debt Capacity:</b> <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	161
<b>Demographic and Economic Information:</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	166
<b>Operating Information:</b> <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities that it performs.</i>	168

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF BRISTOL, TENNESSEE**  
**NET ASSETS BY COMPONENT (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	2001*	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	-	66,453,969	71,883,689	79,103,024	81,067,139	83,981,613	93,104,918	96,106,222	96,973,876	98,061,071
Restricted for:										
Capital Assets	-	2,513,580	1,020,535	422,494	302,716	371,487	111,896	114,854	40,767	-
Community and Economic Development	-	933,761	944,011	811,039	832,684	300	210,000	212,427	542	-
Debt Service	-	-	8,122	8,673	5,755	8,367	7,670	10,556	-	-
Education	-	227,210	74,227	76,424	72,567	56,278	66,841	254,772	34,415	109,885
Parks and Recreation	-	16,829	9,299	8,645	9,085	9,481	12,926	20,616	22,149	21,929
Police and Drug Control	-	56,136	40,377	26,727	29,328	15,173	75,793	66,519	95,315	103,414
State Street Aid	-	298,972	288,046	333,208	387,413	155,100	274,952	257,545	313,797	394,512
Unrestricted	-	13,502,697	12,264,260	13,185,677	14,898,035	15,743,113	17,737,719	19,628,771	22,421,022	24,679,361
<b>Total Governmental Activities Net Assets</b>	<b>0</b>	<b>84,003,154</b>	<b>86,532,566</b>	<b>93,975,911</b>	<b>97,604,722</b>	<b>100,340,912</b>	<b>111,602,715</b>	<b>116,672,282</b>	<b>119,901,883</b>	<b>123,370,172</b>
<b>Business-type Activities</b>										
Invested in Capital Assets, Net of Related Debt	-	50,357,971	55,473,399	58,999,654	63,038,755	65,850,200	70,802,179	83,359,835	90,020,144	94,732,789
Restricted for:										
Capital Assets	-	-	-	-	-	-	-	85,552	-	-
Debt Service	-	-	24,507	26,170	17,367	22,201	19,728	21,471	-	-
Unrestricted	-	42,328,341	39,095,248	40,276,516	40,659,583	42,213,567	42,769,401	34,036,004	29,218,356	32,865,088
<b>Total Business-type Activities Net Assets</b>	<b>0</b>	<b>92,686,312</b>	<b>94,593,154</b>	<b>99,302,340</b>	<b>103,715,705</b>	<b>108,085,968</b>	<b>113,591,308</b>	<b>117,502,862</b>	<b>119,238,500</b>	<b>127,597,877</b>
<b>Primary Government</b>										
Invested in Capital Assets, Net of Related Debt	-	116,811,940	127,357,088	138,102,678	144,105,894	149,831,813	163,907,097	179,466,057	186,994,020	192,793,860
Restricted for:										
Capital Assets	-	2,513,580	1,020,535	422,494	302,716	371,487	111,896	200,406	40,767	-
Community Development	-	933,761	944,011	811,039	832,684	300	210,000	212,427	542	-
Debt Service	-	-	32,629	34,843	23,122	30,568	27,398	32,027	-	-
Education	-	227,210	74,227	76,424	72,567	56,278	66,841	254,772	34,415	109,885
Parks and Recreation	-	16,829	9,299	8,645	9,085	9,481	12,926	20,616	22,149	21,929
Police and Drug Control	-	56,136	40,377	26,727	29,328	15,173	75,793	66,519	95,315	103,414
State Street Aid	-	298,972	288,046	333,208	387,413	155,100	274,952	257,545	313,797	394,512
Unrestricted	-	55,831,038	51,359,508	53,462,193	55,557,618	57,956,680	60,507,120	53,664,775	51,639,378	57,544,449
<b>Total Primary Government Net Assets</b>	<b>0</b>	<b>176,689,466</b>	<b>181,125,720</b>	<b>193,278,251</b>	<b>201,320,427</b>	<b>208,426,880</b>	<b>225,194,023</b>	<b>234,175,144</b>	<b>239,140,383</b>	<b>250,968,049</b>

\* Comparable information was not available for prior years. The City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, during the 2002 fiscal year.

**CITY OF BRISTOL, TENNESSEE**  
**CHANGES IN NET ASSETS (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	2001*	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>PROGRAM REVENUES:</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
Community Relations	\$ -	1,212,845	789,493	813,240	431,653	713,071	436,089	727,869	424,190	655,858
Education	-	1,007,388	886,533	873,535	959,619	1,017,952	1,034,228	1,062,804	1,104,559	993,765
Public Safety	-	405,281	317,710	696,580	968,232	940,308	1,024,723	1,096,054	1,130,864	1,280,204
Public Works	-	759,158	753,107	917,361	1,041,003	1,050,484	1,299,926	1,367,015	1,474,102	1,477,648
Other Activities	-	214,185	199,687	205,474	216,159	351,087	494,202	537,565	532,586	581,115
Operating Grants and Contributions	-	13,520,352	14,547,715	15,207,426	17,190,201	18,116,491	20,496,547	22,672,953	23,432,053	23,167,349
Capital Grants and Contributions	-	2,050,271	3,980,480	7,816,413	3,721,803	1,676,462	10,859,682	3,105,457	1,815,257	1,800,530
<b>Total Governmental Activities Program Revenues</b>	<b>0</b>	<b>19,169,480</b>	<b>21,474,725</b>	<b>26,530,029</b>	<b>24,528,670</b>	<b>23,865,855</b>	<b>35,645,397</b>	<b>30,569,717</b>	<b>29,913,611</b>	<b>29,956,469</b>
<b>Business-type Activities:</b>										
Charges for Services:										
Electric	-	49,995,435	53,346,617	57,758,354	57,323,729	66,375,813	69,850,039	74,105,047	86,116,901	76,634,117
Water	-	3,584,724	3,858,608	3,757,324	3,665,432	3,809,582	4,022,347	4,165,607	3,969,542	4,333,217
Sewer	-	3,995,541	4,100,590	4,210,408	4,261,403	4,316,970	4,494,021	4,543,321	4,402,386	4,611,349
Cable and Internet	-	-	-	-	-	353,441	2,322,091	4,137,724	6,727,008	9,501,469
Telephone	-	-	-	-	-	-	387,950	1,412,239	2,458,309	3,154,712
Demolition Landfill	-	129,234	167,132	142,483	183,976	128,252	126,749	144,780	136,633	324,476
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	1,359,540	962,120	1,010,191	824,657	1,356,555	443,301	1,435,843	353,026	2,844,275
<b>Total Business-type Activities Program Revenues</b>	<b>0</b>	<b>59,064,474</b>	<b>62,435,067</b>	<b>66,878,760</b>	<b>66,259,197</b>	<b>76,340,613</b>	<b>81,646,498</b>	<b>89,944,561</b>	<b>104,163,805</b>	<b>101,403,615</b>
<b>Total Primary Government Program Revenues</b>	<b>0</b>	<b>78,233,954</b>	<b>83,909,792</b>	<b>93,408,789</b>	<b>90,787,867</b>	<b>100,206,468</b>	<b>117,291,895</b>	<b>120,514,278</b>	<b>134,077,416</b>	<b>131,360,084</b>
<b>EXPENSES:</b>										
<b>Governmental Activities:</b>										
General Government	-	2,489,895	3,056,001	3,467,305	4,757,598	5,139,301	4,844,996	5,725,884	5,886,703	5,742,353
Community Relations	-	1,627,953	1,281,469	1,329,476	777,834	1,011,156	878,437	1,231,929	990,187	1,021,044
Education	-	26,871,014	26,698,577	26,789,598	28,655,626	30,762,189	33,899,981	35,867,305	36,477,834	36,319,527
Parks and Recreation	-	1,923,751	1,933,967	1,965,461	2,083,955	2,380,400	2,719,955	2,777,750	3,098,924	3,379,825
Public Safety	-	7,514,877	8,280,905	8,702,306	9,127,336	9,801,256	10,666,085	10,482,040	10,936,224	10,896,643
Public Works	-	5,700,459	5,985,646	6,243,406	6,624,843	7,181,502	7,487,226	7,985,529	7,866,136	8,607,962
Interest on Long-Term Debt	-	437,294	386,922	337,407	288,457	362,144	354,645	663,021	688,148	709,656
<b>Total Governmental Activities Expenses</b>	<b>0</b>	<b>46,565,243</b>	<b>47,623,487</b>	<b>48,834,959</b>	<b>52,315,649</b>	<b>56,637,948</b>	<b>60,851,325</b>	<b>64,733,458</b>	<b>65,944,156</b>	<b>66,677,010</b>
<b>Business-type Activities:</b>										
Electric	-	49,345,554	53,523,123	56,028,377	54,779,542	64,250,450	67,115,121	72,017,098	82,867,552	76,642,189
Water	-	3,643,130	3,822,469	3,482,281	3,351,293	3,445,194	3,780,756	3,799,575	4,162,169	3,922,749
Sewer	-	3,663,039	3,777,955	3,861,979	3,997,785	4,069,436	4,247,002	3,986,849	4,087,508	4,212,119
Cable and Internet	-	-	-	-	-	287,785	2,006,040	3,556,780	5,986,284	5,319,340
Telephone	-	-	-	-	-	-	267,905	989,310	2,475,214	1,449,062
Demolition Landfill	-	168,401	154,109	172,974	205,875	235,954	297,023	521,450	309,878	573,344
<b>Total Business-type Activities Expenses</b>	<b>0</b>	<b>56,820,124</b>	<b>61,277,656</b>	<b>63,545,611</b>	<b>62,334,495</b>	<b>72,288,819</b>	<b>77,713,847</b>	<b>84,871,062</b>	<b>99,888,605</b>	<b>92,118,803</b>
<b>Total Primary Government Expenses</b>	<b>0</b>	<b>103,385,367</b>	<b>108,901,143</b>	<b>112,380,570</b>	<b>114,650,144</b>	<b>128,926,767</b>	<b>138,565,172</b>	<b>149,604,520</b>	<b>165,832,761</b>	<b>158,795,813</b>

(Continued)

**CITY OF BRISTOL, TENNESSEE**  
**CHANGES IN NET ASSETS (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	2001*	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>NET (EXPENSE)/REVENUE:</b>										
Governmental Activities	-	(27,395,763)	(26,148,762)	(22,304,930)	(27,786,979)	(32,772,093)	(25,205,928)	(34,163,741)	(36,030,545)	(36,720,541)
Business-type Activities	-	2,244,350	1,157,411	3,333,149	3,924,702	4,051,794	3,932,651	5,073,499	4,275,200	9,284,812
Total Primary Government Net Expense	0	(25,151,413)	(24,991,351)	(18,971,781)	(23,862,277)	(28,720,299)	(21,273,277)	(29,090,242)	(31,755,345)	(27,435,729)
<b>GENERAL REVENUES AND OTHER CHANGES</b>										
<b>IN NET ASSETS:</b>										
Governmental Activities:										
Taxes:										
Property Tax	-	16,136,399	16,584,591	17,267,372	18,444,597	19,707,656	20,368,771	21,570,386	22,672,187	23,786,875
Sales Tax	-	7,369,526	7,188,764	7,520,906	7,875,796	8,496,412	9,128,039	9,209,471	8,965,002	8,457,598
Other Tax	-	2,729,399	2,645,992	-	-	-	-	-	-	-
Payments in Lieu of Tax	-	-	-	135,760	44,747	169,114	49,633	68,188	71,763	57,601
Beer and Liquor Tax	-	-	-	579,679	599,166	633,125	684,167	743,257	763,540	761,487
Business Tax	-	-	-	408,936	444,651	408,536	434,742	459,760	549,846	455,662
Cable Franchise Tax	-	-	-	257,760	252,742	270,531	309,638	336,777	264,588	324,127
Gas Franchise Tax	-	-	-	492,642	383,611	465,381	449,630	306,354	448,978	286,077
Hotel/Motel Tax	-	-	-	198,179	173,756	381,292	412,529	467,276	442,883	417,098
State Revenue (Unrestricted)	-	2,231,724	2,078,617	2,002,575	2,000,732	3,210,502	2,945,885	3,003,642	2,577,203	2,620,546
Investment Earnings (Unrestricted)	-	456,157	174,647	98,253	259,373	471,877	620,085	844,732	337,543	97,925
Other General Revenue	-	257,132	211,602	254,067	417,167	460,039	446,679	700,723	455,964	621,309
Proceeds from Sale of Equipment	-	21,454	496	951	-	-	-	-	-	-
Transfers	-	(30,000)	-	815,020	476,146	833,818	843,142	1,485,934	1,710,649	1,464,747
Total Governmental Activities	0	29,171,791	28,884,709	30,032,100	31,372,484	35,508,283	36,692,940	39,196,500	39,260,146	39,351,052
Business-type Activities:										
Investment Earnings (Unrestricted)	-	893,783	749,431	673,381	976,405	1,152,287	1,862,795	587,558	850,552	594,065
Other General Revenue	-	-	-	-	-	-	-	-	3,645	-
Transfers	-	30,000	-	(815,020)	(476,146)	(833,818)	(843,142)	(1,485,934)	(1,710,649)	(1,464,747)
Total Business-type Activities	0	923,783	749,431	(141,639)	500,259	318,469	1,019,653	(898,376)	(856,452)	(870,682)
Total Primary Government	0	30,095,574	29,634,140	29,890,461	31,872,743	35,826,752	37,712,593	38,298,124	38,403,694	38,480,370
<b>CHANGE IN NET ASSETS:</b>										
Governmental Activities	-	1,776,028	2,735,947	7,727,170	3,585,505	2,736,190	11,487,012	5,032,759	3,229,601	2,630,511
Business-type Activities	-	3,168,133	1,906,842	3,191,510	4,424,961	4,370,263	4,952,304	4,175,123	3,418,748	8,414,130
Total Primary Government	\$ 0	4,944,161	4,642,789	10,918,680	8,010,466	7,106,453	16,439,316	9,207,882	6,648,349	11,044,641

\* Comparable information was not available for prior years. The City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis For State and Local Governments*, during the 2002 fiscal year.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE (UNAUDITED)  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Payments in Lieu of Tax</u>	<u>Beer and Liquor Tax</u>	<u>Business Tax</u>	<u>Cable Franchise Tax</u>	<u>Gas Franchise Tax</u>	<u>Hotel/Motel Tax</u>	<u>Other Tax</u>	<u>Total</u>
2001*	\$ -	-	-	-	-	-	-	-	-	-
2002	16,136,399	7,369,526	-	-	-	-	-	-	2,729,399	26,235,324
2003	16,584,591	7,188,764	-	-	-	-	-	-	2,645,992	26,419,347
2004	17,267,372	7,520,906	135,760	579,679	408,936	257,760	492,642	198,179	-	26,861,234
2005	18,444,597	7,875,796	44,747	599,166	444,651	252,742	383,611	173,756	-	28,219,066
2006	19,707,656	8,496,412	169,114	633,125	408,536	270,531	465,381	381,292	-	30,532,047
2007	20,368,771	9,128,039	49,633	684,167	434,742	309,638	449,630	412,529	-	31,837,149
2008	21,570,386	9,209,471	68,188	743,257	459,760	336,777	306,354	467,276	-	33,161,469
2009	22,672,187	8,965,002	71,763	763,540	549,846	264,588	448,978	442,883	-	34,178,787
2010	23,786,875	8,457,598	57,601	761,487	455,662	324,127	286,077	417,098	-	34,546,525

\*Comparable information was not available for prior years.

See Independent Auditors' Report.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Fund:</b>										
Reserved for:										
Capital Outlay	\$ 1,000,000	1,000,000	730,362	283,461	-	-	-	-	-	-
Community Development	-	933,761	944,011	811,039	824,042	-	-	-	-	-
Debt Service	1,002,588	-	-	-	-	-	-	-	-	-
Inventory	-	42,575	34,709	40,961	41,314	37,206	36,818	78,355	66,290	332,496
Parks and Recreation	-	16,829	9,299	8,645	9,085	9,481	12,926	20,616	22,149	21,929
Police and Drug Control	-	15,411	361	-	4,357	1,745	11,989	15,213	15,738	18,247
Unreserved	5,729,198	6,611,938	6,537,851	6,830,739	6,861,988	8,911,943	9,127,258	10,462,313	12,313,162	12,549,834
<b>Total General Fund</b>	<b>7,731,786</b>	<b>8,620,514</b>	<b>8,256,593</b>	<b>7,974,845</b>	<b>7,740,786</b>	<b>8,960,375</b>	<b>9,188,991</b>	<b>10,576,497</b>	<b>12,417,339</b>	<b>12,922,506</b>
<b>All Other Governmental Funds:</b>										
Reserved for:										
Capital Outlay	\$ -	993,351	120,798	95,936	282,100	326,030	111,896	108,167	40,767	-
Community Development	11,819	-	-	-	8,642	300	210,000	212,427	542	-
Debt Service	-	273,313	-	-	-	-	-	-	-	-
Education	3,231,212	227,210	74,227	76,424	72,567	56,278	66,841	254,772	34,415	109,885
Encumbrances	-	599,234	241,799	91,190	109,858	109,509	90,755	333,747	533,225	221,731
Inventory	-	64,859	63,851	92,611	110,053	83,244	52,654	41,527	72,579	63,369
Police and Drug Control	-	40,725	40,016	26,727	24,971	13,428	63,804	51,306	79,577	85,167
State Street Aid	266,951	298,972	288,046	333,208	387,413	155,100	274,952	257,545	313,797	394,512
Unreserved, Reported in:										
Special Revenue Funds	3,652,878	3,888,121	3,799,056	4,079,911	4,441,713	5,170,306	6,282,763	7,508,569	8,361,020	8,926,049
Debt Service Fund	212,724	273,313	142,023	189,971	178,984	220,891	221,457	221,457	-	-
Capital Project Funds	3,466,940	1,230,179	703,745	1,421,759	1,317,022	326,283	322,149	12,184,185	3,524,406	591,992
<b>Total All Other Governmental Funds</b>	<b>10,842,524</b>	<b>7,889,277</b>	<b>5,473,561</b>	<b>6,407,737</b>	<b>6,933,323</b>	<b>6,461,369</b>	<b>7,697,271</b>	<b>21,173,702</b>	<b>12,960,328</b>	<b>10,392,705</b>

See Independent Auditors' Report.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>REVENUES:</b>										
Taxes	\$ 25,190,948	26,199,256	26,321,671	26,768,949	27,908,857	30,588,527	31,690,741	33,139,066	34,061,218	34,589,335
Licenses and Permits	138,393	147,648	154,566	150,097	152,054	180,044	233,850	266,443	208,669	138,008
Intergovernmental	15,774,508	15,917,410	16,525,184	17,898,825	19,731,646	21,141,889	24,971,548	27,103,389	26,153,592	25,775,163
Charges for Services	2,100,618	1,942,475	1,944,232	2,181,013	2,758,197	2,912,522	3,260,413	3,554,961	3,554,587	3,556,771
Revenues from Use of Facilities	-	1,237,506	839,660	779,290	364,210	618,497	353,474	651,151	626,002	835,243
Fines and Forfeitures	253,525	327,680	309,323	338,483	453,706	417,834	532,898	456,877	436,468	443,434
Investment Earnings	881,638	456,157	174,646	98,254	259,373	471,877	620,086	844,732	337,543	70,725
Other	115,834	375,412	445,451	304,691	420,321	663,705	378,462	1,206,892	569,940	835,415
<b>Total Revenues</b>	<b>44,455,464</b>	<b>46,603,544</b>	<b>46,714,733</b>	<b>48,519,602</b>	<b>52,048,364</b>	<b>56,994,895</b>	<b>62,041,472</b>	<b>67,223,511</b>	<b>65,948,019</b>	<b>66,244,094</b>
<b>EXPENDITURES:</b>										
General Government	3,540,604	2,388,030	2,843,801	3,272,598	4,456,212	4,731,009	4,502,006	5,308,254	5,466,955	5,263,518
Community Relations	594,001	1,612,413	1,099,437	1,098,890	774,916	1,001,575	868,050	1,228,660	1,000,991	1,011,166
Education	24,743,388	24,735,794	26,383,469	26,484,146	28,140,633	30,224,340	33,280,755	34,862,919	35,545,327	35,296,739
Parks and Recreation	1,736,753	1,693,506	1,816,447	1,852,794	1,978,440	2,192,522	2,571,850	2,638,797	2,926,362	3,219,908
Public Safety	7,044,655	6,917,638	7,704,931	8,195,469	8,746,803	9,320,840	10,123,040	10,202,548	10,490,276	10,195,665
Public Works	2,832,974	3,745,754	4,050,090	4,195,117	4,549,484	4,975,117	5,007,853	5,461,576	5,360,172	6,046,216
Capital Outlay	2,971,993	6,741,774	4,237,172	2,914,911	5,921,420	3,268,205	3,453,600	5,506,964	11,619,001	6,841,729
Debt Service:										
Principal	1,510,169	1,336,375	1,046,549	889,192	1,122,650	1,320,253	1,373,901	1,139,346	1,380,569	1,335,571
Interest	538,641	451,641	399,692	342,576	295,137	347,683	333,886	616,284	678,490	646,982
Other Costs	-	-	-	-	123,155	22,124	21,503	18,453	18,109	4,593
<b>Total Expenditures</b>	<b>45,513,178</b>	<b>49,622,925</b>	<b>49,581,588</b>	<b>49,245,693</b>	<b>56,108,850</b>	<b>57,403,668</b>	<b>61,536,444</b>	<b>66,983,801</b>	<b>74,486,252</b>	<b>69,862,087</b>
<b>Excess (Deficiency) of Revenues</b>										
Over/(Under) Expenditures	(1,057,714)	(3,019,381)	(2,866,855)	(726,091)	(4,060,486)	(408,773)	505,028	239,710	(8,538,233)	(3,617,993)

(Continued)

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Other Financing Sources (Uses):</b>										
Issuance of Bonds	-	3,080,000	1,120,097	-	6,585,000	-	-	12,900,000	323,584	2,760,000
Note Proceeds	-	-	-	578,000	-	-	-	-	424,000	-
Premium on Bonds Issued	-	-	-	-	10,345	-	-	727	-	65,911
Issuance Costs for Bonds	-	-	-	-	-	-	-	(197,805)	-	(50,911)
Payments to Refund Bonds	-	(3,000,000)	(1,086,754)	-	(3,033,276)	-	-	-	(323,584)	(2,775,000)
Proceeds from Capital Leases	-	316,436	-	-	-	-	-	-	-	-
Proceeds from County Bonds	-	-	-	-	253,050	-	-	-	-	-
Refund to the State of Tennessee	-	(3,941)	-	-	-	-	-	-	-	-
Sale of Capital Assets	-	21,454	496	951	-	-	-	-	-	-
Transfers In	6,959,848	7,063,014	6,626,725	7,708,398	6,684,907	8,025,416	8,142,449	9,413,843	8,623,229	11,209,910
Transfers Out	(7,039,848)	(7,093,014)	(6,626,725)	(6,893,378)	(6,208,761)	(6,842,198)	(7,170,000)	(7,927,909)	(6,912,580)	(9,645,163)
<b>Total Other Financing Sources (Uses)</b>	<b>(80,000)</b>	<b>383,949</b>	<b>33,839</b>	<b>1,393,971</b>	<b>4,291,265</b>	<b>1,183,218</b>	<b>972,449</b>	<b>14,188,856</b>	<b>2,134,649</b>	<b>1,564,747</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,137,714)</b>	<b>(2,635,432)</b>	<b>(2,833,016)</b>	<b>667,880</b>	<b>230,779</b>	<b>774,445</b>	<b>1,477,477</b>	<b>14,428,566</b>	<b>(6,403,584)</b>	<b>(2,053,246)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>4.82%</b>	<b>4.17%</b>	<b>3.19%</b>	<b>2.66%</b>	<b>3.07%</b>	<b>3.12%</b>	<b>2.98%</b>	<b>2.89%</b>	<b>3.30%</b>	<b>3.15%</b>

**CITY OF BRISTOL, TENNESSEE**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

Fiscal Year	Local Sales Tax	Beer and Liquor Taxes	Business Tax	Gas Franchise Tax	Cable Television Franchise Tax	Hotel and Motel Taxes	Total
2001*	-	-	-	-	-	-	-
2002	7,368,989	509,119	404,542	464,252	242,659	194,421	9,183,982
2003	7,187,612	522,380	431,073	307,961	243,604	205,559	8,898,189
2004	7,521,533	579,679	409,451	431,142	252,760	198,179	9,392,744
2005	7,561,966	599,166	444,651	399,111	252,742	173,756	9,431,392
2006	8,790,242	633,125	408,536	442,881	267,031	381,292	10,923,107
2007	9,118,039	684,167	434,742	447,130	321,138	412,529	11,417,745
2008	9,204,471	743,256	459,759	350,277	356,355	467,276	11,581,394
2009	8,975,533	763,540	549,846	415,977	369,588	442,883	11,517,367
2010	8,439,767	761,487	455,662	329,077	324,127	417,098	10,727,218

\*Comparable information was not available for prior years.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)  
Last Ten Fiscal Years  
(In Thousands of Dollars)

Fiscal Year Ended June 30	Real Property			Personal Property	Public Utility Property	Total Taxable Assessed Value	Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
	Residential Property	Commercial and Industrial Property	Other Real Property						
2001	144,236	132,245	4,213	43,720	19,263	343,677	2.60	1,117,198	30.76%
2002	171,855	157,389	5,572	46,037	21,538	402,391	2.35	1,295,703	31.06%
2003	174,990	159,018	5,985	51,285	19,247	410,525	2.35	1,327,302	30.93%
2004	182,127	168,864	6,165	59,085	17,953	434,194	2.35	1,404,844	30.91%
2005	185,490	175,882	6,712	71,035	18,060	457,179	2.35	1,477,999	30.93%
2006	212,465	203,952	7,958	56,935	19,473	500,783	2.30	1,616,706	30.98%
2007	220,370	214,699	8,570	58,252	17,635	519,526	2.30	1,678,705	30.95%
2008	226,299	221,936	8,416	63,807	15,110	535,568	2.42	1,769,471	30.27%
2009	234,354	226,234	8,756	61,164	14,550	545,058	2.50	1,801,620	30.25%
2010	281,179	285,413	9,241	72,970	16,467	665,269	2.19	2,148,387	30.97%

Source: Sullivan County, Tennessee Tax Assessor's Office.

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**PROPERTY TAX RATES (UNAUDITED)**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total City of Bristol, Tennessee Millage</u>	<u>Overlapping Rates Sullivan County, Tennessee Millage</u>	<u>Total Direct &amp; Overlapping Rates</u>
2001	2.60	2.58	5.18
2002	2.35	2.35	4.70
2003	2.35	2.35	4.70
2004	2.35	2.67	5.02
2005	2.35	2.56	4.91
2006	2.30	2.53	4.83
2007	2.30	2.53	4.83
2008	2.42	2.53	4.95
2009	2.50	2.53	5.03
2010	2.19	2.13	4.32

Overlapping rates are those of local and county governments that apply to property owners within the City of Bristol, Tennessee.

Source: Sullivan County, Tennessee Tax Assessor's Office.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)  
June 30, 2010

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Bristol Motor Speedway, Inc.	\$ 54,500,137	1	8.19%	25,355,683	1	5.68%
King Pharmaceutical, Inc.	21,415,941	2	3.22%	3,681,355	6	0.82%
Beecham Lab, Inc.	18,090,430	3	2.72%	10,237,815	3	2.29%
Godsey Leasing	12,162,620	4	1.83%	2,319,550	10	0.52%
Royal Mouldings Ltd.	12,066,071	5	1.81%	-		0.00%
United Telephone Southeast	10,202,673	6	1.53%	14,508,127	2	3.25%
Wellmont Health Systems	9,124,717	7	1.37%	5,805,855	5	1.30%
Exide Corporation	8,108,908	8	1.22%	5,877,408	4	1.32%
Bristol Metals, LP	7,664,893	9	1.15%	2,791,759	8	0.63%
Gatton	4,840,541	10	0.73%	-		0.00%
Comprehensive Care	-		0.00%	2,441,960	9	0.55%
Robinette Company	-		0.00%	3,106,387	7	0.70%
	<u>\$158,176,931</u>		<u>23.8%</u>	<u>76,125,899</u>		<u>17.1%</u>

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Subsequent Tax Levy Adjustments	Adjusted Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes at June 30, 2010
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2001	\$ 8,949,345	43,642	8,992,987	8,539,761	95.0%	440,507	8,980,268	99.9%	12,719
2002	9,456,180	(40,907)	9,415,273	9,055,623	96.2%	336,578	9,392,201	99.8%	23,071
2003	9,650,913	(117,009)	9,533,904	9,189,163	96.4%	290,885	9,480,048	99.4%	53,855
2004	10,230,605	(91,149)	10,139,456	9,917,752	97.8%	181,735	10,099,487	99.6%	39,969
2005	10,764,095	(68,976)	10,695,119	10,362,411	96.9%	280,811	10,643,222	99.5%	51,897
2006	11,518,027	(40,834)	11,477,193	11,068,858	96.4%	354,886	11,423,744	99.5%	53,449
2007	11,955,217	24,156	11,979,373	11,516,911	96.1%	367,753	11,884,664	99.2%	94,709
2008	12,980,029	1,130	12,981,159	12,507,378	96.4%	373,306	12,880,684	99.2%	104,256
2009	13,628,721	62,538	13,691,259	13,065,284	95.4%	321,616	13,386,900	97.8%	296,706
2010	14,569,729	605	14,570,334	13,869,482	95.2%	-	13,869,482	95.2%	774,756

Note: As of June 30, 2010, tax years prior to 2009 had been turned over to Sullivan County, Tennessee Clerk and Master for collections.

**CITY OF BRISTOL, TENNESSEE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)**  
Last Ten Fiscal Years

Fiscal Year	Government Activities			Business Type Activities					Total Primary Government	Percentage of Household Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Electric System Revenue Bonds	Water, Sewer, and Demolition Landfill Obligation Bonds	Water and Sewer Revenue Bonds	Water and Sewer Notes Payable	Capital Leases			
2001	9,838,165	240,000	160,898	-	-	9,835,000	7,116,556	-	27,190,619	6.08%	1,095
2002	8,962,715	-	323,103	-	-	9,690,284	5,812,965	134,857	24,923,924	5.40%	1,004
2003	8,085,097	-	187,514	-	3,379,903	7,575,000	2,448,703	87,904	21,764,121	4.77%	862
2004	7,303,087	578,000	80,332	-	3,041,913	6,555,000	2,312,041	38,597	19,908,970	4.78%	788
2005	10,249,855	385,000	12,798	-	2,685,145	5,350,000	2,135,693	-	20,818,491	4.95%	824
2006	9,135,400	192,000	-	23,910,000	2,309,600	4,095,000	2,669,459	-	42,311,459	9.82%	1,664
2007	7,953,499	-	-	23,910,000	1,896,501	2,795,000	2,416,468	-	38,971,468	8.56%	1,532
2008	19,714,153	-	-	23,470,000	3,475,847	1,425,000	2,158,518	-	50,243,518	10.66%	1,975
2009	18,333,584	424,000	-	23,015,000	2,936,416	-	1,972,960	-	46,681,960	9.85%	1,835
2010	17,043,584	363,429	-	22,545,000	2,731,416	-	1,705,887	-	44,389,316	9.36%	1,736

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

See the Schedule of Demographic and Economic Statistics on page 166 for household income and population data.

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)**  
**Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2001	\$ 9,838,165	212,724	9,625,441	0.86%	388
2002	8,962,715	273,313	8,689,402	0.67%	350
2003	8,085,097	142,023	7,943,074	0.60%	314
2004	7,303,087	189,971	7,113,116	0.51%	282
2005	10,249,855	178,984	10,070,871	0.68%	399
2006	9,135,400	220,891	8,914,509	0.55%	350
2007	7,953,499	221,457	7,732,042	0.46%	304
2008	19,714,153	221,457	19,492,696	1.10%	766
2009	18,333,584	-	18,333,584	1.02%	717
2010	17,043,584	-	17,043,584	0.79%	666

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

<sup>1</sup> Excludes water and sewer bonds.

<sup>2</sup> See the Schedule of Assessed Value and Estimated Value of Taxable Property on page 157 for property value data.

<sup>3</sup> See the Schedule of Demographic and Economic Statistics on page 166 for population data.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)  
As of June 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Share of Overlapping Debt</u>
Debt Repaid with Property Taxes: Sullivan County, Tennessee	\$ 30,000,000	18%	<u>\$ 5,400,000</u>
Subtotal, Overlapping Debt			<u>5,400,000</u>
City of Bristol, Tennessee Direct Debt			17,407,013
Total Direct and Overlapping Debt			<u><u>\$ 22,807,013</u></u>

Sources: Debt outstanding data provided by Sullivan County, Tennessee staff.

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Bristol, Tennessee. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residences and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION (UNAUDITED)  
Last Ten Fiscal Years

Neither the City Charter nor the State of Tennessee has placed any restrictions on the amount of debt that may be issued by the City of Bristol, Tennessee.

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**PLEDGED-REVENUE COVERAGE (UNAUDITED)**  
**Last Ten Fiscal Years**

Fiscal Year	Electric System Bonds						Water and Sewer Bonds					
	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2001	\$ -	-	-	-	-	-	8,300,826	4,941,987	3,358,839	1,478,187	880,946	1.42
2002	-	-	-	-	-	-	7,881,868	4,706,829	3,175,039	1,619,270	754,749	1.34
2003	-	-	-	-	-	-	8,119,359	5,140,320	2,979,039	2,143,958	655,081	1.06
2004	-	-	-	-	-	-	8,011,049	4,947,084	3,063,965	1,156,662	379,665	1.99
2005	-	-	-	-	-	-	8,006,620	5,180,928	2,825,692	1,205,000	258,481	1.93
2006	66,375,813	62,283,217	4,092,596	-	627,198	6.53	8,270,249	5,316,514	2,953,735	1,255,000	210,534	2.02
2007	69,850,039	64,934,000	4,916,039	-	1,055,100	4.66	8,707,786	5,772,486	2,935,300	1,300,000	164,003	2.00
2008	74,007,325	70,699,290	3,308,035	440,000	1,046,738	2.23	8,855,477	5,838,172	3,017,305	1,370,000	88,967	2.07
2009	88,046,906	81,373,139	6,673,767	455,000	1,031,738	4.49	8,409,916	6,107,153	2,302,763	1,425,000	33,250	1.58
2010	80,464,925	72,465,366	7,999,559	470,000	1,016,000	5.38	-	-	-	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
Charges and other includes charges for services, other revenue, and investment earnings.  
Investment earnings is excluded from the calculation in the electric fund. Operating expenses do not include interest, amortization, depreciation, or capital contribution to and loss from joint venture.

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)**  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Household Income</u>	<u>Median Household Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2001	24,821	447,475,000	30,662	39.9	3,590	3.5%
2002	24,821	461,900,000	31,271	39.9	3,493	5.0%
2003	25,259	455,902,000	28,888	39.9	3,580	6.1%
2004	25,259	416,123,000	29,067	39.9	3,616	5.9%
2005	25,259	420,915,000	28,859	39.9	3,675	4.9%
2006	25,435	431,080,000	29,678	39.9	3,675	5.6%
2007	25,435	455,206,700	32,131	39.7	3,864	4.1%
2008	25,435	471,437,725	33,854	39.9	3,898	5.3%
2009	25,573	473,995,555	30,039	39.9	3,908	11.6%
2010	25,573	473,995,555	38,948	39.9	3,843	9.0%

Source: Bristol TN/VA Chamber of Commerce, Community Development staff, First Tennessee Development District, and Tennessee Department of Labor and Workforce Development.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
PRINCIPAL EMPLOYERS (UNAUDITED)  
Current Year and Nine Years Ago

<u>EMPLOYER</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment*</u>
Wellmont Health System at Bristol Regional Medical Center	1,685	1	12.99%	1,491	1	
Touchstone Wireless	656	2	5.06%			
King Pharmaceuticals	510	3	3.93%	300	8	
Exide Corporation	414	4	3.19%	794	2	
Bristol, Tennessee School System	413	5	3.18%	395	4	
City of Bristol, Tennessee	333	6	2.57%	306	7	
Robinette Company	300	7	2.31%	130	10	
Bristol Metals LP	240	8	1.85%	330	6	
Embarq	231	9	1.78%	700	3	
Seaman Corporation	147	10	1.13%			
GlaxoSmithKline Laboratories				350	5	
Cortrim Hardware Parts				230	9	
	4,929		38.00%	5,026		

Source: Tennessee Department of Economic & Community Development and Community Development staff.

\*Note: Total employment for 2001 was unavailable.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (UNAUDITED)  
LAST TEN FISCAL YEARS

<u>FUNCTION</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government	34	38	39	37	30	31	31	37	41	41
Community Relations	10	10	6	7	6	5.5	5.5	5.5	7	5
Education	395.5	399.5	401.5	399.5	400	413	422	427	423	413
Parks and Recreation	30	32	32	32	32	33	33	34	34	36
Public Safety										
Police	85	86	88	88	91	91	92	92	89	91
Fire	46	46	47	47	47	50.5	50.5	51.5	58	58
Public Works										
Engineering & GIS	-	-	-	-	7	8	8	8	8	8
Fleet Maintenance	10	10	10	10	10	10	10	10	10	10
Street Maintenance	23	24	24	24	24.5	24.5	24.5	25	25	23
Solid Waste	19	18	16	16	16	16	16	16	16	15
Other	9	9	9	9	8.5	8.5	8.5	7.7	7.7	7.7
Electric	60	60	60	60	60	60	60	60	60	58
Water	25.5	25.5	25.5	26.5	26.5	26.5	26.5	25	26.5	24.5
Sewer	12.5	12.5	12.5	12.5	12.5	12.5	12.5	14	12.5	11.5
Demolition Landfill	2	2	2	2	2	2	2	2.3	2.3	2.3
<b>Total</b>	<b>761.5</b>	<b>772.5</b>	<b>772.5</b>	<b>770.5</b>	<b>773</b>	<b>792</b>	<b>802</b>	<b>815</b>	<b>820</b>	<b>804</b>

Note: Prior to 2005, engineering employees were included in the general government function.

Source: Summarized from internal records.

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**OPERATING INDICATORS BY FUNCTION (UNAUDITED)**  
**Last Ten Fiscal Years**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Education</b>										
Average Daily Membership	3,590	3,493	3,580	3,616	3,675	3,675	3,864	3,898	3,908	3,843
<b>Public Safety</b>										
<b>Police:</b>										
Average Emergency Response Time	4.5 min.	4.5 min.	4.5 min.	4.5 min.	4.5 min.	6 min.	6.24 min.	6.32 min.	6.35 min.	6.05 min.
Number of Calls for Service	22,232	23,544	32,683	42,914	55,729	53,591	47,097	47,156	47,292	67,225
Number of Arrests	1,848	1,359	1,807	1,911	1,454	2,088	2,313	2,507	2,758	2,035
<b>Fire:</b>										
Average Response Time	4.5 min.	4.5 min.	4.5 min.	6.41 min.	4.59 min.	5.02 min.	4.46 min.	5.05 min.	3.27 min.	4.18 min.
Number of Alarms Answered	2,152	2,851	2,617	2,554	3,914	4,085	4,192	4,569	4,988	5,011
Number of Code Inspections	5,119	6,360	4,913	5,941	6,813	6,288	7,381	1,210	892	1,024
<b>Public Works</b>										
Refuse Collected (Cubic Yards or Tons)	10,368 T	10,132 T	10,521 T	45,234 CY	11,272 T	10,821 T	10,656 T	10,569 T	10,306 T	10,162 T
Brush Collection (Cubic Yards)	45,045	47,416	49,512	37,239	41,928	42,280	40,943	41,311	39,902	39,902
Junk Collection (Cubic Yards)	26,766	35,273	39,212	27,333	29,052	27,899	24,196	25,205	24,266	21,958
Leaf Collection (Cubic Yards or Tons)	1,200 T	1,547 T	1,207 T	5,973 CY	5,782 CY	5,249 CY	1,031 T	5,101 CY	1,092 T	944 T
Number of Customers	9,253	9,313	9,328	9,559	9,741	9,873	10,041	10,074	9,661	9,682
<b>Water</b>										
Daily Average Treatment (Million Gallons)	5.9	6	6	6.52	5.7	5.7	5.5	6.1	5.7	5.9
Number of Customers	11,446	11,591	11,994	11,789	11,820	11,938	12,256	12,298	12,368	12,451
<b>Sewer</b>										
Daily Average Treatment (Bristol, VA/TN) (Million Gallons)	9.5	9.5	9.5	9.5	11.75	9.5	9.5	8.3	9.3	10.7
Number of Customers	10,078	9,858	10,165	9,771	10,335	10,425	10,584	10,865	11,021	11,402
<b>Demolition Landfill</b>										
Waste Received (Cubic Yards)	36,494	30,000	35,000	51,527	49,102	52,935	51,479	63,423	22,000	26,000

\*Comparable information was not available for prior years.

Note: Beginning in 2008, inspections other than fire were conducted within Community Development Department.

Source: Summarized from internal records.

**CITY OF BRISTOL, TENNESSEE**  
**CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)**  
**Last Ten Fiscal Years**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Education</b>										
Number of Elementary Schools	6	6	6	6	6	6	6	5	5	6
Number of Junior High Schools	1	1	1	1	1	1	1	1	1	1
Number of High Schools	1	1	1	1	1	1	1	1	1	1
<b>Parks and Recreation</b>										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	24	24	24	24	24	24	24	24	27	27
Parks Acreage	2,377	2,377	2,377	2,388	2,388	2,388	2,388	2,388	2,388	2,388
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Court Facilities	4	4	4	4	4	4	4	4	4	4
Golf Courses	-	-	-	-	-	1	1	1	1	1
Basketball Court Facilities	6	6	6	6	6	6	6	6	6	7
Disc Golf Courses	-	-	-	-	-	-	-	-	1	1
<b>Public Safety</b>										
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	44	44	44	44	43	43	43	43	43	43
<b>Fire:</b>										
Fire Stations	4	4	4	4	4	4	4	4	4	4
<b>Public Works</b>										
Streets (miles)	337	338	341	341	346	347	351	352	353	353
<b>Electric</b>										
Miles of Service Lines	*	*	*	1,226	1,226	1,239	1,251	1,272	1,276	1,276
Miles of Cable Lines	*	*	*	*	69.8	69.8	69.8	937.0	878.0	944.2
<b>Water</b>										
Water Mains (Miles)	*	*	*	250	250	250	259	261	393	265
Fire Hydrants	879	900	1,050	1,050	1,050	1,050	1,067	1,212	1,214	1,191
Maximum Daily Capacity (Millions of Gallons)	10	10	10	10	10	10	10	10	10	10
Number of Booster Stations	5	5	5	5	5	5	5	5	6	7
Number of Water Reservoirs	8	8	8	8	8	8	8	8	9	9
<b>Sewer</b>										
Sanitary Sewers (Miles)	*	*	*	210	210	210	228	229	241	241
Maximum Daily Treatment Capacity (Million of Gallons)	15	15	15	15	15	15	15	15	15	15
Number of Wastewater Lift Stations	28	28	28	28	28	28	28	29	32	32

\*Comparable information was not available for prior years.  
Source: Summarized from internal records.

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**SCHEDULE OF ELECTRIC RATES (UNAUDITED)**  
**Last Ten Fiscal Years**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Residential</b>										
Monthly Customer Charge	5.52	5.52	5.52	6.29	6.29	6.29	6.29	6.42	6.42	6.42
Energy Charge:										
First 1,000 kWh Per Month	0.05018	0.05018	0.05018	0.05374	0.05374	0.06352	0.06157	0.07212	0.07407	0.07661
Additional kWh Per Month	0.05615	0.05615	0.05615	0.05918	0.05918	0.06896	0.06701	0.07767	0.07962	0.08216
<b>Commercial, Industrial, Governmental and Institutional</b>										
<b>Plan A-1 (Demand up to 50 kW and usage up to 15,000 kWh):</b>										
Monthly Customer Charge	10.00	10.00	10.00	14.00	14.00	14.00	14.00	14.29	14.29	14.29
Energy Charge	0.05820	0.05820	0.05820	0.06240	0.06240	0.06240	0.07112	0.08236	0.08461	0.08799
<b>Plan A-2 (Demand of 50 kW to 1,000 kW or demand less than 50kW but usage in excess of 15,000 kWh):</b>										
Monthly Customer Charge	10.00	10.00	10.00	25.00	25.00	25.00	25.00	25.51	25.51	25.51
Demand Charge:										
First 50 kW	-	-	-	-	-	-	-	-	-	-
Excess of 50kW	7.86	7.86	7.86	8.56	8.56	10.06	9.63	10.49	10.83	11.76
Energy Charge:										
First 15,000 kWh Per Month	0.05774	0.05774	0.05774	0.06194	0.06194	0.07300	0.07066	0.08189	0.08414	0.08752
Additional kWh Per Month	0.03184	0.03184	0.03184	0.03420	0.03420	0.04042	0.03947	0.04785	0.04900	0.04945
<b>Plan A-3 (Demand of 1,001 kW to 5,000 kW):</b>										
Monthly Customer Charge	10.00	10.00	10.00	25.00	25.00	25.00	25.00	25.51	25.51	25.51
Demand Charge:										
First 1,000 kW	7.89	7.89	7.89	8.56	8.56	10.14	9.67	10.58	10.94	11.92
Excess of 1,000 kW	9.09	9.09	9.09	10.06	10.06	11.94	11.39	12.45	12.88	14.04
Energy Charge	0.03184	0.03184	0.03184	0.03420	0.03420	0.04042	0.03947	0.04785	0.04900	0.04945
<b>Plan B (Demand of 5,001 kW to 15,000 kW):</b>										
Monthly Customer Charge	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Demand Charge	10.23	10.23	10.23	10.96	10.96	12.89	12.33	13.16	13.59	14.78
Energy Charge:										
First 620 kWh Per Month	0.02825	0.02825	0.02825	0.03050	0.03050	0.03588	0.03514	0.04234	0.04333	0.04336
Additional kWh Per Month	0.02306	0.02306	0.02306	0.02477	0.02477	0.02928	0.02883	0.03559	0.03636	0.03576

(Continued)

**CITY OF BRISTOL, TENNESSEE**  
**SCHEDULE OF ELECTRIC RATES (UNAUDITED)**  
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Plan C (Demand of 15,001 kW to 25,000 kW):</b>										
Monthly Customer Charge	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Demand Charge	10.34	10.34	10.34	11.07	11.07	13.00	12.44	13.27	13.70	14.89
Energy Charge:										
First 620 kWh Per Month	0.02825	0.02825	0.02825	0.03050	0.03050	0.03588	0.03514	0.04234	0.04333	0.04336
Additional kWh Per Month	0.02306	0.02306	0.02306	0.02477	0.02477	0.02928	0.02883	0.03559	0.03636	0.03576
<b>Plan D (Demand in excess of 25,000 kW):</b>										
Monthly Customer Charge	1,500.00	1,500.00	1,500.00	-	-	-	-	-	-	-
Demand Charge	12.60	12.60	12.60	-	-	-	-	-	-	-
Energy Charge	0.02265	0.02265	0.02265	-	-	-	-	-	-	-

Source: Summarized from internal records.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF TELEPHONE, CABLE AND INTERNET RATES (UNAUDITED)  
Past Five Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Telephone</u>					
Basic Telephone Service	\$ -	22.90	22.90	22.90	22.90
Enhanced Telephone Service	-	28.90	28.90	28.90	28.90
100 Minutes Long Distance	-	6.95	6.95	6.95	6.95
200 Minutes Long Distance	-	12.95	12.95	12.95	12.95
500 Minutes Long Distance	-	24.95	24.95	24.95	24.95
Unlimited Minutes Long Distance	-	29.95	29.95	29.95	29.95
<u>Cable Television</u>					
Expanded Basic	39.95	39.95	39.95	39.95	39.95
Digital:					
Basic	49.95	49.95	50.95	50.95	51.95
Bronze	59.95	59.95	59.95	59.95	62.95
Silver	67.95	67.95	67.95	67.95	70.95
Gold	72.95	72.95	72.95	72.95	78.95
Spanish Tier	-	4.95	4.95	4.95	4.95
High Definition Tier	6.95	9.95	9.95	9.95	9.95
Sports Tier	4.00	4.00	4.00	4.00	4.00
Pay-Per-View Movies:					
New Release	3.95	3.95	3.95	3.95	3.99
Premium Packages:					
Cinemax	9.95	9.95	9.95	9.95	12.95
HBO	11.95	11.95	11.95	11.95	14.95
Showtime	11.95	11.95	11.95	11.95	12.95
Starz	9.95	9.95	9.95	9.95	10.95
<u>Internet</u>					
Fiber Optic:					
64K Tier	16.95	16.95	16.95	16.95	16.95
1Mbps Tier	29.95	29.95	29.95	29.95	29.95
2Mbps Tier	39.95	39.95	39.95	39.95	39.95
4Mbps Tier	49.95	49.95	49.95	49.95	49.95
12Mbps Tier	-	-	-	59.95	59.95

Note: Telephone services commenced in 2007.  
Cable and Internet services commenced in 2006.

Source: Summarized from internal records.

**CITY OF BRISTOL, TENNESSEE**  
**SCHEDULE OF WATER AND SEWER RATES (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2010**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Water Rates</b>											
<u>Residential</u>											
Inside the City (Per 1,000 Gallon):											
First 1,000 Gallons (Minimum)	5.00	5.00	5.00	5.00	5.00	5.00	-	-	-	-	-
From 1,001 to 50,000	2.10	2.10	2.10	2.10	2.10	2.10	-	-	-	-	-
From 50,001 to 100,000	2.00	2.00	2.00	2.00	2.00	2.00	-	-	-	-	-
Over 100,000	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
Rural/Outside the City (Per 1,000 Gallon):											
First 1,000 Gallons (Minimum)	7.50	10.00	10.00	10.00	10.00	10.00	-	-	-	-	-
From 1,001 to 50,000	4.20	4.20	4.20	4.20	4.20	4.20	-	-	-	-	-
From 50,001 to 100,000	4.00	4.00	4.00	4.00	4.00	4.00	-	-	-	-	-
Over 100,000	4.00	4.00	4.00	4.00	4.00	4.00	-	-	-	-	-
<u>Commercial</u>											
Inside the City:											
First 100,000 Gallons	200.00	200.00	200.00	240.00	240.00	240.00	-	-	-	-	-
Over 100,000 Gallons (Per 1,000 Gallon)	1.00	1.00	1.00	1.10	1.20	1.20	-	-	-	-	-
Rural/Outside the City:											
First 100,000 Gallons	400.00	400.00	400.00	400.00	400.00	400.00	-	-	-	-	-
Over 100,000 Gallons (Per 1,000 Gallon)	2.00	2.00	2.00	2.60	2.60	2.60	-	-	-	-	-
<u>All Customers</u>											
Inside the City (Per 1,000 Gallon):											
First 1,000 Gallons (Minimum)	-	-	-	-	-	-	5.30	5.62	5.93	5.93	6.43
From 1,001 to 50,000	-	-	-	-	-	-	2.23	2.36	2.49	2.49	2.70
From 50,001 to 100,000	-	-	-	-	-	-	2.12	2.25	2.38	2.38	2.58
From 100,001 to 250,000	-	-	-	-	-	-	1.91	2.02	2.13	2.13	2.31
Over 250,001	-	-	-	-	-	-	1.35	1.43	1.51	1.51	1.64

(Continued)

**CITY OF BRISTOL, TENNESSEE**  
**SCHEDULE OF WATER AND SEWER RATES (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2010**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Rural/Outside the City (Per 1,000 Gallon):</b>											
First 1,000 Gallons (Minimum)	-	-	-	-	-	-	10.60	11.24	11.87	11.87	12.86
From 1,001 to 50,000	-	-	-	-	-	-	4.46	4.72	4.98	4.98	5.40
From 50,001 to 100,000	-	-	-	-	-	-	4.24	4.50	4.75	4.75	5.16
From 100,001 to 250,000	-	-	-	-	-	-	3.82	4.04	4.27	4.27	4.62
Over 250,001	-	-	-	-	-	-	2.70	2.86	3.03	3.03	3.28
Utility Districts (Per 1,000 Gallon)	N/A	N/A	N/A	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.95
<b>Sewer Rates</b>											
Monthly Charge for Cost of Supplying Service	3.00	3.00	3.00	3.00	3.00	3.00	3.09	3.18	3.18	3.18	3.50
Monthly Charge for I/I Rehabilitation	2.00	2.00	2.00	2.00	2.00	2.00	2.06	2.12	2.12	2.12	2.50
<b>Inside Rates</b>											
Monthly Customer Charge (Per 1,000 Gallon)											
Minimum Bill of 2,000 Gallons and Up to 2,500,000 Gallons	3.30	3.30	3.30	3.30	3.30	3.30	3.40	3.50	3.50	3.50	3.64
Over 2,500,000 Gallons	2.20	2.20	2.20	2.20	2.20	2.20	2.31	2.38	2.38	2.38	2.48
<b>Outside Rates (Per 1,000 Gallon)</b>											
Monthly Residential Customer Charge Minimum Bill of 3,000 Gallons	4.95	4.95	4.95	4.95	4.95	4.95	5.10	5.25	5.25	5.25	5.46
Monthly Non-residential Customer Charge Minimum Bill of 3,000 Gallons	5.50	5.50	5.50	5.50	5.50	5.50	5.67	5.84	5.84	5.84	6.07

Note: In 2006, water rates were changed to combine residential and commercial accounts into the same rate structure.

Source: Summarized from internal records.

See Independent Auditors' Report.

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COMPLIANCE  
SECTION

**INDEPENDENT AUDITOR'S 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 Mayor, City Council, and City Manager  
City of Bristol, Tennessee  
Bristol, Tennessee 37620

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bristol, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the City of Bristol, Tennessee's basic financial statements and have issued our report thereon dated December 23, 2010. Our report was modified to include reference to the other auditors. We did not audit the financial statements of the Electric Fund, which represents 66, 60 and 91 percent, respectively, of the assets, net assets, and revenues of the business-type activities of the City. Those financial statements were audited by other auditors whose report thereon was furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Fund, was based on the report of the other auditors. We did not audit the financial statements of the Bristol Tennessee/Virginia Public Library, which represents 4 percent of the capital assets of the governmental activities of the City. 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 the Library, 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 requirements prescribed by the Comptroller of the Treasury, State of Tennessee. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Bristol, Tennessee'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 of Bristol, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bristol, Tennessee's internal control over financial reporting.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Item 10-1 and Item 10-2 to be material weaknesses.

City of Bristol, Tennessee'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 of Bristol, Tennessee's response and, accordingly, we express no opinion on it.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Bristol, Tennessee'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 of Bristol, Tennessee in a separate letter dated December 23, 2010.

This report is intended solely for the information and use of management, City Council, others within the entity, and state 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.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 23, 2010

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

Honorable Mayor, City Council, and City Manager  
City of Bristol, Tennessee  
Bristol, Tennessee 37620

**Compliance**

We have audited the compliance of the City of Bristol, Tennessee, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City of Bristol, Tennessee's major federal programs are identified in the summary of auditor's 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 of Bristol, Tennessee's management. Our responsibility is to express an opinion on the City of Bristol, Tennessee'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 of Bristol, Tennessee'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 of the City of Bristol, Tennessee's compliance with those requirements.

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

**Internal Control over Compliance**

Management of the City of Bristol, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we

considered the City of Bristol, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. **Accordingly, we do not express an opinion on the effectiveness of the City of Bristol, Tennessee's internal control over compliance.**

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

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

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.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 23, 2010

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

**Section I - Summary of Auditors' Results**

1. The auditor's report expresses an **unqualified opinion** on the basic financial statements.
2. **Two significant deficiencies** related to the audit of the financial statements were reported in the Independent Auditor's 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*. **The significant deficiencies were considered to be material weaknesses.**
3. **No instances of noncompliance** material to the basic financial statements were disclosed.
4. **No significant deficiencies** related to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
5. The auditors' report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<b><u>Name of Program</u></b>	<b><u>CFDA Number</u></b>
Operating Assistance	20.507
Operating Assistance – ARRA	20.507
Transportation Planning	20.205
Transportation Planning – ARRA	20.205
Title I	84.010
Title I--ARRA	84.389
IDEA	84.027
IDEA-ARRA	84.391
Preschool Incentive	84.173
Preschool Incentive ARRA	84.392
State Fiscal Stabilization Fund-ARRA	84.394
State Fiscal Stabilization Fund-ARRA	84.397

8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The City of Bristol, Tennessee was **not** determined to be a **low risk auditee**.

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

**Section II – Findings - Financial Statement Audit**

**10-1: Deficiencies in Controls Over Receivables (Material Weakness)**

*Condition:* The controls in place at the City were deficient in capturing and properly recording certain receivables of the City. This resulted in two prior period adjustments to the beginning receivable balances and one current year adjustment.

*Cause:* Management did not identify and capture certain receivables due to the City in the proper accounting period. Management did not identify and remove internal billings from proprietary fund receivables in the proper accounting period.

*Effect:* Receivables were misstated.

*Recommendation:* We recommend the City implement control procedures to ensure that all receivables are captured and recorded accurately.

*Management's Response:* Management does agree that the identification and recording of the receivables did not occur in the proper accounting period. Both adjustments were identified by management and recorded as part of the year-end closing process. One adjustment relates to an outstanding issue that predates current staff. The other issue was a calculation error that has been corrected and should not reoccur. Current staff has reviewed procedures to eliminate this finding and believe that current controls are in place and effective.

**10-2: Deficiencies in Controls Over Construction Payables (Material Weakness)**

*Condition:* The controls in place at the City were deficient in capturing and properly recording certain payables of the City. These payables were reimbursable expenditures from Sullivan County.

*Cause:* Management failed to identify and capture certain sewer fund construction payables due by the City.

*Effect:* Construction in progress, accounts payable, due from other agencies, and revenues of the sewer fund were misstated.

*Recommendation:* We recommend the City implement control procedures to ensure that all payables are captured and recorded accurately.

*Management's Response:* Procedures are in place to ensure that payables and revenues are properly captured and recorded by the Finance Department. Normally, all original invoices are remitted to the Finance Department for payment. The invoice related to this payable was sent directly to another department and did not follow the standard procedures for invoice processing allowing the item to be overlooked by Finance staff during the closing process. Finance staff has worked with the other departments to ensure that invoices are initially remitted to the Finance Department for processing and will continue to reinforce the importance of this matter to both internal staff and vendors.

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

**Section III - Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**Section IV. – Findings and Questioned Costs – State of Tennessee**

None

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