



# The City of Bristol, Tennessee



**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2008**

CITY OF BRISTOL, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2008



Prepared by:

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

CITY OF BRISTOL, TENNESSEE  
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# THE CITY OF BRISTOL, TENNESSEE

801 Anderson Street  
P. O. Box 1189  
Bristol, Tennessee 37621-1189

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

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

Jeffrey J. Broughton, City Manager

January 23, 2009

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, 2008.

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, 2008. 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, incorporated on February 22, 1856, is located in the northeastern part of the state bordering Bristol Virginia. The City currently occupies a land area of 32.463 square miles and serves a population of 25,435. The City is empowered to levy a property tax on both real and personal properties 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 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 activities and cultural 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 departments of the City are required to submit requests for appropriation to the City Manager 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. Appropriation amendments to the budget, however, require approval from the council. 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, Tennessee and the Northeast Tennessee area are strategically located and occupy 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 and is only 17 miles north of the intersection of I-81 and I-26. Bristol is centrally located to serve the major Southeastern markets and is within a one-day drive of 53 percent of the U.S. population, and 65 percent of U.S. major markets lie 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 railroad has a major transfer yard in Bristol with a main line running through the city. The community has seen continued manufacturing growth in recent years. Bristol is the home of the Bristol Regional Medical Center, Exide Corporation, King Pharmaceuticals, Glaxo-Smith Kline, Bristol Metals L.P., Royal Mouldings, Graceway Pharmaceuticals, and

Touchstone Wireless. Networks Sullivan Partnership, the countywide economic development organization created by the Cities of Bristol, Kingsport, Bluff City, and the county of Sullivan, has advanced a project initiated by Bristol resulting in the acquisition of 224 acres to serve as a new regional industrial park within the city. Additionally, Networks announced a growth of over 246 new manufacturing jobs and an investment of over \$67.7 million in building additions and construction in Sullivan County during the past year. During the past year, Networks completed the aggregation of properties to form the initial phase of the Partnership Park 2 Industrial/Business Park located within the Bristol Corporate limits. The park is being designated as a Foreign Trade Zone site along with the Bristol Metals property in Bristol.

The Bristol Economic Development Strategy emphasizes assistance to local companies through the combination of local and state incentives and 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. Currently, the City is providing assistance through incentive agreements for deferred property taxes with the Bristol Metals Company, the Exide Corporation, Tri-Cities Extrusion, Inc., and the Seamans Corporation. These company expansions and new development will account for more than \$19 million in capital investments during the next year. Each of these companies benefited from the Economic Development Incentive Program adopted by the City Council and Bristol Industrial Development Board. The Bristol Tennessee Housing and Redevelopment Authority's Redevelopment Plan continues to be used to stimulate the redevelopment of properties identified as blighted or Brownfield within the city. This plan was developed to guide tax-increment financed projects through the Housing and Redevelopment Authority with subsequent approval by City Council. The Southgate Shopping Center, redeveloped as a TIF project, continues to develop with the addition of a Walgreens at the corner of Volunteer Parkway and Godsey Road and the adjacent retail space has been essentially filled with new tenants, including the United States Post Office. The redevelopment of the Green Property, an identified Redevelopment District, has continued to be considered for the location of a regional bank and restaurant complex. The change of the West Ridge Shopping Center, originally a TIF retail project, to the headquarters of Touchstone Wireless, and the continued growth in employment with this company have emphasized the importance of redevelopment projects on blighted properties to the City's economy.

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 the Great on State concert series adding to the monthly Border Bash events and the annual Rhythm and Roots Reunion Music Festival. This event has grown to become a major southeast music event covering a three-day collection of known music talents. Additional events such as the Crooked Road and other bluegrass oriented music festivals are increasing the recognition of Bristol as a tourist destination.

To add to the emphasis on downtown redevelopment, the City initiated the replacement of the street lighting on State Street with period lighting 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 and other improvements to provide

pedestrian-friendly spaces are planned and will be constructed in the near future. Downtown business improvements continue. A kiosk and planters have been added on State Street by the Main Street program with benches to follow. Currently a new Macado's restaurant is under construction on the site of the former Sears department store. This project was facilitated by actions of the City and the Industrial Development Board. Additionally, 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.

The community's medical needs are provided by 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 Regional Center also serves as a magnet for additional medical offices and professionals. The City continues to experience growth in medical related employment and investment, as a new medical diagnostic center has been opened on Volunteer Parkway as part of the Welmont Health System.

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 Busch and Craftsman Truck Series races. The BMS "Thunder Valley" drag strip hosts national drag racing events sanctioned by NHRA and others. Recently, Bristol Motor Speedway completed additional improvements to the infield area to improve safety as well as viewer opportunities before and after the major races. The City, in conjunction with BMS and the State of Tennessee, completed development of a pedestrian walkway system leading to the facility with the State of Tennessee constructing pedestrian bridges and highway improvements to ensure safe pedestrian and vehicular movement in the vicinity of the track. The spring NASCAR race will see all pedestrian and median improvements completed and in use.

This fiscal year ended with 355 residential building permits issued and 146 commercial building permits issued. These numbers reflect 27 more residential permits and 16 more commercial permits than in the prior year. This development added over \$69 million in improvements to properties in the city. New subdivision plats recorded during the past year created 55 new residential lots (inclusive of condominium units) and ten commercial lots in the City which will provide areas for future growth.

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

The City plans to continue to promote industry and economic development through its joint partnership with the City of Kingsport, Bluff City, and Sullivan County. The Networks Sullivan Partnership was formed to jointly promote economic development on a countywide basis. During the past year the Partnership has initiated two new industrial/business parks, with the Partnership Park II being located in and served by the City of Bristol.

The City, under the stewardship of the Board of Education, completed design of a new 600-student Fairmount Elementary School with construction commencing in 2008. Construction costs are estimated at \$13,300,000 which will be partially funded through a two-year phased tax rate increase. 100% of the increase will be dedicated to pay for this construction project. Other major school facility improvements are planned commencing in 2014 which 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 fund these school projects.

In the next five years, approximately \$11.2 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 projects until the majority of existing water and sewer bonds are extinguished in 2011. The City should complete the construction of the new Area IV at the demolition landfill during 2009.

In September 2008, the City refinanced the outstanding \$1,925,000 Series 2003 V-B-2 loan agreement with the Public Building Authority of Sevier County with \$1,300,000 General Obligation Refunding Bonds, Series 2008. The goal of the restructuring of the variable rate debt was to minimize exposure for the City to variations in interest rates that could raise future interest costs. The City's debt portfolio consists primarily of fixed rate debt. However, staff is monitoring the remaining variable rate debt and future refunding may occur if deemed in the best financial interest of the City.

#### **RELEVANT FINANCIAL POLICIES**

Cash temporarily idle during the year 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**

Several major initiatives were completed in the city during this past year. Construction was completed on the new four-lane Anderson Street Bridge over the Norfolk Southern Railroad in downtown Bristol. The new bridge will aid traffic movement between the heavily residential eastern portion of the community and areas west and will afford greater safety for residents by providing a new delay-free major railroad crossing. The project costs in excess of \$6 million.

Construction of the U.S. 11E pedestrian improvements project near Bristol Motor Speedway was completed in 2008. The project was funded through utilization of federal, state, local, and private funding. The infrastructure improvements and additions will significantly enhance traffic and pedestrian safety near the venue.

The City completed a long-range transportation plan in 2007 and has already initiated implementation of the Plan. Transportation projects were identified for a 25-year planning horizon and the City has begun preparing for the East Cedar Street Gateway project with design to commence in 2009.

As part of the Networks Sullivan Partnership, the City applied for and was awarded approval for the engineering and construction of an industrial access highway project to build the first leg of an access road serving the Partnership Park II and the Bristol Metals Inc., expansion. The engineering phase of the project has been initiated with construction to begin in 2009.

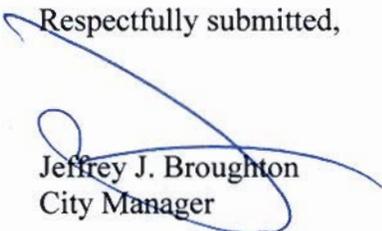
#### AWARDS AND ACKNOWLEDGMENTS

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, 2007. This was the fifth 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 entire 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 the Community Development Department 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, 2007

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.



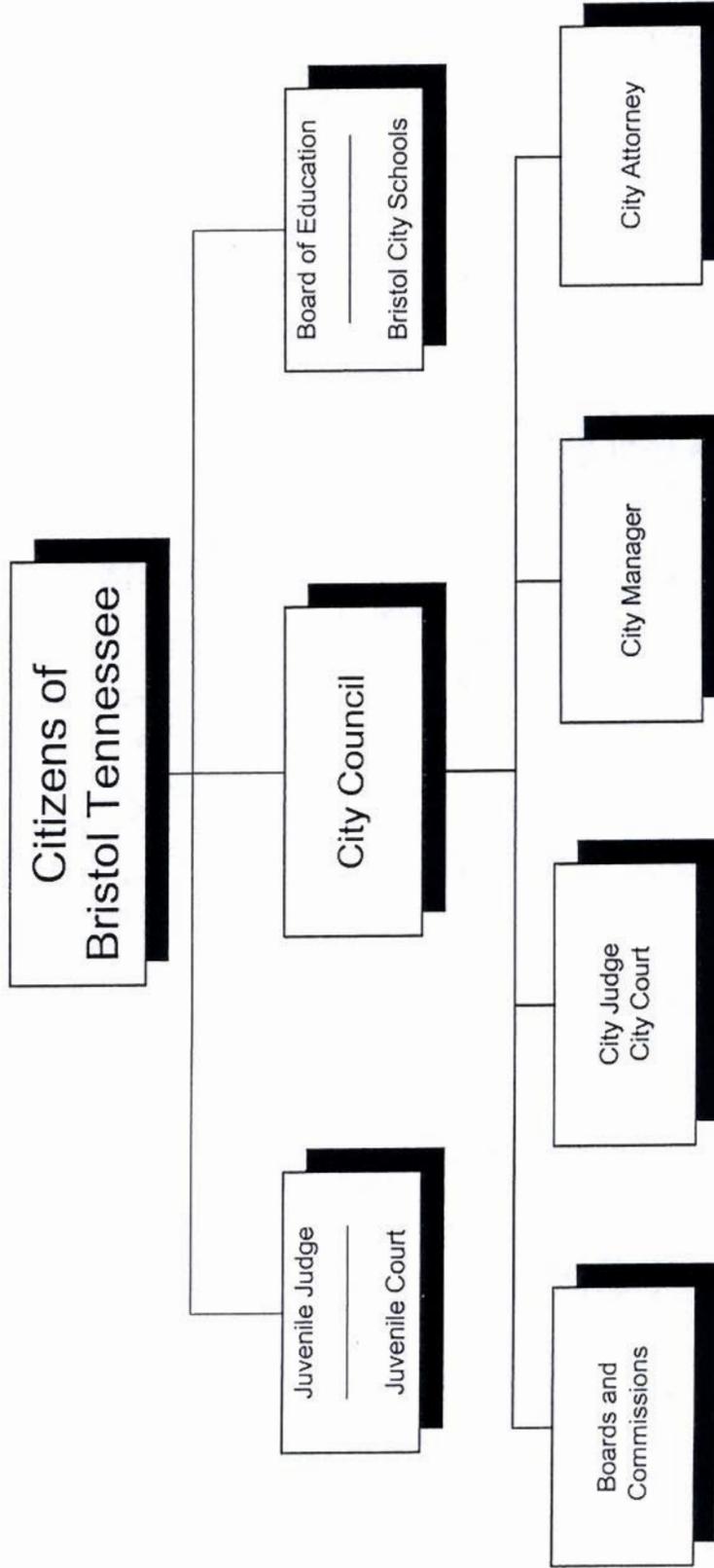
*Charles S. Cox*

President

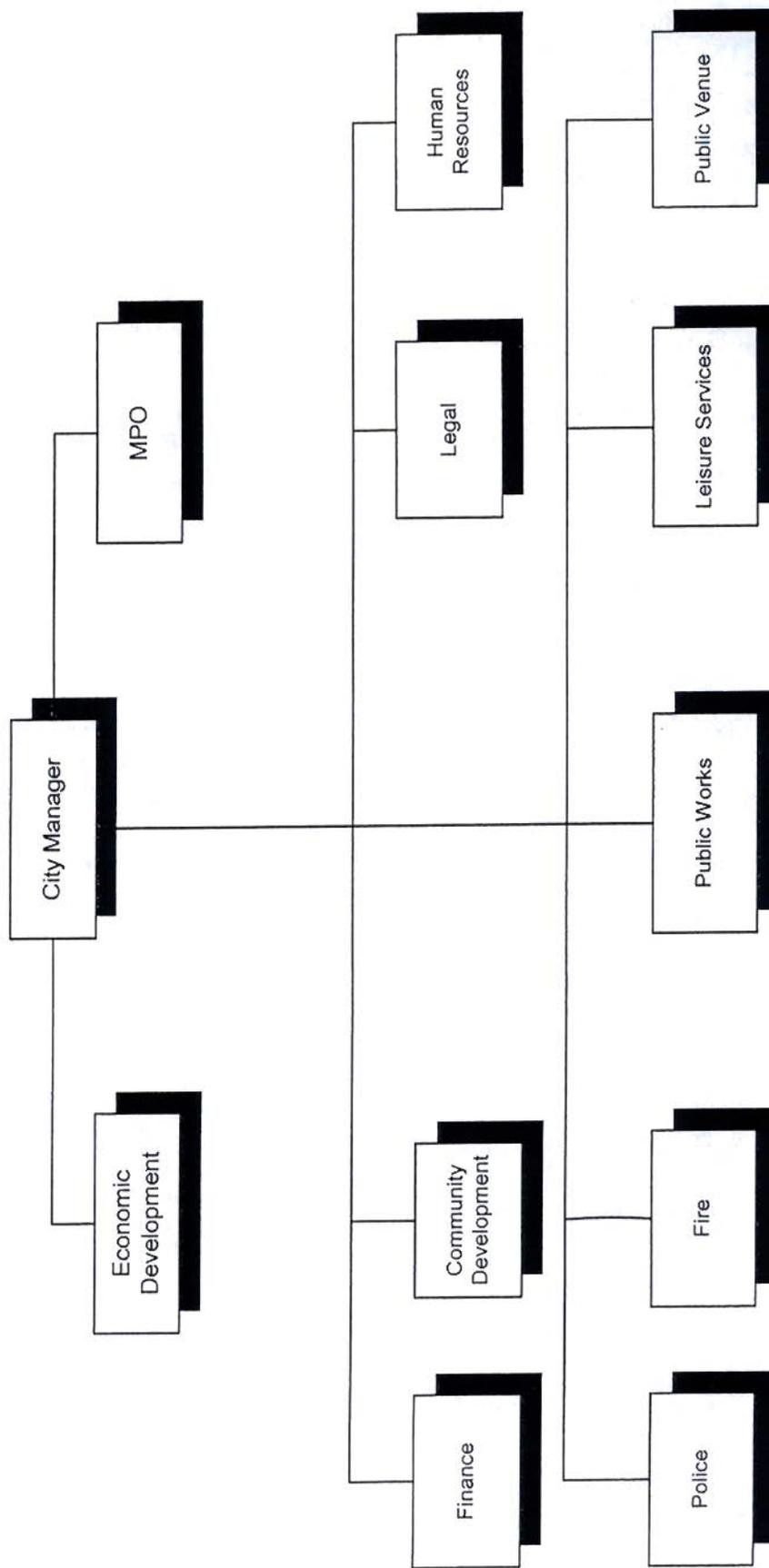
*Jeffrey R. Emer*

Executive Director

CITY OF BRISTOL TENNESSEE  
ORGANIZATIONAL CHART



# CITY OF BRISTOL TENNESSEE ORGANIZATIONAL CHART



CITY OF BRISTOL, TENNESSEE  
LIST OF PRINCIPAL OFFICIALS

Elected Officials

Mayor	Joel Staton
Vice-Mayor	Fred Testa
Council Member	Margaret Feierabend
Council Member	James Messimer
Council Member	David Shumaker

City Manager

Jeffrey Broughton

Deputy City Managers

Development	Michael Sparks
Public Works	William Sorah

Department Directors

Community Development	Shari Brown
Finance	Tara Musick
Fire	Bob Barnes
Human Resource	Kevin Bratton
Legal	Jack Hyder
Leisure Services	Terry Napier
Police	Blaine Wade
Public Venue	Terrie Smith-Talbert
Public Works	William Sorah

City Attorney

Jack Hyder

## 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 fiscal year ended June 30, 2008, 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 65%, 59%, and 90% percent, respectively, of the assets, net assets and operating 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 6% 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. 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, 2008, 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 January 26, 2009 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 important for assessing the results of our audit.

The management's discussion and analysis on pages 13-26 and the required supplementary information on pages 109-110 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bristol, Tennessee's basic financial statements. 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Bristol, Tennessee. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
January 26, 2009

# 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 financial activities of the City for the fiscal year ended June 30, 2008. Management's Discussion and Analysis should be read in conjunction with the City's financial statements for fiscal year 2008, including related notes.

## Financial Highlights

- The assets of the City of Bristol exceeded its liabilities at the close of the 2008 fiscal year by \$234,175,144 (*total net assets*). Of this amount, \$41,425,018 (*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 \$9,207,882 due to current year activity. For governmental activities, this \$5,032,759 increase was due to several factors including additional capital asset activity, state income tax, school related revenues, reduced education expenditures, and lower prepaid insurance expense. The City received \$1,155,528 of capital assets as donation from various sources throughout the year. For business activities, the increase was due to capital asset contributions of \$1,435,843 from outside sources, such as contractors and Sullivan County, TN, and increases in charges for services of the utility funds that resulted from rate increases.
- As of the close of the current fiscal year, the City of Bristol's governmental activities reported combined unrestricted fund balances of \$7,389,014 for a \$10,348,705 decrease from the previous year. This decrease is due primarily to an offset to the change in net assets for the issuance of long-term debt and an increase in invested in capital assets, net of related debt. General obligation bonds totaling \$12,900,000 were issued during the year in two bond series. The unspent bond proceeds as of June 30, 2008, have been reflected as part of the reserved for capital assets balance. The invested in capital assets amount increased by \$3,001,304 throughout the course of the 2008 year.
- At the end of the current fiscal year, fund balance for the General Fund was \$10,576,497 for an increase of \$1,387,506 from the prior year. This increase in fund balance is due in part to increased state income tax from the State of Tennessee. The General Fund also had a prior period adjustment to fund balance of \$446,498 to reflect the correct accounting treatment for the payment in lieu of tax from the Electric Fund. This transaction had previously been reflected on a cash basis of accounting. Adjustments were made to both funds during 2008 to now properly reflect the transaction on the accrual basis.
- The City of Bristol, Tennessee's total liabilities increased by \$16,502,980 during the current fiscal year. Accounts payable and other current liabilities increased by \$3,966,161. The majority of this increase resulted from the Electric Fund which increased by \$2,474,084 for this type of liability. Deferred revenue also increased by \$1,371,138 during the year. Noncurrent liabilities increased by \$12,300,599 from the prior year. Additional bonded debt was added during the 2008 fiscal year which totaled \$15,000,000. Two general obligation bonds were issued for the purpose of water, sewer, demolition landfill, and school capital projects. The Demolition Landfill Fund also had an increase in the liability for landfill closure costs of \$258,770. The total increase was offset by debt service principal payments and a reduction in contracts payable, retainages payable, and due to others and deposits.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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, education, leisure services, public safety, public works, and public venue. 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 27 - 28 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 thirteen 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 29 - 38 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 39 - 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 page 46 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 47 - 108 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 111 - 125 of this report.

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

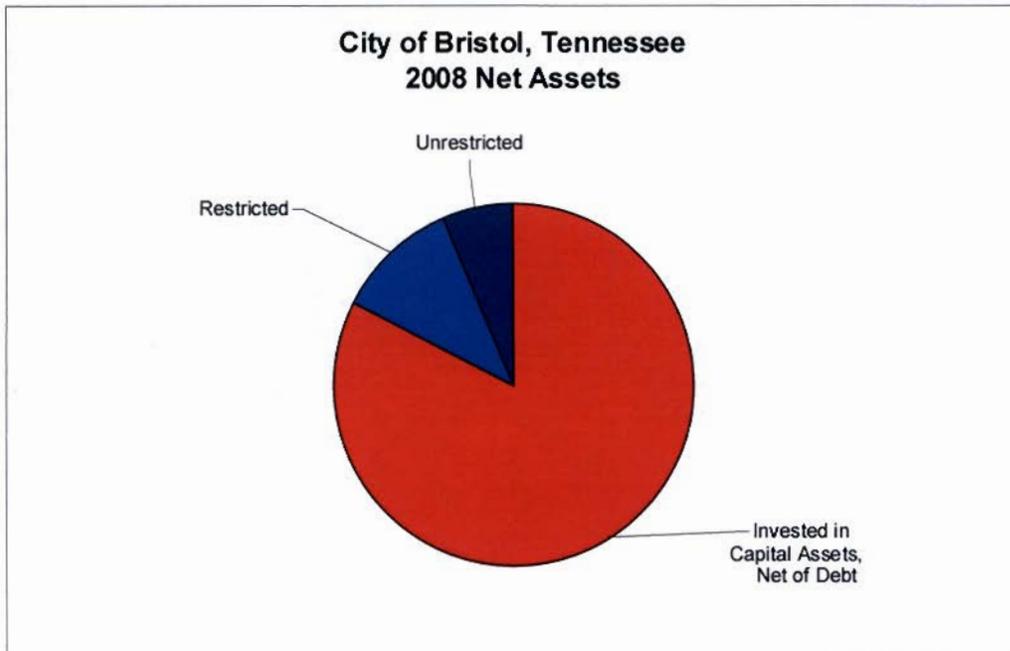
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Bristol, total assets exceeded total liabilities by \$234,175,144 at the close of the most recent fiscal year.

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 (5.7%) 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, 2008**  
**(Presented in Actual Dollars)**

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>ASSETS:</b>						
Current and Other Assets	\$ 60,129,302	43,384,305	47,095,838	52,506,044	107,225,140	95,890,349
Capital Assets, Net of Accumulated Depreciation	103,542,508	101,389,372	114,211,778	102,215,604	217,754,286	203,604,976
<b>Total Assets</b>	<b>163,671,810</b>	<b>144,773,677</b>	<b>161,307,616</b>	<b>154,721,648</b>	<b>324,979,426</b>	<b>299,495,325</b>
<b>LIABILITIES:</b>						
Current Liabilities	24,792,813	23,460,828	12,392,031	9,521,635	37,184,844	32,982,463
Long-term Liabilities	22,206,715	9,710,134	31,412,723	31,608,705	53,619,438	41,318,839
<b>Total Liabilities</b>	<b>46,999,528</b>	<b>33,170,962</b>	<b>43,804,754</b>	<b>41,130,340</b>	<b>90,804,282</b>	<b>74,301,302</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of Debt	96,106,222	93,104,918	83,359,835	70,802,179	179,466,057	163,907,097
Restricted	13,177,046	760,078	107,023	19,728	13,284,069	779,806
Unrestricted	7,389,014	17,737,719	34,036,004	42,769,401	41,425,018	60,507,120
<b>Total Net Assets</b>	<b>\$ 116,672,282</b>	<b>111,602,715</b>	<b>117,502,862</b>	<b>113,591,308</b>	<b>234,175,144</b>	<b>225,194,023</b>



There was an increase of \$87,295 in restricted net assets reported in connection with the City of Bristol, Tennessee's business-type activities. This restriction is for capital assets and debt service. The majority of the increase is contributable to unspent bond proceeds for capital assets.

The government's net assets increased by \$8,981,121 during the current fiscal year. Part of the increase was from revenue related to either contributed capital assets from outside sources or from additional state income tax revenue as previously discussed.

**Governmental Activities.** Governmental activities increased the City of Bristol's net assets by \$5,032,759 relating to current year activity. This increase accounts for 55 percent of the total growth in the net assets of the City of Bristol, Tennessee. Key elements of this increase are as follows:

- The City was able to record \$1,155,528 for donated capital assets in the year. The majority of these assets relate to either the Phillipswood Bridge accepted by the City from the State or assets purchased by the Bristol Public Library. The City owns fifty percent of Library assets.
- Property tax revenues increased by \$1,057,643 in the General Fund and \$215,998 in the General Purpose School Fund which accounts for a significant portion of the increase in tax revenue. Additional tax revenue from the eight cent increase to be used for school construction was included in the transfer to the School Capital Projects Fund. Total revenue from local sales tax also increased from the prior year by \$81,432. The total increase from these two revenue sources together account for \$1,335,073 of the \$1,448,325 increase in total tax revenue or approximately 94%. As previously mentioned, the City also received additional funds from the state income tax.
- The rate of growth in program expenses was consistent, except for public safety which had a decline in total expenses. This resulted primarily from an organization restructuring that moved approximately \$180,000 of expenditures for Youth Services from the Police Department to the Finance Department as part of Juvenile Court. Education continued to receive a large grant from the United States Department of Education for Safe School and Healthy Students which recorded \$2,555,008 of expenditures throughout the 2008 year. These program expenses were offset by operating grants for education. Public venue incurred more show activity during the 2008 year which accounts for the increase in program expenses related to this function. The Public Venue Department also began to administer the City's website and television station that resulted in additional administration costs.

In addition to changes resulting from current year activity, a prior period adjustment was made to governmental activities on the government-wide statements to reflect the removal of capital assets previously recorded in error in the amount of \$409,690. Governmental funds were also adjusted \$446,498 to reflect the transfer from the Electric Fund on the correct basis of accounting.

**Business-type Activities.** Business-type activities increased the City of Bristol's net assets by \$4,175,123 relating to current year activity. This increase accounts for 45 percent of the total growth in the government's net assets. Key elements of this increase are as follows.

- Temperature was a main driver in increased electric sales throughout the year. The Electric Fund experienced a \$5,097,739 increase in net assets as a result of growth in electric sales and additional revenue from cable, internet, and telephone sales. Recent rate increases passed by TVA have had a large affect on purchased power costs. The cost of purchased power increased \$4,970,352, or 8.4% over the last year, partially offsetting the growth of the Electric Fund's net assets.
- The Water Fund also enacted a rate increase during the 2008 year which resulted in additional revenues. See rates schedules on pages 157 - 158 for additional information.

A prior period adjustment was made to the Electric Fund's beginning net assets in the amount of \$263,569. This adjustment was due to a restatement of the transfers to the General Fund and a correction in the recorded amount of payments in lieu of tax to the other related government entities as discussed previously.

**City of Bristol, Tennessee Changes in Net Assets**  
**(Excluding Component Unit)**  
**For the Fiscal Year Ended June 30, 2008**  
**(Presented in Actual Dollars)**

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 4,791,307	4,289,168	88,508,718	81,203,197	93,300,025	85,492,365
Operating Grants	22,672,953	20,496,547	-	-	22,672,953	20,496,547
Capital Grants	3,105,457	10,859,682	1,435,843	443,301	4,541,300	11,302,983
Property Taxes	21,570,386	20,368,771	-	-	21,570,386	20,368,771
Other Taxes	11,591,083	11,468,378	-	-	11,591,083	11,468,378
Miscellaneous	4,549,097	4,012,649	587,558	1,862,795	5,136,655	5,875,444
<b>Total Revenues</b>	<b>68,280,283</b>	<b>71,495,195</b>	<b>90,532,119</b>	<b>83,509,293</b>	<b>158,812,402</b>	<b>155,004,488</b>
<b>Expenses:</b>						
Governmental Activities:						
General Government	5,725,884	4,844,996	-	-	5,725,884	4,844,996
Education	35,867,305	33,899,981	-	-	35,867,305	33,899,981
Leisure Services	2,777,750	2,719,955	-	-	2,777,750	2,719,955
Public Safety	10,482,040	10,666,085	-	-	10,482,040	10,666,085
Public Venue	1,231,929	878,437	-	-	1,231,929	878,437
Public Works	7,985,529	7,487,226	-	-	7,985,529	7,487,226
Interest on Long-Term Debt	663,021	354,645	-	-	663,021	354,645
Business-type Activities:						
Electric	-	-	72,017,098	67,115,121	72,017,098	67,115,121
Water	-	-	3,799,575	3,780,756	3,799,575	3,780,756
Sewer	-	-	3,986,849	4,247,002	3,986,849	4,247,002
Cable and Internet	-	-	3,556,780	2,006,040	3,556,780	2,006,040
Telephone	-	-	989,310	267,905	989,310	267,905
Demolition Landfill	-	-	521,450	297,023	521,450	297,023
<b>Total Expenses</b>	<b>64,733,458</b>	<b>60,851,325</b>	<b>84,871,062</b>	<b>77,713,847</b>	<b>149,604,520</b>	<b>138,565,172</b>
Increase in Net Assets Before Transfers	3,546,825	10,643,870	5,661,057	5,795,446	9,207,882	16,439,316
Transfers	1,485,934	843,142	(1,485,934)	(843,142)	0	0
<b>Increase in Net Assets</b>	<b>5,032,759</b>	<b>11,487,012</b>	<b>4,175,123</b>	<b>4,952,304</b>	<b>9,207,882</b>	<b>16,439,316</b>
Net Assets, Beginning	111,602,715	100,340,912	113,591,308	108,085,968	225,194,023	208,426,880
Prior Period Adjustments	36,808	(225,209)	(263,569)	553,036	(226,761)	327,827
<b>Net Assets, Restated</b>	<b>111,639,523</b>	<b>100,115,703</b>	<b>113,327,739</b>	<b>108,639,004</b>	<b>224,967,262</b>	<b>208,754,707</b>
<b>Net Assets, Ending</b>	<b>\$ 116,672,282</b>	<b>111,602,715</b>	<b>117,502,862</b>	<b>113,591,308</b>	<b>234,175,144</b>	<b>225,194,023</b>

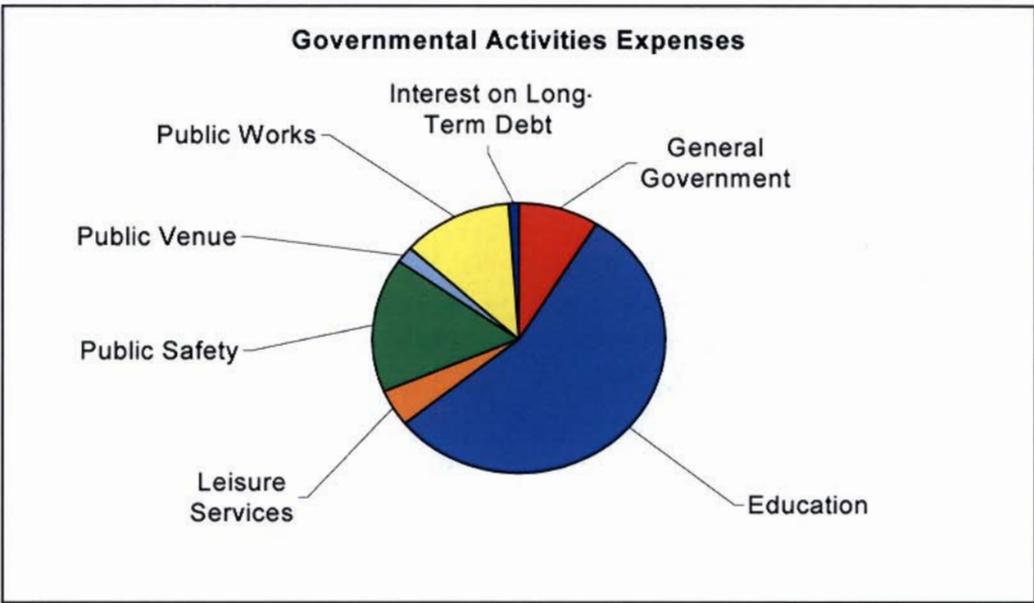
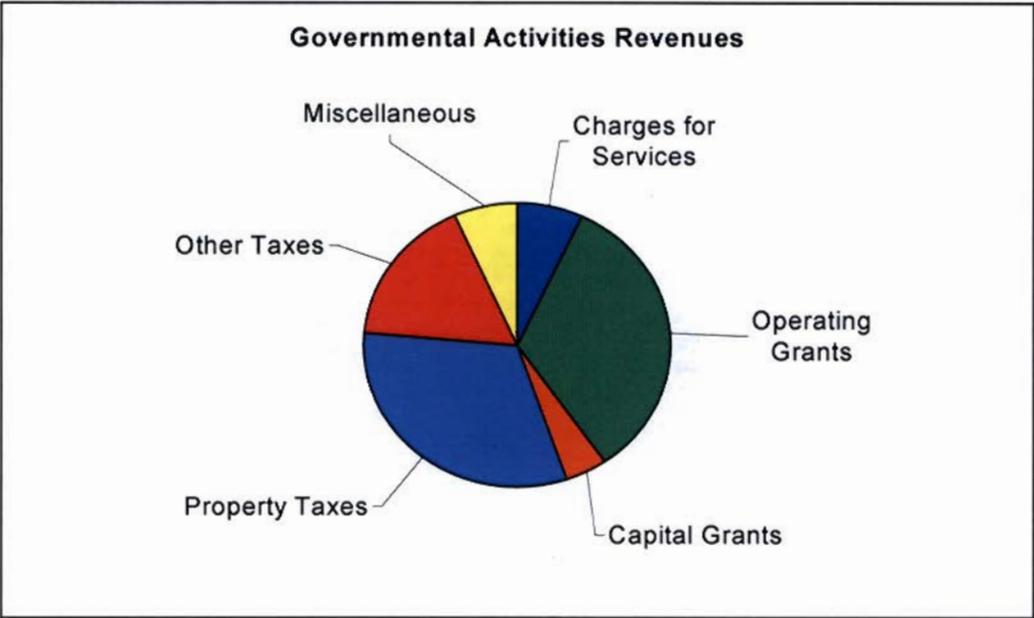
**Financial Analysis of the Government's Funds**

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

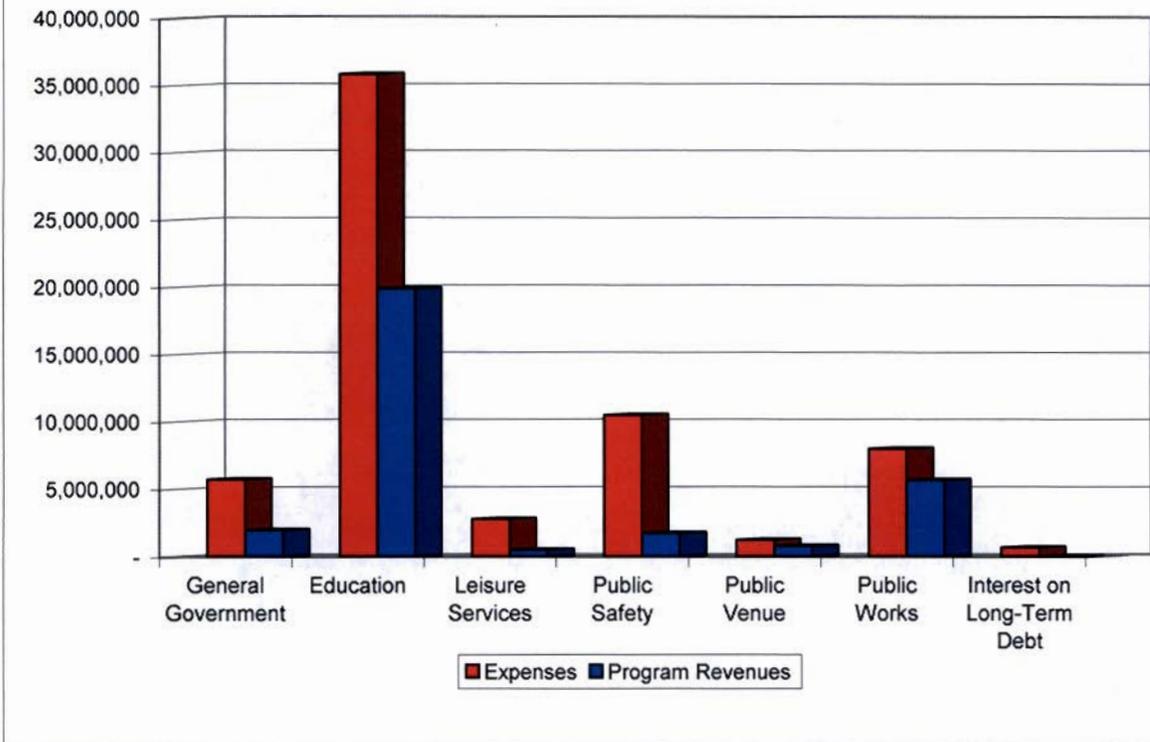
**Governmental Funds.** The focus of the City of Bristol's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve 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 \$31,750,199 for the year, an increase of \$14,863,937. The General Fund and General Purpose School Fund had increases of \$1,387,506 and \$1,620,179, respectively. The increase 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, State Street Aid Fund, Drug Fund, and Capital Projects Fund. These funds incurred losses for the year of \$1,083, \$17,407, \$12,498, and \$75,878, respectively.

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 \$10,462,313 while total fund balance was reported to be \$10,576,497. 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 38 percent of total general fund expenditures and other financing uses. The fund balance of the City's General Fund increased by \$1,387,506. The increase resulted from factors previously mentioned and a prior period adjustment of \$446,498 relating to the transfer from the Electric Fund.

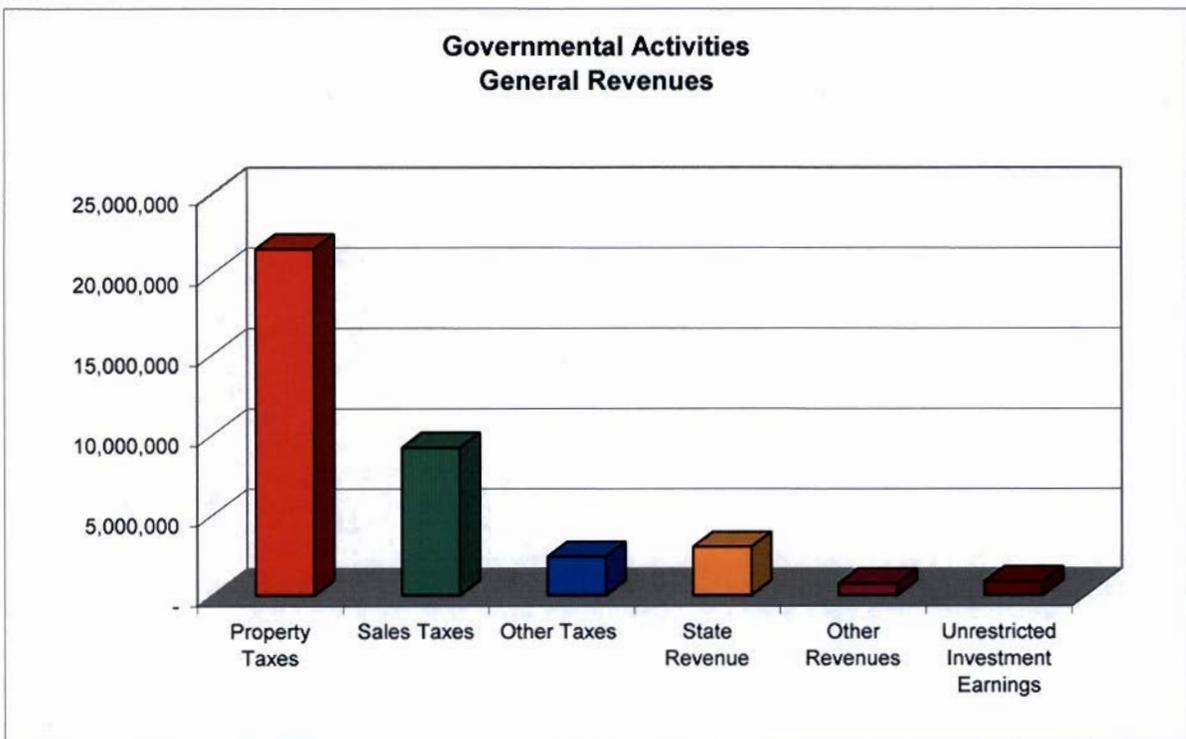
The Debt Service Fund has a total fund balance of \$221,457, all of which is restricted for the payment of debt service. All debt service payments are budgeted in their entirety annually. Therefore, minimal fund balance is required in the Debt Service Fund.



### Governmental Activities Expenses & Program Revenues

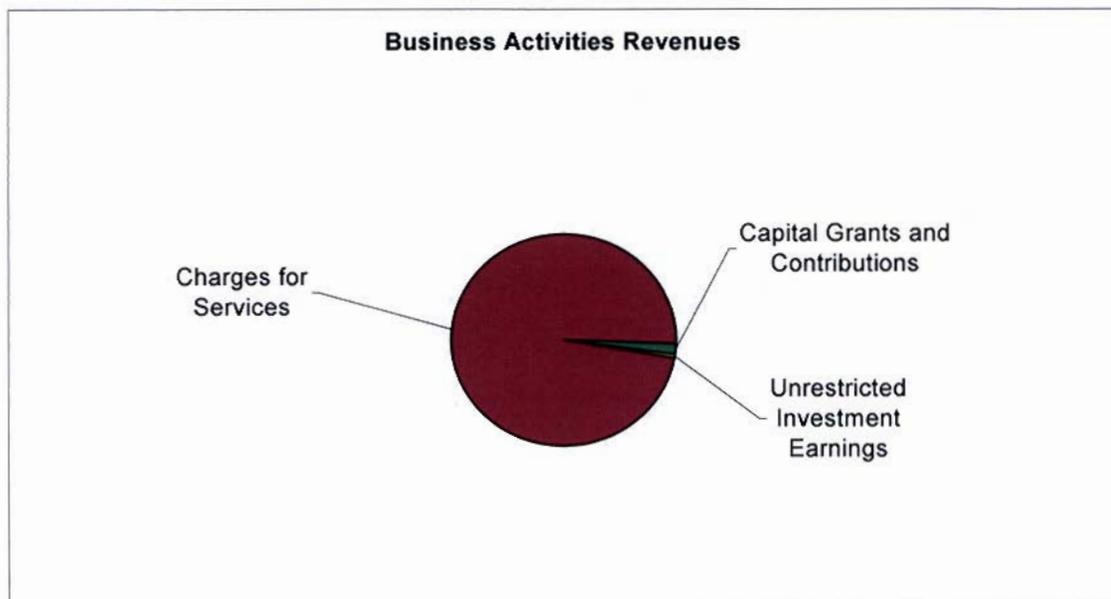
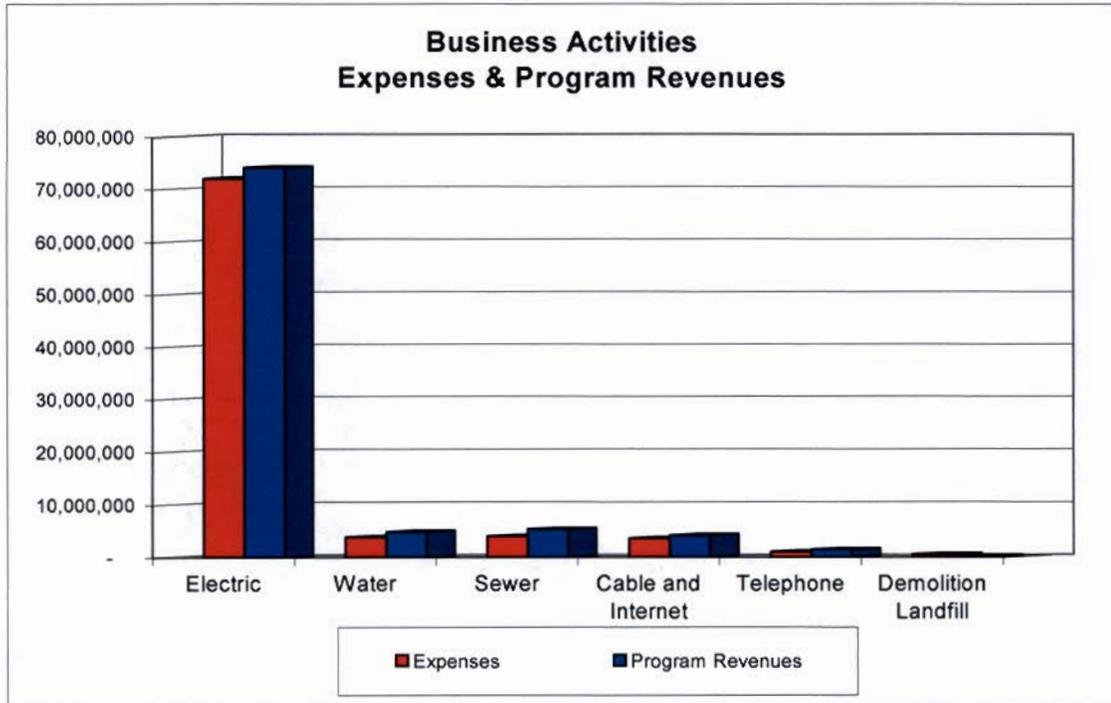


### Governmental Activities General Revenues



**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 \$23,398,262. The Water Fund, Sewer Fund, and Demolition Landfill Fund amounted to \$1,583,814, \$9,395,291, and \$(425,518), respectively. The total change in net assets was \$2,322,036 for the Electric Fund, \$781,733 for the Water Fund, \$1,158,794 for the Sewer Fund, and \$(232,686) for the Demolition Landfill Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.



## General Fund and Budgetary Highlights

The General Fund budget was amended for fiscal year 2008 by \$526,444. This increase resulted from capital spending for a fire engine, capital projects carried over from the prior fiscal year, reclassification of Public Venue activity, first phase of the golf cart replacement program, and additional overtime. The funding source for this increase was additional state income tax revenue and bond funds.

Major variances from the budget for revenues resulted from a decrease in state and local sales tax revenue, gas franchise tax, and investment earnings. The City also received an additional \$543,760 of revenue from the state income tax that had not been planned. Staff did not budget this additional amount in 2008 since the increase appeared inconsistent with prior year data. The City also experienced an increase in revenue from the use of facilities.

Expenditures were exceeded in several activities as a result of unanticipated personnel costs, such as overtime and the impact of staff turnover. Gas prices were also higher throughout the 2008 year than original projections had predicted. The higher prices resulted in negative budget variances.

## 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, 2008, amounts to \$179,466,057 (net of related debt.) This investment in capital assets includes land, land improvements, buildings and building 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 7 percent (a 2 percent increase for governmental activities and a 12 percent increase for business-type activities).

**City of Bristol, Tennessee Capital Assets  
(Net of Depreciation)  
June 30, 2008  
(Presented in actual dollars)**

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Net Capital Assets:</u>						
Land	\$ 4,038,348	4,041,149	2,378,285	2,543,364	6,416,633	6,584,513
Land Improvements	1,846,875	1,555,555	39,547	43,450	1,886,422	1,599,005
Buildings and Improvements	20,027,818	20,262,850	3,323,897	3,238,441	23,351,715	23,501,291
Other Improvements	751,372	-	59,665,014	53,339,592	60,416,386	53,339,592
Machinery and Equipment	5,082,019	4,506,542	38,724,757	11,081,957	43,806,776	15,588,499
Infrastructure	66,791,958	67,554,042	-	-	66,791,958	67,554,042
Construction in Progress	5,004,118	3,469,234	10,080,278	31,968,800	15,084,396	35,438,034
Capital Assets	<u>\$ 103,542,508</u>	<u>101,389,372</u>	<u>114,211,778</u>	<u>102,215,604</u>	<u>217,754,286</u>	<u>203,604,976</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. The City completed construction of Phase I on pedestrian walkway improvements close to Bristol Motor Speedway. Demolition of the old Fairmount Elementary School began to prepare for the construction of a new elementary school. In addition to these projects, the City also completed construction of its own fleet fueling station which is being used to fuel the fleet of City vehicles. This station should provide fuel savings and increased control over access to fuel in case of a potential fuel shortage in the area. The City also purchased a new fire engine during the year for approximately \$350,000, including related equipment.
- Electric system construction and equipment totaling \$13,337,057 was paid for during the 2008 year, while \$120,785 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 \$1,091,649 was incurred for various projects. Included in accounts payable at year end was \$339,190 for construction related costs. Completed water projects included \$588,749 of current year additions for the Collingwood Water Improvement Project. Other projects were also completed such as the Reservoir Maintenance Program, completion of the water lines for the Municipal Fleet Fueling Station, and Bellebrook Water Improvements. Many water projects were still in construction in progress at year end, including the Bluff City Highway Line Replacement Project, East End Area Fire Improvements, Fox Ridge Water Line Project, the Taylor Street Fire Prevention Project, Weed and Seed Project, Water Plant Filter Valve Replacement Project, the Water Plant High Service Project, and the Highway 11E Water Relocation Project. The cost of these projects for the 2008 year was \$484,089.

Completed sewer projects included \$4,374,238 for the Whitetop Sewer Project and \$147,513 in Collingwood Sewer Improvements. Other projects were also completed such as the Municipal Fleet Fueling Station and the Maplehurst Lane Sewer Extension Project. The Whitetop Creek Project is being reimbursed 100% by Sullivan County, Tennessee. A few sewer projects were also still in construction in progress at year end, including the Akard School Sewer Trunk Project, the Beaver Creek Sewer Project, the Evans Creek Sewer Project, the Highway 11E and Old Thomas Bridge Road Sewer Extension Project, and the Highway 11E and River Road Sewer Extension Project. The Akard School Sewer Trunk Project, Beaver Creek Sewer Project, and Evans Creek Sewer Project are being reimbursed 100% by Sullivan County, Tennessee. The cost of these projects for the 2008 year was \$63,112.

- The contractor for the demolition landfill expansion project for Area IV began work on the project during the 2007 year and continued throughout the 2008 fiscal year. In addition to other costs, total payments related to this project were \$138,967. The project is expected to be completed in fiscal year 2009.

Additional information on the City of Bristol, Tennessee's capital assets can be found in note IV.C on pages 68 - 71 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City of Bristol had total bonded debt outstanding of \$48,085,000. Of this amount, 48 percent comprises debt backed by the full faith and credit of the government. The remaining 52 percent of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During 2008, the City obtained additional long-term debt through the issuance of two general obligation bonds. The Series 2007 General Obligation Bonds were issued in July 2007 in the amount of \$9,850,000 with a maturity date in the year 2023. The interest rate is variable 4.00%-4.125% and the proceeds are to be used to fund a school capital project, water capital projects, and the expansion of the demolition landfill. In January 2008, the Series 2008 General Obligation Bonds were issued for the amount of \$5,150,000 with a maturity date in the year 2020. These bonds have a fixed interest rate at 3.00% and were issued for the funding of a school capital project and other capital projects.

The City of Bristol maintains a Moody's A1 rating for general obligation debt. The current ratio of net bonded debt to estimated actual taxable value of property is 1.10 percent.

Additional information on the City of Bristol Tennessee's long-term debt can be found in note IV.E on pages 73 - 85 of this report.

**City of Bristol, Tennessee's Outstanding Debt  
General Obligation and Revenue Bonds  
June 30, 2008  
(Presented in actual dollars)**

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Outstanding Bond Debt</u>						
General Obligation	\$ 19,714,153	\$ 7,953,499	3,475,847	1,896,501	23,190,000	9,850,000
Revenue Bonds	-	-	24,895,000	26,705,000	24,895,000	26,705,000
Total Outstanding Bond Debt	<u>\$ 19,714,153</u>	<u>10,249,855</u>	<u>28,370,847</u>	<u>8,035,145</u>	<u>48,085,000</u>	<u>36,555,000</u>

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

- The unemployment rate for the City of Bristol at June 30, 2008, was 5.3 percent. This is an increase from 4.1 percent listed in the prior year's audit, but comparable with the trends seen across the State of Tennessee. As of June 2008, the national unemployment rate was 5.6 percent and the unemployment rate for the State of Tennessee was 6.5%. Therefore, Bristol's rate of 5.3 percent is lower than the national average and rates of others in the surrounding area and across Tennessee.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Bristol's budget for the 2009 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$10,462,313. The City budgeted a \$129,237 decrease for the 2009 budget year for the General Fund. Operating expenditures are projected to be higher due to staffing increases in the Fire Department resulting from a successful Staffing for Adequate Fire and Emergency Response (SAFER) grant award, as well as a minor staffing increase in the Police Department. Expenditures are also higher in part due to payroll and associated fringe benefit costs, including a pension rate increase from TCRS and cost of living and merit

adjustment; other post-retirement employment benefit costs that are budgeted in compliance with GASB 45 and intended to be transferred to a trust; and higher power and fuel costs. Additional tax revenue will be received as a result of a twelve cent tax increase. These funds will be transferred to the School Capital Projects Fund to use for debt service payments on the debt used for the new Fairmount Elementary School project. The City also increased operational funding to the General Purpose School Fund to use for operations and capital.

The Water Fund experienced rate increases during the 2008 year and cash flow projections indicated a positive cash balance throughout the 2009 budget year. Thus, rates were scheduled to remain unchanged during the year. The Sewer Fund was analyzed and rate increases were not deemed necessary by management for either the 2008 or 2009 years.

The fee for multiple carts in the Solid Waste Fund had been unchanged for many years. In the 2009 budget, the per household monthly fee for residential collection was increased from \$10.00 to \$11.00 and the rate for multiple carts was increased from \$5.00 to \$5.50 per cart. This will allow the fund to recover 88% of its costs. The long-term financial plan is to balance the fund with a fee schedule to cover one hundred percent of the cost, with the next full rate adjustment scheduled to occur in 2011.

### **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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Emergency Communications District
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 17,331,070	12,640,286	29,971,356	569,371
Long-term Certificates of Deposit	-	8,000,000	8,000,000	-
Receivables, Net of Allowance	14,846,330	9,554,282	24,400,612	27,710
Notes Receivable	187,575	2,372,719	2,560,294	-
Other Receivables	1,254,177	592,562	1,846,739	-
Due from Other Governments	12,719,999	72,162	12,792,161	-
Due from Joint Venture	10,583	374,356	384,939	-
Internal Balances	752,415	(752,415)	0	-
Inventories	119,882	1,670,520	1,790,402	-
Prepays and Prepaid Pension Cost	16,404	707,679	724,083	-
Other Assets	270,928	468,153	739,081	-
Discounted Energy Units	-	4,153,472	4,153,472	-
Investment in Joint Venture	-	7,135,039	7,135,039	-
Restricted Cash	12,619,939	107,023	12,726,962	-
Capital Assets, Net of Accumulated Depreciation:				
Land	4,038,348	2,378,285	6,416,633	-
Land Improvements	1,846,875	39,547	1,886,422	-
Buildings and Building Improvements	20,027,818	3,323,897	23,351,715	-
Other Improvements	751,372	59,665,014	60,416,386	-
Machinery and Equipment	5,082,019	38,724,757	43,806,776	139,643
Infrastructure	66,791,958	-	66,791,958	-
Construction in Progress	5,004,118	10,080,278	15,084,396	-
<b>Total Assets</b>	<b>163,671,810</b>	<b>161,307,616</b>	<b>324,979,426</b>	<b>736,724</b>
<b>LIABILITIES:</b>				
Accounts Payable and Other Current Liabilities	2,050,730	9,976,350	12,027,080	553
Contracts Payable	87,967	-	87,967	-
Accrued Interest Payable	80,096	384,017	464,113	-
Due to Others and Deposits	163,652	1,760,826	1,924,478	-
Unearned Revenue	22,410,368	270,838	22,681,206	-
Noncurrent Liabilities:				
Due Within One Year	2,302,002	3,016,842	5,318,844	-
Due in More Than One Year	19,904,713	28,395,881	48,300,594	-
<b>Total Liabilities</b>	<b>46,999,528</b>	<b>43,804,754</b>	<b>90,804,282</b>	<b>553</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	96,106,222	83,359,835	179,466,057	139,643
Restricted For:				
Capital Assets	12,354,611	85,552	12,440,163	-
Community and Economic Development	212,427	-	212,427	-
Debt Service	10,556	21,471	32,027	-
Education	254,772	-	254,772	-
Leisure Services	20,616	-	20,616	-
Police and Drug Control	66,519	-	66,519	-
State Street Aid	257,545	-	257,545	-
Unrestricted	7,389,014	34,036,004	41,425,018	596,528
<b>Total Net Assets</b>	<b>\$ 116,672,282</b>	<b>117,502,862</b>	<b>234,175,144</b>	<b>736,171</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, 2008

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES										Component Unit	
	PROGRAM REVENUES					IN NET ASSETS						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government	Business-type Activities	Total	Emergency Communications District			
<b>Primary Government:</b>												
General Government Activities:												
General Government	\$ 5,725,884	182,168	1,637,361	154,059	(3,752,296)	-	-	(3,752,296)	-	-	-	-
Education	35,867,305	1,062,804	18,850,181	-	(15,954,320)	-	-	(15,954,320)	-	-	-	-
Leisure Services	2,777,750	355,397	137,533	15,104	(2,269,716)	-	-	(2,269,716)	-	-	-	-
Public Safety	10,482,040	1,096,054	549,871	83,536	(8,752,579)	-	-	(8,752,579)	-	-	-	-
Public Venue	1,231,929	727,869	56,135	-	(447,925)	-	-	(447,925)	-	-	-	-
Public Works	7,985,529	1,367,015	1,441,872	2,852,758	(2,323,884)	-	-	(2,323,884)	-	-	-	-
Interest on Long-Term Debt	663,021	-	-	-	(663,021)	-	-	(663,021)	-	-	-	-
Total Governmental Activities	64,733,458	4,791,307	22,672,953	3,105,457	(34,163,741)	0	0	(34,163,741)	0	0	0	0
<b>Business-type Activities:</b>												
Electric	72,017,098	74,105,047	-	-	-	-	2,087,949	2,087,949	-	-	-	-
Water	3,799,575	4,165,607	-	633,600	-	-	999,632	999,632	-	-	-	-
Sewer	3,986,849	4,543,321	-	802,243	-	-	1,358,715	1,358,715	-	-	-	-
Cable and Internet	3,556,780	4,137,724	-	-	-	-	580,944	580,944	-	-	-	-
Telephone	989,310	1,412,239	-	-	-	-	422,929	422,929	-	-	-	-
Demolition Landfill	521,450	144,780	-	-	-	-	(376,670)	(376,670)	-	-	-	-
Total Business-type Activities	84,871,062	88,508,718	0	1,435,843	0	0	5,073,499	5,073,499	0	0	0	0
<b>Total Primary Government</b>	<b>\$ 149,604,520</b>	<b>93,300,025</b>	<b>22,672,953</b>	<b>4,541,300</b>	<b>(34,163,741)</b>	<b>0</b>	<b>5,073,499</b>	<b>(29,090,242)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Component Unit:</b>												
Emergency Communications District	\$ 298,957	283,100	-	207,737	-	-	-	-	-	-	-	191,880
<b>General Revenues:</b>												
Property Taxes					21,570,386	-	-	21,570,386	-	-	-	-
Sales Taxes					9,209,471	-	-	9,209,471	-	-	-	-
Other Taxes					2,381,612	-	-	2,381,612	-	-	-	-
State Revenue (Unrestricted)					3,003,642	-	-	3,003,642	-	-	-	-
Investment Earnings (Unrestricted)					844,732	-	587,558	1,432,290	-	-	8,466	-
Other General Revenue					700,723	-	-	700,723	-	-	-	-
Transfers					1,485,934	(1,485,934)	0	0	-	-	-	-
Total General Revenues and Transfers					39,196,500	(898,376)	38,298,124	38,298,124	-	-	8,466	-
Change in Net Assets					5,032,759	4,175,123	9,207,882	9,207,882	200,346	200,346	535,825	535,825
Net Assets, Beginning					111,602,715	113,591,308	225,194,023	225,194,023	36,808	(226,761)	-	-
Prior Period Adjustments					111,639,523	113,327,739	224,967,262	224,967,262	117,502,862	234,175,144	736,171	736,171
Adjusted Net Assets, Beginning					\$ 116,672,282	117,502,862	234,175,144	234,175,144				
Net Assets, Ending												

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

CITY OF BRISTOL, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General Fund	General Purpose School Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 8,451,730	6,173,943	-	1,418,697	16,044,370
Receivables, Net of Allowance	14,695,823	-	-	150,507	14,846,330
Notes Receivable	-	-	-	187,575	187,575
Other Receivables	841,181	149,383	-	248,902	1,239,466
Due from Other Funds	1,186,271	8,567	300,312	348,551	1,843,701
Due from Other Governments	2,601,411	9,559,744	-	558,844	12,719,999
Due from Joint Venture	10,583	-	-	-	10,583
Inventory	78,355	-	-	41,527	119,882
Restricted Cash	-	362,939	11,653,175	603,825	12,619,939
<b>Total Assets</b>	<b>\$27,865,354</b>	<b>16,254,576</b>	<b>11,953,487</b>	<b>3,558,428</b>	<b>59,631,845</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 423,401	124,668	11,335	684,555	1,243,959
Contracts Payable	-	-	-	87,967	87,967
Accrued Payroll and Related Deductions	327,666	86,689	-	16,391	430,746
Due to Other Funds	641,997	6,276	-	474,053	1,122,326
Due to Others	161,100	-	-	2,552	163,652
Deferred Revenue	15,734,693	8,723,159	-	375,144	24,832,996
<b>Total Liabilities</b>	<b>17,288,857</b>	<b>8,940,792</b>	<b>11,335</b>	<b>1,640,662</b>	<b>27,881,646</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Capital Outlay	-	108,167	-	-	108,167
Community and Economic Development	-	-	-	212,427	212,427
Education	-	254,772	-	-	254,772
Encumbrances	-	333,747	-	-	333,747
Inventory	78,355	-	-	41,527	119,882
Leisure Services	20,616	-	-	-	20,616
Police and Drug Control	15,213	-	-	51,306	66,519
State Street Aid	-	-	-	257,545	257,545
<b>Unreserved, Reported in:</b>					
General Fund	10,462,313	-	-	-	10,462,313
Special Revenue Funds	-	6,617,098	-	891,471	7,508,569
Debt Service Fund	-	-	-	221,457	221,457
Capital Projects Funds	-	-	11,942,152	242,033	12,184,185
<b>Total Fund Balances</b>	<b>10,576,497</b>	<b>7,313,784</b>	<b>11,942,152</b>	<b>1,917,766</b>	<b>31,750,199</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$27,865,354</b>	<b>16,254,576</b>	<b>11,953,487</b>	<b>3,558,428</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.	2,422,628
Prepays are expensed when disbursed in the governmental funds and are not recognized based upon economic benefit or recorded as assets in the funds.	16,404
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	103,542,508
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.	956,426
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(22,286,811)
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.	270,928

Net Assets of Governmental Activities

\$ 116,672,282

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, 2008

	General Fund	General Purpose School Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 20,316,207	12,822,859	-	-	33,139,066
Licenses and Permits	264,645	1,798	-	-	266,443
Intergovernmental	4,358,898	13,748,290	-	8,996,201	27,103,389
Charges for Services	1,075,238	267,139	-	2,212,584	3,554,961
Revenues from Use of Facilities	113,242	2,400	-	535,509	651,151
Fines and Forfeitures	401,044	-	-	55,833	456,877
Investment Earnings	271,719	162,767	335,006	75,240	844,732
Other	128,012	399,346	-	679,534	1,206,892
Total Revenues	<u>26,929,005</u>	<u>27,404,599</u>	<u>335,006</u>	<u>12,554,901</u>	<u>67,223,511</u>
<b>EXPENDITURES:</b>					
Current:					
General Government	3,555,559	-	-	1,752,695	5,308,254
Education	-	29,166,422	-	5,696,497	34,862,919
Leisure Services	2,612,020	-	-	26,777	2,638,797
Public Safety	10,135,786	-	-	66,762	10,202,548
Public Venue	444,154	-	-	784,506	1,228,660
Public Works	3,035,310	-	-	2,426,266	5,461,576
Capital Outlay	981,330	595,998	441,849	3,487,787	5,506,964
Debt Service:					
Principal Retirement	-	-	-	1,139,346	1,139,346
Interest	-	-	-	616,284	616,284
Other Costs	-	-	-	18,453	18,453
Total Expenditures	<u>20,764,159</u>	<u>29,762,420</u>	<u>441,849</u>	<u>16,015,373</u>	<u>66,983,801</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,164,846</u>	<u>(2,357,821)</u>	<u>(106,843)</u>	<u>(3,460,472)</u>	<u>239,710</u>
<b>Other Financing Sources (Uses):</b>					
Bonds Issued	-	-	12,000,000	900,000	12,900,000
Premium on Bonds Issued	-	-	727	-	727
Issuance Costs for Bonds	-	-	(182,771)	(15,034)	(197,805)
Transfers In	2,014,324	3,978,000	611,668	2,809,851	9,413,843
Transfers Out	(7,238,162)	-	(381,357)	(308,390)	(7,927,909)
Total Other Financing Sources (Uses)	<u>(5,223,838)</u>	<u>3,978,000</u>	<u>12,048,267</u>	<u>3,386,427</u>	<u>14,188,856</u>
Net Change in Fund Balances	<u>941,008</u>	<u>1,620,179</u>	<u>11,941,424</u>	<u>(74,045)</u>	<u>14,428,566</u>
Fund Balance, July 1, 2007	9,188,991	5,693,605	728	2,002,938	16,886,262
Prior Period Adjustment:					
Transfers from Electric Fund	446,498	-	-	-	446,498
Adjusted Fund Balance, July 1, 2007	<u>9,635,489</u>	<u>5,693,605</u>	<u>728</u>	<u>2,002,938</u>	<u>17,332,760</u>
Purchase Method Inventory					
Adjustment	-	-	-	(11,127)	(11,127)
Fund Balance, June 30, 2008	<u>\$ 10,576,497</u>	<u>7,313,784</u>	<u>11,942,152</u>	<u>1,917,766</u>	<u>31,750,199</u>

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

CITY OF BRISTOL, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds	\$ 14,428,566
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 \$2,521,383 and the current year amount of \$2,422,628.	(98,755)
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 \$5,506,964 exceeded depreciation of \$3,942,960 in the current period.	1,564,004
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.	998,822
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.	(11,127)
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 \$16,404 exceeded the prior year amount of \$356,084.	(339,680)
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.	(11,562,849)
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 increased by this amount during the year.	(177,636)

(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, 2008

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.	(607,117)
An internal service fund is used by management to charge the costs of employee insurance to individual funds.	<u>838,531</u>
Change in net assets of governmental activities	<u><u>\$ 5,032,759</u></u>

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

CITY OF BRISTOL, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
<u>Taxes:</u>				
Property Tax (Net of Discounts, etc.)	\$ 12,802,016	12,802,016	12,805,954	3,938
Payments in Lieu of Taxes	43,050	43,050	56,677	13,627
Local Sales Tax	5,101,313	5,151,313	5,076,885	(74,428)
Beer and Liquor Taxes	669,000	669,000	743,256	74,256
Business Tax	447,500	447,500	459,527	12,027
Gas Franchise Tax	450,000	450,000	350,277	(99,723)
Cable Television Franchise Tax	300,000	300,000	356,355	56,355
Hotel and Motel Taxes	415,000	415,000	467,276	52,276
<b>Total Taxes</b>	<b>20,227,879</b>	<b>20,277,879</b>	<b>20,316,207</b>	<b>38,328</b>
<u>Licenses and Permits</u>	<u>251,000</u>	<u>251,000</u>	<u>264,645</u>	<u>13,645</u>
<u>Intergovernmental:</u>				
State Sales Tax	1,892,000	1,892,000	1,822,400	(69,600)
State Income Tax	175,000	351,444	718,760	367,316
State Highway Maintenance	75,000	75,000	90,326	15,326
Bank Excise Tax	45,000	45,000	65,347	20,347
Gas and Motor Fuel Tax	56,100	56,100	55,423	(677)
Beer and Mixed Drink	132,000	132,000	132,440	440
TVA Payments in Lieu	225,000	225,000	239,688	14,688
Telecommunications Tax	4,500	4,500	3,322	(1,178)
Federal Government	405,273	405,273	383,539	(21,734)
Federal Thru State and State Grants	318,588	318,588	573,804	255,216
Other Revenue	317,547	317,547	273,849	(43,698)
<b>Total Intergovernmental</b>	<b>3,646,008</b>	<b>3,822,452</b>	<b>4,358,898</b>	<b>536,446</b>
<u>Charges for Services</u>	<u>1,084,000</u>	<u>1,084,000</u>	<u>1,075,238</u>	<u>(8,762)</u>
<u>Revenues from Use of Facilities</u>	<u>1,500</u>	<u>1,500</u>	<u>113,242</u>	<u>111,742</u>
<u>Fines and Forfeitures</u>	<u>391,000</u>	<u>391,000</u>	<u>401,044</u>	<u>10,044</u>
<u>Investment Earnings</u>	<u>360,000</u>	<u>360,000</u>	<u>271,719</u>	<u>(88,281)</u>
<u>Other</u>	<u>45,000</u>	<u>45,000</u>	<u>128,012</u>	<u>83,012</u>
<b>Total Revenues</b>	<b>26,006,387</b>	<b>26,232,831</b>	<b>26,929,005</b>	<b>696,174</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures:</u>				
<u>General Government:</u>				
<u>General Administration:</u>				
City Council	123,400	123,400	141,208	(17,808)
Contingency	45,000	45,000	16,910	28,090
City Court	50,916	50,916	46,591	4,325
Juvenile Court	39,487	39,487	223,420	(183,933)
City Manager	201,365	201,365	208,913	(7,548)
Legal	108,507	108,507	94,201	14,306
Finance	316,135	316,135	326,137	(10,002)
Information Technology	148,098	148,098	159,897	(11,799)
Human Resources	223,326	223,326	216,485	6,841
Capital Outlay	50,000	80,000	27,406	52,594
Total General Administration	<u>1,306,234</u>	<u>1,336,234</u>	<u>1,461,168</u>	<u>(124,934)</u>
<u>Other Administration:</u>				
Bristol Public Library	739,022	739,022	738,914	108
Economic Development	271,500	271,500	271,500	-
School Insurance	85,000	85,000	70,300	14,700
Total Other Administration	<u>1,095,522</u>	<u>1,095,522</u>	<u>1,080,714</u>	<u>14,808</u>
<u>Community Development</u>				
Planning	441,430	441,430	414,757	26,673
MPO	233,735	233,735	188,808	44,927
Economic Development	145,200	145,200	86,245	58,955
Codes Enforcement	354,768	354,768	351,273	3,495
Capital Outlay	30,000	30,000	49,189	(19,189)
Total Community Development	<u>1,205,133</u>	<u>1,205,133</u>	<u>1,090,272</u>	<u>114,861</u>
Total General Government	<u>3,606,889</u>	<u>3,636,889</u>	<u>3,632,154</u>	<u>4,735</u>
<u>Leisure Services:</u>				
Administration	153,941	153,941	147,747	6,194
Recreation	316,517	316,517	284,862	31,655
Steele Creek Golf Course	228,947	249,947	265,706	(15,759)
Senior Citizens Program	67,498	67,498	68,580	(1,082)
Special Programs	215,709	215,709	208,448	7,261
Slater Center	155,622	155,622	157,218	(1,596)
Parks and Facilities	1,160,203	1,160,203	1,137,590	22,613
Nature Center	98,914	98,914	114,932	(16,018)
Municipal Building	184,359	184,359	173,409	10,950
Haynesfield Pool	59,945	59,945	53,528	6,417
Capital Outlay	84,000	84,000	72,929	11,071
Total Leisure Services	<u>2,725,655</u>	<u>2,746,655</u>	<u>2,684,949</u>	<u>61,706</u>

(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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued):</u>				
<u>Public Safety:</u>				
<u>Fire Department:</u>				
Administration	313,256	313,256	298,005	15,251
Emergency Services	2,915,434	2,915,434	3,060,908	(145,474)
Ambulance Services	84,935	84,935	113,903	(28,968)
Fire Stations	74,280	74,280	80,936	(6,656)
Fire Grants	108,000	108,000	91,077	16,923
Capital Outlay	45,000	395,000	403,316	(8,316)
<b>Total Fire Department</b>	<b>3,540,905</b>	<b>3,890,905</b>	<b>4,048,145</b>	<b>(157,240)</b>
<u>Police Department:</u>				
Administration	367,325	367,325	448,656	(81,331)
Patrol	3,193,448	3,193,448	3,292,891	(99,443)
Investigations	1,081,546	1,081,546	960,455	121,091
Community Programs	518,216	518,216	508,297	9,919
Communications and Records	966,704	987,148	946,744	40,404
Youth Services	225,510	225,510	-	225,510
Animal Control	110,327	110,327	105,788	4,539
Police Grants	196,633	196,633	228,126	(31,493)
Capital Outlay	261,000	261,000	234,421	26,579
<b>Total Police Department</b>	<b>6,920,709</b>	<b>6,941,153</b>	<b>6,725,378</b>	<b>215,775</b>
<b>Total Public Safety</b>	<b>10,461,614</b>	<b>10,832,058</b>	<b>10,773,523</b>	<b>58,535</b>
<u>Public Venue:</u>				
Administration	157,684	207,684	315,987	(108,303)
Concessions	46,444	46,444	50,135	(3,691)
Downtown Center	40,936	40,936	55,835	(14,899)
Farmer's Market	20,149	20,149	22,197	(2,048)
Capital Outlay	-	-	-	-
<b>Total Public Venue</b>	<b>265,213</b>	<b>315,213</b>	<b>444,154</b>	<b>(128,941)</b>
<u>Public Works:</u>				
Administration	103,303	103,303	100,221	3,082
Engineering	175,846	175,846	165,108	10,738
GIS	52,018	107,018	59,852	47,166
Street Maintenance	1,385,382	1,385,382	1,326,644	58,738
Fleet Services	513,317	513,317	468,147	45,170
Transit	289,943	289,943	353,114	(63,171)
Para Transit	50,602	50,602	37,485	13,117
Job Access Transit	113,774	113,774	97,419	16,355
Street Lighting and Traffic Control	420,000	420,000	427,320	(7,320)
Capital Outlay	160,000	160,000	194,069	(34,069)
<b>Total Public Works</b>	<b>3,264,185</b>	<b>3,319,185</b>	<b>3,229,379</b>	<b>89,806</b>
<b>Total Expenditures</b>	<b>20,323,556</b>	<b>20,850,000</b>	<b>20,764,159</b>	<b>85,841</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,682,831</u>	<u>5,382,831</u>	<u>6,164,846</u>	<u>782,015</u>
<u>Other Financing Sources (Uses):</u>				
Transfer from Capital Projects Fund	-	300,000	308,390	8,390
Transfer from Electric Fund	1,068,958	1,068,958	1,199,684	130,726
Transfer from Water Fund	300,000	300,000	200,000	(100,000)
Transfer from School Capital Projects Fund	130,000	130,000	70,000	(60,000)
Transfer from Sewer Fund	175,000	175,000	236,250	61,250
Transfer to General Purpose School Fund	(3,978,000)	(3,978,000)	(3,978,000)	-
Transfer to Solid Waste Fund	(332,000)	(486,000)	(445,000)	41,000
Transfer to Viking Hall Fund	(158,000)	(158,000)	(127,000)	31,000
Transfer to Debt Service Fund	(1,570,000)	(1,570,000)	(1,453,494)	116,506
Transfer to Capital Projects Fund	(800,000)	(800,000)	(473,000)	327,000
Transfer to School Capital Projects Fund	(600,000)	(600,000)	(611,668)	(11,668)
Transfer to Demolition Landfill Fund	(120,000)	(120,000)	(150,000)	(30,000)
Total Other Financing Sources (Uses)	<u>(5,884,042)</u>	<u>(5,738,042)</u>	<u>(5,223,838)</u>	<u>514,204</u>
Net Change in Fund Balances	<u>(201,211)</u>	<u>(355,211)</u>	<u>941,008</u>	<u>1,296,219</u>
Fund Balance, July 1, 2007	7,156,781	9,188,991	9,188,991	-
Prior Period Adjustment:				
Transfers from Electric Fund	-	-	446,498	446,498
Adjusted Fund Balance, July 1, 2007	<u>7,156,781</u>	<u>9,188,991</u>	<u>9,635,489</u>	<u>446,498</u>
Fund Balance, June 30, 2008	<u>\$ 6,955,570</u>	<u>8,833,780</u>	<u>10,576,497</u>	<u>1,742,717</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, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>			
<u>Taxes:</u>			
County Property Tax	\$ 8,575,895	8,695,041	119,146
Local Sales Tax	4,106,155	4,127,586	21,431
Business Tax	-	232	232
Total Taxes	<u>12,682,050</u>	<u>12,822,859</u>	<u>140,809</u>
<u>Licenses and Permits</u>	<u>2,000</u>	<u>1,798</u>	<u>(202)</u>
<u>Intergovernmental Revenues:</u>			
Federal Thru State and State	13,383,856	13,726,604	342,748
Bank Excise Tax	25,000	18,967	(6,033)
Telecommunications Tax	3,000	2,719	(281)
Total Intergovernmental Revenues	<u>13,411,856</u>	<u>13,748,290</u>	<u>336,434</u>
<u>Charges for Services</u>	<u>230,000</u>	<u>267,139</u>	<u>37,139</u>
<u>Revenues from Use of Facilities</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
<u>Investment Earnings</u>	<u>150,000</u>	<u>162,767</u>	<u>12,767</u>
<u>Other</u>	<u>284,566</u>	<u>399,346</u>	<u>114,780</u>
Total Revenues	<u>26,762,872</u>	<u>27,404,599</u>	<u>641,727</u>
<u>Expenditures:</u>			
<u>Instruction:</u>			
Regular Education	16,249,299	14,744,244	1,505,055
Alternate School	249,265	247,236	2,029
Special Education	1,743,257	1,743,341	(84)
Vocational Education	890,014	844,666	45,348
Student Body	5,000	7,076	(2,076)
Total Instruction	<u>19,136,835</u>	<u>17,586,563</u>	<u>1,550,272</u>
<u>Support Services:</u>			
Attendance	188,871	187,537	1,334
Health Services	180,989	170,323	10,666
Other Student Support	693,064	700,355	(7,291)
Regular Instruction	2,629,290	2,799,501	(170,211)
Alternate School	2,500	853	1,647
Special Education	165,233	167,095	(1,862)
Vocational Education	99,934	98,273	1,661

(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, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Expenditures (Continued):</u>			
<u>Support Services (Continued):</u>			
Board of Education	601,406	448,550	152,856
Director of Schools	297,989	317,043	(19,054)
Office of Principal	1,811,492	2,044,966	(233,474)
Fiscal Services	297,759	286,055	11,704
Operation of Plant	2,202,618	1,931,480	271,138
Maintenance of Plant	1,058,581	1,191,853	(133,272)
Student Transportation	732,405	720,604	11,801
Total Support Services	<u>10,962,131</u>	<u>11,064,488</u>	<u>(102,357)</u>
<u>Non-Instructional Services</u>			
School Nutrition	145,809	145,363	446
Community Service	23,000	30,789	(7,789)
Early Childhood	300,000	304,528	(4,528)
Total Non-Instructional Services	<u>468,809</u>	<u>480,680</u>	<u>(11,871)</u>
<u>Non-capitalized Improvements</u>	<u>288,300</u>	<u>34,691</u>	<u>253,609</u>
<u>Capital Outlay</u>	<u>250,000</u>	<u>595,998</u>	<u>(345,998)</u>
Total Expenditures	<u>31,106,075</u>	<u>29,762,420</u>	<u>1,343,655</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,343,203)</u>	<u>(2,357,821)</u>	<u>1,985,382</u>
<u>Other Financing Sources (Uses):</u>			
Transfer from General Fund	3,978,000	3,978,000	-
Total Other Financing Sources (Uses)	<u>3,978,000</u>	<u>3,978,000</u>	<u>0</u>
Net Change in Fund Balances	(365,203)	1,620,179	1,985,382
Fund Balance, July 1, 2007	<u>4,380,376</u>	<u>5,693,605</u>	<u>1,313,229</u>
Fund Balance, June 30, 2008	<u>\$ 4,015,173</u>	<u>7,313,784</u>	<u>3,298,611</u>

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, 2008

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund		
<b>ASSETS:</b>						
<u>Current Assets:</u>						
Cash and Cash Equivalents	\$10,230,263	915,683	1,494,340	-	12,640,286	1,286,700
Accounts Receivable, (Net)	8,191,685	874,615	485,773	2,209	9,554,282	-
Other Receivables	548,275	44,287	-	-	592,562	14,711
Due from Other Funds	-	77,793	12,573	-	90,366	115,197
Due from Other Governments	-	-	72,162	-	72,162	-
Due from Joint Venture	-	-	374,356	-	374,356	-
Inventories	1,330,974	290,666	48,880	-	1,670,520	-
Prepays	143,484	-	-	-	143,484	-
Customer Notes Receivable (Net) - Current Portion	440,000	476	2,441	-	442,917	-
Discounted Energy Units - Current Portion	836,476	-	-	-	836,476	-
Total Current Assets	21,721,157	2,203,520	2,490,525	2,209	26,417,411	1,416,608
<u>Noncurrent Assets:</u>						
<u>Capital Assets</u>						
Capital Assets	107,500,436	38,945,567	27,720,355	970,405	175,136,763	-
Construction in Progress	8,187,788	988,558	92,431	811,500	10,080,277	-
Total Capital Assets	115,688,224	39,934,125	27,812,786	1,781,905	185,217,040	0
Less: Accumulated Depreciation	45,541,551	18,562,677	6,400,115	500,919	71,005,262	-
Net Capital Assets	70,146,673	21,371,448	21,412,671	1,280,986	114,211,778	0
<u>Other Noncurrent Assets:</u>						
Restricted Cash and Cash Equivalents	-	104,067	2,956	-	107,023	-
Certificates of Deposit - Long-term	8,000,000	-	-	-	8,000,000	-
Investment in Joint Venture	-	-	7,135,039	-	7,135,039	-
Customer Notes Receivable, Less Current Portion	1,929,802	-	-	-	1,929,802	-
Prepaid Pension Cost	564,195	-	-	-	564,195	-
Discounted Energy Units, Less Current Portion	3,316,996	-	-	-	3,316,996	-
Other	417,759	38,608	4,917	6,869	468,153	-
Total Other Noncurrent Assets	14,228,752	142,675	7,142,912	6,869	21,521,208	0
Total Noncurrent Assets	84,375,425	21,514,123	28,555,583	1,287,855	135,732,986	0
Total Assets	106,096,582	23,717,643	31,046,108	1,290,064	162,150,397	1,416,608

(Continued)

CITY OF BRISTOL, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund	Total Enterprise Funds	
<b>LIABILITIES:</b>						
<u>Current Liabilities:</u>						
Accounts Payable	4,661,448	223,971	178,700	21,719	5,085,838	-
Accrued Interest	346,067	24,682	11,668	1,600	384,017	-
Accrued Liabilities	4,856,771	-	-	-	4,856,771	376,027
Accrued Payroll and Related Liabilities	-	24,693	7,034	2,014	33,741	-
Deposits	1,578,311	161,177	-	-	1,739,488	-
Due to Other Funds	838,212	-	-	88,724	926,936	-
Due to Others	-	19,866	1,472	-	21,338	-
Deferred Revenue	270,838	-	-	-	270,838	-
Compensated Absences Payable	-	44,000	12,925	4,000	60,925	-
Bonds Payable	455,000	1,233,454	660,977	70,000	2,419,431	-
Notes Payable	-	145,435	124,664	-	270,099	-
Landfill Closure Costs	-	-	-	266,387	266,387	-
Total Current Liabilities	<u>13,006,647</u>	<u>1,877,278</u>	<u>997,440</u>	<u>454,444</u>	<u>16,335,809</u>	<u>376,027</u>
<u>Long-term Liabilities:</u>						
Compensated Absences Payable	-	54,826	12,444	5,971	73,241	-
Bonds Payable, Net of Unamortized						
Deferred Amounts	23,423,128	2,392,016	134,401	410,000	26,359,545	-
Notes Payable	-	444,995	1,443,424	-	1,888,419	-
Landfill Closure Costs	-	-	-	42,383	42,383	-
Other Post Employment Benefit Obligation	-	19,548	10,947	1,798	32,293	-
Total Long-term Liabilities	<u>23,423,128</u>	<u>2,911,385</u>	<u>1,601,216</u>	<u>460,152</u>	<u>28,395,881</u>	<u>0</u>
Total Liabilities	36,429,775	4,788,663	2,598,656	914,596	44,731,690	376,027
<b>NET ASSETS:</b>						
Invested in Capital Assets, Net of						
Related Debt	46,268,545	17,241,099	19,049,205	800,986	83,359,835	-
Restricted for Capital Assets	-	85,552	-	-	85,552	-
Restricted for Debt Service	-	18,515	2,956	-	21,471	-
Unrestricted	23,398,262	1,583,814	9,395,291	(425,518)	33,951,849	1,040,581
Net Assets	<u>\$ 69,666,807</u>	<u>18,928,980</u>	<u>28,447,452</u>	<u>375,468</u>	<u>117,418,707</u>	<u>1,040,581</u>

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

Net Assets of Business-type Activities

84,155  
\$117,502,862

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, 2008

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund		
<u>Operating Revenues:</u>						
Charges for Services (Net)	\$ 76,878,662	4,044,624	4,417,046	140,054	85,480,386	3,050,456
Other Revenue	2,776,348	120,983	126,275	4,726	3,028,332	-
Total Operating Revenues	<u>79,655,010</u>	<u>4,165,607</u>	<u>4,543,321</u>	<u>144,780</u>	<u>88,508,718</u>	<u>3,050,456</u>
<u>Operating Expenses:</u>						
Maintenance and Administrative	9,692,940	110,866	1,288,335	493,570	11,585,711	324,299
Medical Claims	-	-	-	-	0	1,776,320
Water Filtration Plant	-	1,281,324	-	-	1,281,324	-
Water Distribution	-	930,744	-	-	930,744	-
Sewer Collection	-	-	917,400	-	917,400	-
Purchased Power	64,050,732	-	-	-	64,050,732	-
Depreciation	2,756,433	812,646	579,221	33,943	4,182,243	-
Other Expenses	-	600,162	709,341	-	1,309,503	-
Total Operating Expenses	<u>76,500,105</u>	<u>3,735,742</u>	<u>3,494,297</u>	<u>527,513</u>	<u>84,257,657</u>	<u>2,100,619</u>
Operating Income (Loss)	<u>3,154,905</u>	<u>429,865</u>	<u>1,049,024</u>	<u>(382,733)</u>	<u>4,251,061</u>	<u>949,837</u>
<u>Nonoperating Revenues (Expenses):</u>						
Amortization of Bond Costs	(11,583)	(13,815)	(6,021)	(1,064)	(32,483)	-
Interest Revenue	439,898	70,669	75,880	1,111	587,558	23,939
Interest Expense	-	(130,754)	(122,470)	-	(253,224)	-
Fiscal Agent Fees	-	(7,832)	(1,405)	-	(9,237)	-
Capital Contribution to Joint Venture	-	-	(375,000)	-	(375,000)	-
Loss on Investment in Joint Venture	-	-	(27,207)	-	(27,207)	-
State Income Tax	(51,500)	-	-	-	(51,500)	-
Total Nonoperating Revenues (Expenses)	<u>376,815</u>	<u>(81,732)</u>	<u>(456,223)</u>	<u>47</u>	<u>(161,093)</u>	<u>23,939</u>
Net Income (Loss) Before Operating Transfers and Capital Contributions	<u>3,531,720</u>	<u>348,133</u>	<u>592,801</u>	<u>(382,686)</u>	<u>4,089,968</u>	<u>973,776</u>

(Continued)

CITY OF BRISTOL, TENNESSEE  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 For the Fiscal Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund		
Net Income (Loss) Before Operating Transfers and Capital Contributions (Brought Forward)	3,531,720	348,133	592,801	(382,686)	4,089,968	973,776
<u>Transfers:</u>						
Transfer from General Fund	-	-	-	150,000	150,000	-
Transfer to General Fund	(1,199,684)	(200,000)	(236,250)	-	(1,635,934)	-
Total Transfers	(1,199,684)	(200,000)	(236,250)	150,000	(1,485,934)	0
<u>Capital Contributions and Grants</u>	-	633,600	802,243	-	1,435,843	-
Change in Net Assets	2,332,036	781,733	1,158,794	(232,686)	4,039,877	973,776
Net Assets, July 1, 2007	67,598,340	18,147,247	27,288,658	608,154		66,805
Prior Period Adjustment: To Correct PILOT Amounts	(263,569)	-	-	-		-
Adjusted Net Assets, July 1, 2007	67,334,771	18,147,247	27,288,658	608,154		66,805
Net Assets, June 30, 2008	\$ 69,666,807	18,928,980	28,447,452	375,468		1,040,581
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					135,246	
Change in Net Assets of Business-type Activities					\$ 4,175,123	

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, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund	Total Enterprise Funds	
<u>Cash Flows from Operating Activities:</u>						
Receipts from Customers and Users	\$ 76,043,633	4,221,272	4,504,263	140,520	84,909,688	742,216
Receipts from Other	-	-	-	4,726	4,726	(4,925)
Receipts for Interfund Services Provided	1,565,097	166,299	-	-	1,731,396	2,308,240
Payments to Suppliers	(64,786,047)	(1,653,947)	(743,270)	(160,836)	(67,344,100)	(1,982,115)
Payments to Employees	(3,534,195)	(832,957)	(233,465)	(69,748)	(4,670,365)	-
Payments to Joint Venture	-	-	(1,347,305)	-	(1,347,305)	-
Payments for Interfund Services Used	-	(599,760)	(693,829)	-	(1,293,589)	-
Net Cash Provided by/(Used for) Operating Activities	9,288,488	1,300,907	1,486,394	(85,338)	11,990,451	1,063,416
<u>Cash Flows from Noncapital Financing Activities:</u>						
Due From/To General Fund	-	(7,136)	(24,856)	(380,173)	(412,165)	(75,655)
State Income Tax	(51,500)	-	-	-	(51,500)	-
Transfers From/(To) Other Funds	(1,199,684)	(200,000)	(236,250)	150,000	(1,485,934)	-
Net Cash Provided by/(Used for) Noncapital Financing Activities	(1,251,184)	(207,136)	(261,106)	(230,173)	(1,949,599)	(75,655)
<u>Cash Flows from Capital and Related Financing Activities:</u>						
Bonds Payable Issued	-	1,550,000	-	550,000	2,100,000	-
Purchase of Capital Assets	(13,337,057)	(936,430)	(215,590)	(138,967)	(14,628,044)	-
Principal Paid on Capital Debt	(440,000)	(1,323,100)	(755,504)	(70,000)	(2,588,604)	-
Bond Issuance Costs	-	(22,356)	-	(7,933)	(30,289)	-
Interest Paid on Capital Debt	(1,047,900)	(193,894)	(132,241)	(18,700)	(1,392,735)	-
Fiscal Agent Fees Paid	-	(7,832)	(1,405)	-	(9,237)	-
Net Cash Provided by/(Used for) Capital and Related Financing Activities	(14,824,957)	(933,612)	(1,104,740)	314,400	(16,548,909)	0
<u>Cash Flows from Investing Activities:</u>						
Contribution to Joint Venture	-	-	(375,000)	-	(375,000)	-
Interest and Dividends Received	1,169,332	70,669	75,880	1,111	1,316,992	23,939
Net Cash Provided by/(Used for) Investing Activities	1,169,332	70,669	(299,120)	1,111	941,992	23,939
Net Increase (Decrease) in Cash and Cash Equivalents	(5,618,321)	230,828	(178,572)	-	(5,566,065)	1,011,700
Cash and Cash Equivalents, Beginning of Year	15,848,584	788,922	1,675,868	0	18,313,374	275,000
Cash and Cash Equivalents, End of Year	\$ 10,230,263	1,019,750	1,497,296	0	12,747,309	1,286,700

(Continued)

CITY OF BRISTOL, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund	Total Enterprise Funds	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:</u>						
Operating Income (Loss)	\$ 3,154,905	429,865	1,049,024	(382,733)	4,251,061	949,837
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:						
Depreciation Expense	2,756,433	812,646	579,221	33,943	4,182,243	-
Increase in Allowance for Uncollectible Accounts	140,325	55,000	-	-	195,325	-
Redemption of Discounted Energy Units	1,044,000	-	-	-	1,044,000	-
(Increase) Decrease:						
Accounts Receivable	(938,561)	(1,229)	(38,167)	465	(977,492)	-
Other Receivables	(722,478)	(17,140)	(59,675)	-	(799,293)	(4,925)
Inventories	403,851	(3,180)	(3,982)	-	396,689	-
Prepaid Items	55,458	20,669	6,149	2,027	84,303	-
Other Assets	80,682	-	-	-	80,682	-
Customer Notes Receivable	24,487	(476)	(1,660)	-	22,351	-
Increase (Decrease):						
Accounts Payable	2,444,099	(29,129)	(60,438)	(998)	2,353,534	-
Accrued Liabilities	1,476,022	19,548	10,947	260,568	1,767,085	118,504
Compensated Payroll and Related Deductions	-	976	(622)	367	721	-
Compensated Absences Payable	-	10,987	4,125	1,023	16,135	-
Deposits	(634,245)	3,682	-	-	(630,563)	-
Due to Other Funds	3,510	-	-	-	3,510	-
Due to Others	-	(1,312)	1,472	-	160	-
<u>Net Cash Provided by/(Used for) Operating Activities</u>	<u>\$ 9,288,488</u>	<u>1,300,907</u>	<u>1,486,394</u>	<u>(85,338)</u>	<u>11,990,451</u>	<u>1,063,416</u>

(Continued)

CITY OF BRISTOL, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund		
Cash and Cash Equivalents	\$ 10,230,263	915,683	1,494,340	-	12,640,286	1,286,700
Restricted Cash	-	104,067	2,956	-	107,023	-
Total Cash and Cash Equivalents at June 30, 2008	<u>\$ 10,230,263</u>	<u>1,019,750</u>	<u>1,497,296</u>	<u>0</u>	<u>12,747,309</u>	<u>1,286,700</u>

Reconciliation of Cash and Cash Equivalents from Statement  
of Cash Flows to Statement of Net Assets:

Schedule of Noncash Investing, Capital and Financing Activities:

Accounts payable in the Electric Fund at June 30, 2008, included \$120,785 for construction in progress.

Accounts payable were \$185,809 in the Water Fund at June 30, 2008, for capital assets.  
Water lines were also contributed during the year that were valued at \$633,600.

Accounts payable were \$153,381 in the Sewer Fund at June 30, 2008 for capital assets.  
Sewer lines were also contributed during the year that were valued at \$763,460.

The Sewer Fund had a loss on investment in joint venture of \$27,207 which equals the City's annual 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 NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008

	Agency Funds
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 1,648,725
Pooled Cash Held by General Fund	1,193
Total Assets	\$ 1,649,918
 <u>LIABILITIES:</u>	
Due to Others	\$ 1,649,918
Total Liabilities	\$ 1,649,918

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, 2008

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, 2008

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, 2008, the District reimbursed \$85,592 to the City for payment in full for costs for the year.

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. The Avoca capital assets are the 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, 2008

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 of the Cities appoints three of the six-committee members which oversee the 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, 2008, the City received \$4,560 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, 2008

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, 2008, is presented for Bristol Public Library, Joint Sewerage System, and Tri-Cities Airport. Information presented for Networks is for the year ended June 30, 2007, since financial information has yet to be prepared and released for the 2008 year. Information for each joint venture is presented on the accrual basis.

	Bristol Public Library	Joint Sewerage System	Networks - Sullivan Partnership	Tri-Cities Airport
Revenues	\$ 1,734,877	3,228,405	758,201	11,731,127
Expenses	<u>(2,127,548)</u>	<u>(3,282,820)</u>	<u>(797,839)</u>	<u>(8,723,607)</u>
Net Income (Loss) Transferred to Net Assets	(392,671)	(54,415)	(39,638)	3,007,520
Net Assets, July 1	2,492,081	14,324,493	142,148	47,157,818
Net Assets, June 30	<u>\$ 2,099,410</u>	<u>14,270,078</u>	<u>102,510</u>	<u>50,165,338</u>
Total Assets	\$ 2,259,996	15,149,977	2,671,863	59,600,781
Total Liabilities	160,586	879,899	2,569,353	9,435,443
Total Net Assets	<u>\$ 2,099,410</u>	<u>14,270,078</u>	<u>102,510</u>	<u>50,165,338</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, 2008

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, as well as 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, 2008

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, 2008, 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 provisions of electric, cable and internet, and telephone services to 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 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 services 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, 2008

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.

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 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.

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.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

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

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.

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, 2008

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 bears interest at rates ranging from 8% to 10.25% and has 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 \$202,000 in 2008 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 transit and capital projects and in other accounts with financial institutions for debt service payments and unspent bond proceeds.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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, 2008

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 \$4,153,472 as of June 30, 2008.

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 \$134,166 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, 2008, 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 \$2,084,818 for vacation benefits have been reflected in the statement of net assets as compensated absences for the governmental activities.

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, 2008

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 Implemented

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*. The Statement establishes standards for the measurement, recognition and display of other post employment benefit (OPEB) expense and related liabilities in the financial statements in the same manner as pensions are accounted. This Statement is effective for the City for the period ending June 30, 2008. The City implemented the statement prospectively with a zero net OPEB obligation at transition.

The Governmental Accounting Standards Board (GASB) has also issued its Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The Statement establishes increased disclosure requirements in the notes to the financial statements regarding revenues pledge to collateralize debt, until the debt is fully repaid. This Statement is also effective for the City for the period ending June 30, 2008.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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 \$(22,286,811) difference are as follows:

Bonds and notes payable	\$ (19,714,153)
Less: Deferred charge on refunding (net of amortization of \$125,462 recorded as interest expense)	134,545
Add: Bond premium (net of amortization of \$24,488 recorded as interest expense)	(8,468)
Accrued interest payable	(80,096)
Compensated absences	(2,084,818)
Other Post Employment Benefit Obligation	<u>(533,821)</u>
 Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	 \$ <u>(22,286,811)</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 \$998,822 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.	\$ 1,155,528
The statement of activities reports an adjustment to expenses arising from the disposal of capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.	<u>(156,706)</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>998,822</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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 \$(11,562,849) difference are as follows:

Debt issued or incurred:	
Bonds issued	\$ (12,900,000)
Principal repayments:	
General obligation debt	1,139,346
Bond issue costs	<u>197,805</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>(11,562,849)</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 \$(177,636) difference are as follows:

Compensated absences for the prior year	\$ 1,907,182
Compensated absences for the current year	<u>(2,084,818)</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>(177,636)</u>
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CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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 \$(607,117) difference are as follows:

Prior year accrued interest	\$ 57,101
Current year accrued interest	(80,096)
Current year other post employment benefit obligation	(533,821)
Amortization of deferred charge on refunding	(28,735)
Amortization of bond issuance costs	(25,831)
Amortization of bond premiums	<u>4,265</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>(607,117)</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 profit allocated to the governmental activities was \$838,529 and to the business-type activities was \$135,246. 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

The City follows the procedures outlined below in establishing the budgetary data reflected in the financial statements.

- 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 means of financing them. 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, 2008

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

A. Budgetary Information (Continued)

- 4) 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 means of financing them. Also, a five-year capital budget is presented in conjunction with the operating budget.
- 5) A public hearing is conducted to obtain taxpayer comments.
- 6) Prior to July 1, the budgets for all governmental funds are legally enacted through passage of an ordinance.
- 7) 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.
- 8) Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, and Debt Service Fund. Budgetary control is also achieved for the Debt Service Fund through general obligation bond indenture provisions.
- 9) 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.
- 10) 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.

For the year ending June 30, 2008, the Capital Projects Fund incurred expenditures totaling \$3,207,050. The amended budget for this fund was \$2,975,000. Therefore, the Capital Projects Fund's total expenditures exceeded the amended budget by \$232,050.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

A. Budgetary Information (Continued)

The following supplements were made to the original budget.

<u>Fund</u>	<u>Original Budget</u>	<u>Total Revisions</u>	<u>Revised Budget</u>
General Fund	\$ 20,323,556	526,444	20,850,000
HOME Consortium Fund	1,527,145	197,855	1,725,000
Solid Waste Disposal Fund	1,627,616	197,384	1,825,000
Viking Hall Fund	687,088	137,912	825,000
Drug Fund	45,061	9,939	55,000
Child Nutrition Fund	1,804,700	50,000	1,854,700
Capital Projects Fund	2,773,000	202,000	2,975,000

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, 2008

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 \$12,223 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$28,356,820 and the balance in financial institutions was \$30,250,794. 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 \$1,648,725 and the balance in financial institutions was \$1,679,898. 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, 2008

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

A. Deposits and Investments (Continued)

Investments

At June 30, 2008, 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>22,329,275</u>	<u>22,329,275</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	\$ 12,223
Carrying Amount of Deposits	28,356,820
Carrying Amount of Short-term Investments	<u>22,329,275</u>
Total Deposits	\$ <u>50,698,318</u>

*Amounts per Statement of Net Assets:*

Cash and Cash Equivalents	\$ 29,971,356
Long-term Certificates of Deposit	8,000,000
Restricted Cash	<u>12,726,962</u>
Total per Statement of Net Assets	\$ <u>50,698,318</u>

Discretely Presented Component Unit

All of the District's cash and cash equivalents were deposited with financial institutions at June 30, 2008. All deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits were fully collateralized by the Tennessee Bank Collateral Pool.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

**B. Receivables**

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

	General	General Purpose School	Electric	Water	Sewer	Demolition Landfill	Nonmajor Governmental Funds	Internal Service Fund	Total
Receivables:									
Accounts	\$ -	-	8,515,856	1,374,615	485,773	2,209	150,507	-	10,528,960
Taxes	14,904,822	-	-	-	-	-	-	-	14,904,822
Other Receivables	1,051,182	149,383	548,275	44,287	-	-	248,902	14,711	2,056,740
Notes Receivable	-	-	2,369,802	476	2,441	-	187,575	-	2,560,294
Due from Others:									
Federal Government	92,682	1,999	-	-	-	-	226,661	-	321,342
State of Tennessee and Federal Through the State	2,407,654	62,050	-	-	-	-	331,828	-	2,801,532
Joint Ventures	10,583	-	-	-	374,356	-	-	-	384,939
Other Governments and Agencies	101,075	9,495,695	-	-	72,162	-	355	-	9,669,287
Gross Receivables	18,567,998	9,709,127	11,433,933	1,419,378	934,732	2,209	1,145,828	14,711	43,227,916
Less: Allowance for Uncollectibles	(419,000)	-	(324,171)	(500,000)	-	-	-	-	(1,243,171)
Total Receivables	\$ 18,148,998	9,709,127	11,109,762	919,378	934,732	2,209	1,145,828	14,711	41,984,745

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, 2008

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 and reimbursements prior to meeting all eligibility requirements:		
Grant Fund	\$ -	151,839
HOME Consortium Fund	-	35,736
Receivables not received within period of availability:		
Property tax levied for ensuing fiscal year:		
General Fund	-	13,834,634
General Purpose School Fund	-	8,388,159
Property tax levied but not collected in period of availability	808,474	-
Sales Taxes	335,000	-
Other taxes	559,477	-
State revenue	392,565	-
Reimbursements and appropriations	187,569	-
Ambulance service charges	139,543	-
	<u>\$ 2,422,628</u>	<u>22,410,368</u>

Deferred revenue is \$24,832,996 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, 2008

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Adjustments	Ending Balance
<b>Governmental Activities:</b>						
Capital Assets, Not Being Depreciated:						
Land	\$ 4,041,149	-	(2,801)	-	-	4,038,348
Construction in Progress	3,469,234	4,474,369	-	(2,623,134)	(316,351)	5,004,118
<b>Total Capital Assets, Not Being Depreciated</b>	<b>7,510,383</b>	<b>4,474,369</b>	<b>(2,801)</b>	<b>(2,623,134)</b>	<b>(316,351)</b>	<b>9,042,466</b>
Capital Assets, Being Depreciated:						
Land Improvements	2,318,712	-	(130,316)	471,802	-	2,660,198
Buildings and Improvements	37,676,230	532,732	(923,714)	44,556	-	37,329,804
Other Improvements	-	-	-	763,545	-	763,545
Machinery and Equipment	13,667,483	1,655,391	(721,738)	59,907	-	14,661,043
Infrastructure	100,698,641	-	-	1,343,231	(119,741)	101,922,131
<b>Total Capital Assets, Being Depreciated</b>	<b>154,361,066</b>	<b>2,188,123</b>	<b>(1,775,768)</b>	<b>2,683,041</b>	<b>(119,741)</b>	<b>157,336,721</b>
Less Accumulated Depreciation For:						
Land Improvements	(763,157)	(50,980)	814	-	-	(813,323)
Buildings and Improvements	(17,413,380)	(812,224)	923,618	-	-	(17,301,986)
Other Improvements	-	(12,173)	-	-	-	(12,173)
Machinery and Equipment	(9,160,941)	(1,055,607)	697,431	(59,907)	-	(9,579,024)
Infrastructure	(33,144,599)	(2,011,976)	-	-	26,402	(35,130,173)
<b>Total Accumulated Depreciation</b>	<b>(60,482,077)</b>	<b>(3,942,960)</b>	<b>1,621,863</b>	<b>(59,907)</b>	<b>26,402</b>	<b>(62,836,679)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>93,878,989</b>	<b>(1,754,837)</b>	<b>(153,905)</b>	<b>2,623,134</b>	<b>(93,339)</b>	<b>94,500,042</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 101,389,372</b>	<b>2,719,532</b>	<b>(156,706)</b>	<b>0</b>	<b>(409,690)</b>	<b>103,542,508</b>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,543,364	34,921	(200,000)	-	2,378,285
Construction in Progress	31,968,800	14,872,093	-	(36,760,615)	10,080,278
Total Capital Assets, Not Being Depreciated	<u>34,512,164</u>	<u>14,907,014</u>	<u>(200,000)</u>	<u>(36,760,615)</u>	<u>12,458,563</u>
Capital Assets, Being Depreciated:					
Land Improvements	150,000	-	-	-	150,000
Building and Building Improvements	5,533,149	-	-	33,370	5,566,519
Other Improvements	113,862,313	1,397,060	(360,285)	8,115,693	123,014,781
Machinery and Equipment	15,575,218	329,227	(442,879)	28,565,610	44,027,176
Total Capital Assets, Being Depreciated	<u>135,120,680</u>	<u>1,726,287</u>	<u>(803,164)</u>	<u>36,714,673</u>	<u>172,758,476</u>
Less Accumulated Depreciation For:					
Land Improvements	(106,550)	(3,903)	-	-	(110,453)
Building and Building Improvements	(2,294,708)	(121,692)	173,778	-	(2,242,622)
Other Improvements	(60,522,721)	(3,094,308)	267,262	-	(63,349,767)
Machinery and Equipment	(4,493,261)	(1,182,666)	327,566	45,942	(5,302,419)
Total Accumulated Depreciation	<u>(67,417,240)</u>	<u>(4,402,569)</u>	<u>768,606</u>	<u>45,942</u>	<u>(71,005,261)</u>
Total Capital Assets, Being Depreciated, Net	<u>67,703,440</u>	<u>(2,676,282)</u>	<u>(34,558)</u>	<u>36,760,615</u>	<u>101,753,215</u>
Business-type Activities Capital Assets, Net	<u>\$ 102,215,604</u>	<u>12,230,732</u>	<u>(234,558)</u>	<u>0</u>	<u>114,211,778</u>

During 2008, the Demolition Landfill and Water Funds capitalized \$20,300 and \$54,216, respectively, 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, 2008

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

C. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 407,982
Education	524,596
Leisure Services	153,426
Public Safety	2,402,880
Public Venue	449,902
Public Works	<u>4,174</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 3,942,960</u>
Business-type Activities:	
Electric	\$ 2,756,433
Water	812,646
Sewer	579,221
Demolition Landfill	<u>33,943</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 4,182,243</u>

The provision for electric depreciation does not include depreciation on transportation equipment. The transportation equipment depreciation amount for the year ended June 30, 2008 totaled \$136,136 and was charged as an operating expense.

Construction Commitments

The City has active construction projects as of June 30, 2008. The projects include construction of a new Fairmount Elementary School and infrastructure improvements on Highway 11-E. The contract for school building project was signed during the year ending June 30, 2008. However, work commenced on construction during July 2009. At year end, the City's commitments with contractor's are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Fairmount Elementary School	\$ -	13,735,000
Highway 11-E Enhancement Project	<u>1,434,505</u>	<u>12,669</u>
Total	<u>\$ 1,434,505</u>	<u>13,747,669</u>

CITY OF BRISTOL, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2008

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, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 305,781	127,635	74,276	359,140
Total Capital Assets, Being Depreciated	<u>305,781</u>	<u>127,635</u>	<u>74,276</u>	<u>359,140</u>
Less Accumulated Depreciation For:				
Machinery and Equipment	(242,168)	(50,276)	(72,947)	(219,497)
Total Accumulated Depreciation	<u>(242,168)</u>	<u>(50,276)</u>	<u>(72,947)</u>	<u>(219,497)</u>
Total Capital Assets, Net	\$ <u>63,613</u>	<u>77,359</u>	<u>1,329</u>	<u>139,643</u>

Depreciation expense for the fiscal year ended June 30, 2008, was \$50,276.

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	General Purpose School	\$ 6,276
	Electric	625,785
	Demolition Landfill	88,724
	Nonmajor Governmental	465,486
General Purpose School	Nonmajor Governmental	8,567
School Capital Projects Fund	General	300,312
Internal Service Fund	General	115,197
Nonmajor Governmental	General	136,124
Nonmajor Governmental	Electric	212,427
Water	General	77,793
Sewer	General	<u>12,573</u>
Total		\$ <u>2,049,264</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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. 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, 2008, the business-type activities owed the governmental activities \$84,155 for their portion of the Employee Insurance Fund.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	School Capital Projects Fund	\$ 70,000
	Electric Fund	1,199,684
	Water Fund	200,000
	Sewer Fund	236,250
	Nonmajor Governmental	308,390
General Purpose School Fund	General Fund	3,978,000
School Capital Projects Fund	General Fund	611,668
Nonmajor Governmental	General Fund	2,498,494
Nonmajor Governmental	School Capital Projects Fund	311,357
Demolition Landfill Fund	General Fund	<u>150,000</u>
Total		\$ <u>9,563,843</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.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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, 2008, for the governmental activities are as follows:

<u>June 30</u>	<u>Principal Bonds Payable</u>	<u>Interest Bonds Payable</u>	<u>Governmental Activity Debt Service</u>
2009	\$ 1,380,569	768,282	2,148,851
2010	1,433,015	716,003	2,149,018
2011	1,485,569	667,152	2,152,721
2012	1,570,000	616,974	2,186,974
2013	1,600,000	565,824	2,165,824
2014	1,815,000	512,698	2,327,698
2015	980,000	441,019	1,421,019
2016	1,075,000	404,094	1,479,094
2017	1,125,000	361,843	1,486,843
2018	1,175,000	317,594	1,492,594
2019	1,225,000	271,094	1,496,094
2020	1,225,000	221,625	1,446,625
2021	1,075,000	171,594	1,246,594
2022	1,125,000	125,281	1,250,281
2023	1,175,000	76,906	1,251,906
2024	250,000	26,250	276,250
	<u>\$ 19,714,153</u>	<u>6,264,233</u>	<u>25,978,386</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

E. Long-Term Debt (Continued)

Governmental Activity Debt

	<u>Governmental Activity Debt</u>			<u>Balance</u> <u>6/30/08</u>
	<u>Balance</u> <u>7/01/07</u>	<u>Additions</u>	<u>Retirements</u>	
Series 1999 General Obligation Bonds Issue: \$5,000,000, maturity 2008 Interest Rate: 4.1%-5.35% Funded Public Works Projects	\$ 320,000	-	320,000	0
Series 2001 General Obligation Refunding Bonds Issue: \$3,080,000, maturity 2009 Interest Rate: 3.00%-4.00% Partial Refunding of Series 1994 General Improvement Bonds	1,030,000	-	505,000	525,000
Series 2003 General Obligation Refunding Bonds Issue: \$1,120,097, maturity 2011 Interest Rate: Variable Partial Refunding of Tennessee Municipal League Bond Fund	628,499	-	149,346	479,153
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	3,025,000	-	125,000	2,900,000
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	2,950,000	-	40,000	2,910,000
Series 2007 General Obligation Bonds Issue: \$7,750,000, maturity 2023 Interest Rate: 4.00%-4.125% Funded School Projects	0	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	0	5,150,000	-	5,150,000
	<u>\$ 7,953,499</u>	<u>12,900,000</u>	<u>1,139,346</u>	<u>19,714,153</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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, 2008, are as follows:

Series 2001 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ <u>525,000</u>	<u>21,000</u>	<u>546,000</u>
Total	\$ <u>525,000</u>	<u>21,000</u>	<u>546,000</u>

Series 2003 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 155,569	23,958	179,527
2010	168,015	16,179	184,194
2011	<u>155,569</u>	<u>7,778</u>	<u>163,347</u>
Total	\$ <u>479,153</u>	<u>47,915</u>	<u>527,068</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

E. Long-Term Debt (Continued)

Series VI-D-4 Local Government Public Improvement Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 125,000	158,750	283,750
2010	125,000	152,500	277,500
2011	125,000	146,250	271,250
2012	150,000	140,000	290,000
2013	150,000	132,500	282,500
2014	150,000	125,000	275,000
2015	175,000	117,500	292,500
2016	175,000	108,750	283,750
2017	175,000	100,000	275,000
2018	200,000	91,250	291,250
2019	200,000	81,250	281,250
2020	200,000	71,250	271,250
2021	225,000	61,250	286,250
2022	225,000	50,000	275,000
2023	250,000	38,750	288,750
2024	<u>250,000</u>	<u>26,250</u>	<u>276,250</u>
Total	\$ <u>2,900,000</u>	<u>1,601,250</u>	<u>4,501,250</u>

Series 2005 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 375,000	94,730	469,730
2010	390,000	83,480	473,480
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>2,910,000</u>	<u>402,630</u>	<u>3,312,630</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

E. Long-Term Debt (Continued)

Series 2007 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ -	315,344	315,344
2010	-	315,344	315,344
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>3,400,938</u>	<u>11,150,938</u>

Series 2008 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 200,000	154,500	354,500
2010	750,000	148,500	898,500
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>5,150,000</u>	<u>790,500</u>	<u>5,940,500</u>

**CITY OF BRISTOL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2008**

**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, 2008, (except for principal included only for the Tennessee Local Development Authority (TLDA) Note which has a variable interest rate, that is changed annually by the TLDA), 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	
2009	\$ 539,431	1,880,000	270,099	153,723	1,088,739	81,855	3,462,985
2010	711,985	470,000	247,675	127,453	1,015,550	74,776	2,061,822
2011	684,431	485,000	165,589	93,904	998,838	65,761	1,953,660
2012	220,000	505,000	180,360	61,832	981,513	62,023	1,948,896
2013	230,000	520,000	185,760	53,031	964,225	53,992	1,953,977
2014	240,000	540,000	191,412	43,831	947,000	45,709	1,964,121
2015	155,000	555,000	197,304	34,231	928,859	37,175	1,873,338
2016	165,000	575,000	203,472	28,031	909,431	28,388	1,881,291
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>3,475,847</u>	<u>24,895,000</u>	<u>2,158,518</u>	<u>639,729</u>	<u>18,199,776</u>	<u>479,987</u>	<u>47,907,866</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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, 2008	Electric Fund	Water Fund	Sewer Fund	Demolition Landfill Fund
<b>Bonds Payable:</b>									
General Obligation Bonds:									
2003 Water and Sewer General Obligation Refunding Bonds	2003	\$ 3,379,903	2011	Variable	\$ 1,445,847	-	1,246,830	199,017	-
2007 General Obligation Bonds	2007	2,100,000	2014 -2019	4.00% - 4.125%	2,030,000	-	1,550,000	-	480,000
<b>Total General Obligation Bonds</b>					<u>3,475,847</u>	<u>-</u>	<u>2,796,830</u>	<u>199,017</u>	<u>480,000</u>
Revenue Bonds:									
2001A Water and Sewer Revenue and Tax Refunding Bonds	2001	6,360,000	2009	3.45% - 4.00%	1,425,000	-	828,639	596,361	-
2005 Electric System Revenue Bonds	2006	23,910,000	2036	3.25% - 5.00%	23,470,000	23,470,000	-	-	-
<b>Total Revenue Bonds</b>					<u>24,895,000</u>	<u>23,470,000</u>	<u>828,639</u>	<u>596,361</u>	<u>0</u>
<b>Total Bonds</b>					<u>28,370,847</u>	<u>23,470,000</u>	<u>3,625,469</u>	<u>795,378</u>	<u>480,000</u>
<b>Notes Payable:</b>									
Tennessee State Revolving Fund			2019	4.40%	1,376,492	-	-	1,376,492	-
Tennessee Local Development Authority			2010	Variable	182,026	-	182,026	-	-
2006 Capital Outlay Note			2018	3.90 - 4.38%	600,000	-	408,404	191,596	-
<b>Total Notes Payable</b>					<u>2,158,518</u>	<u>0</u>	<u>590,430</u>	<u>1,568,088</u>	<u>0</u>
<b>Total Business-type Activity Bonds and Notes Payable</b>					<u>\$30,529,365</u>	<u>23,470,000</u>	<u>4,215,899</u>	<u>2,363,466</u>	<u>480,000</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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 (except for presentation of only the principal for the Tennessee Local Development Authority Note which has a variable interest rate) are as follows:

Series 2003 Water and Sewer General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 469,431	72,292	541,723
2010	506,985	48,821	555,806
2011	<u>469,431</u>	<u>23,472</u>	<u>492,903</u>
Total	\$ <u>1,445,847</u>	<u>144,585</u>	<u>1,590,432</u>

2001A Water and Sewer Revenue and Tax Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ <u>1,425,000</u>	<u>57,001</u>	<u>1,482,001</u>
Total	\$ <u>1,425,000</u>	<u>57,001</u>	<u>1,482,001</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

E. Long-Term Debt (Continued)

2005 Electric System Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 455,000	1,031,738	1,486,738
2010	470,000	1,015,550	1,485,550
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>36,247</u>	<u>1,486,247</u>
Total	\$ <u>23,470,000</u>	<u>18,142,775</u>	<u>41,612,775</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, 2008, was \$408,129. 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, 2008

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

E. Long-Term Debt (Continued)

Series 2007 General Obligation Refunding Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 70,000	81,431	151,431
2010	205,000	78,632	283,632
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>2,030,000</u>	<u>495,144</u>	<u>2,525,144</u>

Tennessee State Revolving Fund Note Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 105,504	58,464	163,968
2010	110,244	53,724	163,968
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>1,376,492</u>	<u>340,839</u>	<u>1,717,331</u>

Tennessee Local Development Authority Note Payable

<u>Fiscal Year</u>	<u>Principal</u>
2009	\$ 104,595
2010	<u>77,431</u>
Total	\$ <u>182,026</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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>
2009	\$ 60,000	23,391	83,391
2010	60,000	21,052	81,052
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>600,000</u>	<u>139,148</u>	<u>739,148</u>

Refunding of Debt

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, 2008, 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, 2008, the unamortized amount of the premium reported as an addition in the face amount of the bonds payable in the financial statements is \$6,854. 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 \$129,987 is reported as a deduction in the face amount of the bonds payable in the financial statements.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

E. Long-Term Debt (Continued)

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. Both series mature June 1, 2011. The primary purpose of the refundings was to restructure the outstanding debt in order to reduce debt service requirements by taking advantage of lower interest rates.

During 1994, the City issued \$3,000,000 in General Improvement Bonds and \$6,200,000 in Water and Sewer Revenue and Tax Refunding Bonds. In 2002, the City issued \$3,080,000 in General Obligation Bonds and \$6,360,000 in Water and Sewer Revenue and Tax Refunding Bonds primarily to refund the 1994 bonds. Both bonds are secured through the income and revenues of the general government and the water and sewer system. The unamortized deferred amount for these bonds of \$4,559 for the governmental activities is being reported as a deduction in the face amount of the bonds payable in the financial statements. The amount is being amortized over the respective life of the bond. The bonds were issued at a premium and as of June 30, 2008, the unamortized amount of the premium reported as an addition in the face amount of the bonds payable in the financial statements is \$1,615 for the governmental activities.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

E. Long-Term Debt (Continued)

Changes in Long-term Liabilities

The following is a summary of debt transactions of the City for the year ended June 30, 2008:

	<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>
Governmental Activities:					
General Obligation Bonds	\$ 7,953,499	12,900,000	1,139,346	19,714,153	1,380,569
Less Deferred Amounts:					
On Refunding	(163,280)	-	(28,735)	(134,545)	-
For Issuance Premium	12,733	-	4,265	8,468	-
Total General Obligation Bonds	<u>7,802,952</u>	<u>12,900,000</u>	<u>1,114,876</u>	<u>19,588,076</u>	<u>1,380,569</u>
Compensated Absences	1,907,182	1,272,711	1,095,075	2,084,818	921,433
Other Post Employment Benefit Obligation	<u>0</u>	<u>533,821</u>	<u>-</u>	<u>533,821</u>	<u>-</u>
Governmental Activity Long-term Liabilities	<u>9,710,134</u>	<u>14,706,532</u>	<u>2,209,951</u>	<u>22,206,715</u>	<u>2,302,002</u>
Business-type Activities:					
General Obligation Bonds	1,896,501	2,100,000	520,654	3,475,847	539,431
Revenue Bonds	26,705,000	-	1,810,000	24,895,000	1,880,000
Less Deferred Amounts:					
For Issuance Premium	422,703	-	14,574	408,129	-
Total Revenue Bonds Payable	<u>27,127,703</u>	<u>0</u>	<u>1,824,574</u>	<u>25,303,129</u>	<u>1,880,000</u>
Notes Payable	2,416,468	-	257,950	2,158,518	270,099
Compensated Absences	118,032	81,134	65,000	134,166	60,925
Landfill Closure Costs	50,000	258,770	-	308,770	266,387
Other Post Employment Benefit Obligation	<u>0</u>	<u>32,293</u>	<u>-</u>	<u>32,293</u>	<u>-</u>
Business-type Activity Long-term Liabilities	<u>31,608,704</u>	<u>2,472,197</u>	<u>2,668,178</u>	<u>31,412,723</u>	<u>3,016,842</u>
Total Changes in Long-Term Debt	<u>\$ 41,318,838</u>	<u>17,178,729</u>	<u>4,878,129</u>	<u>53,619,438</u>	<u>5,318,844</u>

Other long-term liabilities have typically been liquidated through the use of the General Fund, Water Fund, Sewer Fund, Demolition Landfill Fund, Solid Waste Fund, and Viking Hall Fund. 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, 2008

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

F. Other Post Employment Benefits Than Pensions (OPEB)

The Governmental Accounting Standards Board ("GASB") has issued its Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The City, Electric Fund, and School Funds prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

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.

The retired employee pays 100% of the health and dental care premiums.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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, 2008 was as follows:

Retirees Currently Receiving Benefits	26	
Active Employees	290	
Total	316	

Funding Policy

The City currently funds postemployment health care and life insurance benefits on a pay-as-you-go basis. The City is exploring the possibility of developing a trust to accumulate and invest assets necessary to pay for the accumulated liability. The City designated funds in the fiscal year 2009 Budget to apply to the liability in the case that a trust is established.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2008, the City's annual OPEB cost (expense) of \$243,885 was equal to the Annual Required Contribution (ARC) adjusted for actual retiree contributions. Retiree contributions paid were in excess of actual claims incurred by \$12,583, resulting in a Net OPEB Obligation of \$256,468 for the year ended June 30, 2008.

Annual Required Contribution	\$ 243,885	
Interest on Net OPEB Obligation	-	
Adjustment to Annual Required Contribution	-	
Annual OPEB Cost	243,885	
Actual Contributions (1)	12,583	
Increase in Net OPEB Obligation	256,468	
Net OPEB Obligation - Beginning of Year	-	
Net OPEB Obligation - End of Year	\$ 256,468	

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

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

The City's annual OPEB cost, employer contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 are as follows. Since this is the City's first year for implementing GASB 45, the City cannot report the same information for the preceding two years.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution (1)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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, 2008 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>
7/01/07	\$ 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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

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

In the July 1, 2007 actuarial valuation, the entry age normal percent of pay cost method was used to determine liabilities. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The actuarial assumptions used a 4.75% discount rate and 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, 2008, is 29 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 FiServ Health 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 21 retirees eligible to receive benefits under the healthcare portion of the plan as of June 30, 2008. As of year end, there were also 16 retirees eligible to receive life insurance benefits.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution	\$ 241,607
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	<u>241,607</u>
Actual Contributions	<u>241,607</u>
Increase in Net OPEB Obligation	0
Net OPEB Obligation – Beginning of Year	<u>0</u>
Net OPEB Obligation – End of Year	<u>\$ 0</u>

The Electric Fund's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 are as follows. Since this is the Electric Fund's first year for implementing GASB 45, the City cannot report the same information for the preceding two years.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 241,607	100%	\$ 0

Funding Status and Funding Progress

The funded status of the plan as of June 30, 2008 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
7/01/07	\$ 0	\$2,850,537	\$2,850,537	0%	N/A	N/A

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and 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, 2007 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 10-11% initially, reduced by decrements to an ultimate rate of 5-6% after six years. The unfunded actuarial accrued liability is being amortized over a thirty year period. The remaining amortization period at June 30, 2008, is 29 years.

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.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

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

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.

Membership

For the fiscal year ended June 30, 2008, 176 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 \$151,233 for the 2008 year. The Schools do not intend to establish a trust to pre-fund this liability. For the Teacher Group Insurance Plan, the premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

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

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

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2008, the School's annual OPEB cost (expense) of \$631,944 was equal to the Annual Required Contribution (ARC). The total annual contributions toward retiree premiums and the implicit subsidy recognized totaled \$322,299 for the year ended June 30, 2008. This resulted in a Net OPEB Obligation at year end of \$309,645.

	<u>Teacher Group Plan</u>	<u>Medicare Supplemental Plan</u>	<u>Total</u>
Annual Required Contribution	\$ 547,000	84,944	631,944
Interest on Net OPEB Obligation	-	-	-
Adjustment to Annual Required Contribution	-	-	-
Annual OPEB Cost	547,000	84,944	631,944
Actual Contributions	<u>(262,698)</u>	<u>(59,600)</u>	<u>(322,299)</u>
Increase in Net OPEB Obligation	284,302	25,344	309,645
Net OPEB Obligation – Beginning of Year	-	-	-
Net OPEB Obligation – End of Year	\$ <u>284,302</u>	<u>25,344</u>	<u>309,645</u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 are as follows. Since this is the School's first year for implementing GASB 45, the Schools cannot report the same information for the preceding two years.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

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

Fiscal Year Ending	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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>

Funding Status and Funding Progress

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

	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%

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.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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

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

In the July 1, 2007 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 11% initially, reduced by decrements to an ultimate rate of 6% 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, 2008, is 29 years.

In the July 1, 2007 actuarial valuation for the Medicare Supplemental Plan, the entry age normal percent of pay cost method was used to determine liabilities. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The actuarial assumptions used a 4.75% 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, 2008, is 29 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 \$308,770 that was estimated assuming that outside resources will be utilized in the closure process. The current estimated cost has all been recorded in the fund financial statements. Actual costs may be higher upon completion of the cost estimates, or due to inflation, change in technology, changes in regulations, or if the work is performed internally by City staff. Areas 1 and 3 are currently filled to 24% and 98.5% of capacity, respectively, and a landfill expansion project is expected to be completed in 2009. Area 2 is filled to capacity and has been closed. After the expansion project is complete, the landfill should have an estimated remaining life of approximately eight years.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION:

A. Commitments

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 voice services service primarily to customers in northeastern Tennessee. Customers include residential and industrial service. Residential 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 \$15,186 in 2008. Cable, internet, and telephone customers are billed in advance of their service. Deferred revenue in the amount of \$270,838 is recorded, of which \$218,762 relates to cable and internet services and \$52,076 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.

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.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

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 [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

Funding Policy

The City of Bristol has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent 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, 2008 was 15.78% 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.

Annual Pension Cost

For the year ending June 30, 2008, the City's annual pension cost of \$2,385,774 to TCRS was equal to the City's required and actual contributions.

The required contribution was determined as part of the July 1, 2005 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, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

*Trend Information*

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 2,385,774	100.00%	\$ 0.00
June 30, 2007	2,284,212	100.00%	0.00
June 30, 2006	1,434,092	100.00%	0.00

Funding Status and Funding Process

As of July 1, 2007, the most recent actuarial valuation date, the plan was 81.05% percent funded. The actuarial accrued liability for benefits was \$57.68 million, and actuarial value of assets was \$46.75 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.93 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.37 million, and the ratio of the UAAL to the covered payroll was 76.06% 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.

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, 2007	\$46,750	\$57,678	\$10,928	81.05%	\$14,366	76.07%

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

*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 [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

*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, 2008 was 14.43% 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.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Cost

For the year ending June 30, 2008, the Electric Fund's annual pension cost of \$491,517 to TCRS was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2005 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 (graded) percent 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 fair 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, 2005 was 10 years. An actuarial valuation was performed July 1, 2007, which established contribution rates effective July 1, 2008.

*Trend Information*

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 491,517	100%	\$ 0
June 30, 2007	478,187	100%	0
June 30, 2006	338,161	100%	0

Funding Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 83.74% funded. The actuarial accrued liability for benefits was \$16.36 million, and the actuarial value of assets was \$13.70 million, resulting in an unfunded actuarial accrued liability of \$2.66 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.22 million, and the ratio of the UAAL to the covered payroll was 82.55%.

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 pan 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, 2008

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.

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

Balance at beginning of year		\$ 619,653
Annual pension cost:		
Annual required contribution	(491,517)	
Interest on prepaid pension costs	44,608	
Adjustment to required annual contribution	<u>(100,066)</u>	
Total annual pension cost		(546,975)
Contributions made		<u>491,517</u>
Balance at end of year		\$ <u>564,195</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.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

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 SETHEPP. 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 [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

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, 2008 was 6.24% 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, 2008, 2007, and 2006 were \$1,083,859, \$999,011, and \$846,190, 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 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 2008, the amount of payroll covered by the plan was \$3,188,654 of total payroll of \$3,539,577. 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 2008, the System contributed \$165,488 to the plan, which represents 5.19% of the covered payroll and 100% of the required contribution for each year. The participants contributed \$235,821 which represents 7.4% of the covered payroll.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

D. Employee Retirement Systems and Pension Plans (Continued)

Deferred Compensation Plan

The City offers a deferred compensation plan to the employees of the primary government which excludes 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.

E. Leases

In June 2005, the School Board entered into an operating contract for the operations of school buses. The term is four years ending June 20, 2009, 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 monthly installments. Total payments under the contract in the current year were \$598,366 with additional payments of \$4,510 for a total of \$602,876.

The School Board leases building space for The Alternative Learning Center on a cancelable lease. Rent in the amount of \$2,805 is due at the first of each month. The lease contains an option to renew for two additional three-year periods. The initial term expires May 31, 2009. Total payments under the lease in the current year were \$33,660.

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 Embarq 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, 2009	\$ 70,380
June 30, 2010	70,380
June 30, 2011	70,380
June 30, 2012	58,650

Lease expenses were \$96,301 for the fiscal year ended June 30, 2008.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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.

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

**Condensed Statement of Net Assets by Business Unit:**

	Electric Business Unit	Cable and Internet Business Unit	Telephone Business Unit
<b>Assets</b>			
Current Assets	\$ 21,302,486	301,689	116,982
Due from Other Business Units	3,353,360	-	-
Net Capital Assets	65,482,667	3,712,770	951,235
Other Noncurrent Assets	14,141,037	-	87,716
<b>Total Assets</b>	<b>\$ 104,279,550</b>	<b>4,014,459</b>	<b>1,155,933</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities:</b>			
Current Liabilities	\$ 12,423,587	483,263	99,797
Due to Other Business Units	-	2,805,553	547,807
Bonds Payable	23,423,128	-	-
<b>Total Liabilities</b>	<b>35,846,715</b>	<b>3,288,816</b>	<b>647,604</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	44,957,899	907,218	403,428
Unrestricted	23,474,936	(181,575)	104,901
<b>Total Net Assets</b>	<b>68,432,835</b>	<b>725,643</b>	<b>508,329</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 104,279,550</b>	<b>4,014,459</b>	<b>1,155,933</b>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

F. Multiple Function Enterprise Fund Information (Continued)

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets by Business Unit:**

	Electric Business Unit	Cable and Internet Business Unit	Telephone Business Unit
Operating Revenues	\$ 74,007,325	4,185,341	1,462,344
Cost of Sales	<u>(64,050,732)</u>	<u>(1,626,710)</u>	<u>(207,175)</u>
Gross Profit	9,956,593	2,558,631	1,255,169
Operating Expenses	<u>(7,903,283)</u>	<u>(1,930,070)</u>	<u>(782,135)</u>
Operating Income/(Loss)	2,053,310	628,561	473,034
Nonoperating Revenue/Expenses	<u>506,242</u>	<u>(84,830)</u>	<u>(44,597)</u>
Income Before Transfers	2,559,552	543,731	428,437
Transfers Out	<u>(1,199,684)</u>	-	-
Change in Net Assets	<u>1,359,868</u>	<u>543,731</u>	<u>428,437</u>
Net Assets at Beginning of Year	67,336,536	181,912	79,892
Prior Period Adjustment	<u>(263,569)</u>	-	-
Adjusted Net Assets and Beginning of Year	<u>67,072,967</u>	<u>181,912</u>	<u>79,892</u>
Net Assets at End of Year	<u>\$ 68,432,835</u>	<u>725,643</u>	<u>508,329</u>

**Condensed Statement of Cash Flows by Business Unit:**

	Electric Business Unit	Cable and Internet Business Unit	Telephone Business Unit
Net Cash Provided By/(Used For):			
Operating Activities	\$ 9,288,488	-	-
Noncapital Financing Activities	(1,251,184)	-	-
Capital and Related Financing Activities	(14,824,957)	-	-
Investing Activities	<u>1,169,332</u>	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(5,618,321)	0	0
Cash and Cash Equivalents, Beginning	<u>15,848,584</u>	-	-
Cash and Cash Equivalents, Ending	<u>\$ 10,230,263</u>	<u>0</u>	<u>0</u>

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

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

For fiscal year 2008, 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 \$152,966 to the General Purpose School Fund on behalf of employees of the Bristol Tennessee School System.

H. Pledged Revenue

During 2002, the City issued \$6,360,000 in 2001A Water and Sewer Revenue and Tax Refunding Bonds. The Bonds were issued for the purposes of refunding debt related to the 1994 Water and Sewer Revenue Bonds. The original debt proceeds were used to construct improvements to the water and sewer systems. The Bonds are secured by the net revenues of the Water and Sewer Funds. Annual principal and interest payments in 2008 of \$1,458,967 were 48% of the net revenue available for debt service of \$3,017,305.

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 2008 of \$1,486,738 were 45% of the net revenue available for debt service of \$3,308,035.

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 remove capital assets recorded in error (net of depreciation)	\$ <u>(409,690)</u>
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Governmental funds were adjusted for the following:

To adjust transfers from Electric Fund recorded incorrectly	\$ <u>446,498</u>
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Proprietary funds were adjusted for the following:

To adjust transfers to General Fund and payments in lieu of tax recorded incorrectly	\$ <u>(263,569)</u>
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CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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 the 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. The City accounts for these benefits in the internal service fund. The Electric Fund's risk is \$50,000 per covered employee up to an annual maximum of \$488,108. An insurance company has insured all claims exceeding \$488,108

Activity in the estimated liability for claims incurred but not paid is as follows for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	\$ 386,373	147,450
Claims Incurred	2,383,235	2,699,289
Claims Paid	<u>(2,229,826)</u>	<u>(2,460,366)</u>
Balance at end of year	<u>\$ 539,782</u>	<u>386,373</u>

L. Subsequent Events

On September 15, 2008, the City issued \$1,350,000 in General Obligation Refunding Bonds, Series 2008B, for the purpose of refinancing the City's V-B-2 Loan that pays interest based upon a variable rate formula. The 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. The bonds were issued with a two year maturity and are payable in payments of \$625,000 and \$675,000. Interest is payable semi-annually on December 1 and June 1, beginning December 1, 2008, 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, respectively.

CITY OF BRISTOL, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE V. OTHER INFORMATION (CONTINUED):

M. Surcharge Revenue

The District recognizes surcharge revenue as earned. The service supplier, United Telephone Company of the Southeast, is scheduled to remit collected service charges to the District 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, 2008

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, 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 during the year and therefore only the most current year 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) (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, 2007	\$ 13,703	16,363	2,660	83.74%	3,222	82.55%
July 01, 2005	12,335	13,290	955	92.81%	2,890	33.06%
July 01, 2003	11,831	12,907	1,076	91.66%	2,584	41.64%

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. This information is intended to serve as a surrogate for the funded status and funding progress of the plan.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS – OPEB PLANS  
For the Fiscal Year Ended June 30, 2008

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

The funded status of the plan as of June 30, 2008 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
7/01/07	\$ 0	\$3,751,063	\$3,751,063	0%	\$9,793,720	38.3%

Bristol Tennessee Essential Services Schedule of Funding Progress – OPEB Plan

The funded status of the plan as of June 30, 2008 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
7/01/07	\$ 0	\$2,850,537	\$2,850,537	0%	N/A	N/A

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

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

	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%

See Independent Auditors' Report.

## **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.

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 economic development grants from the United States Department of Justice

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.

State Street Aid Fund – This fund accounts 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.

Solid Waste Disposal Fund – This fund was established to account for the financial activities related to the collection and transportation of solid waste.

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

Drug Control 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.

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

Child Nutrition Fund – This fund accounts for the financial activities relative to the Bristol, Tennessee Board of Education school breakfast and lunch programs.

### **Debt Service Fund**

The Debt Service Fund is used 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 accounts for capital asset activity of the municipality, excluding education related capital projects.

CITY OF BRISTOL, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008

	Special Revenue Funds											Total Nonmajor Governmental Funds
	HOME: Consortium Fund	State Street Aid Fund	Solid Waste Disposal Fund	Viking Hall Fund	Drug Control Fund	School Federal Projects Fund	Child Nutrition Fund	Total Special Revenue Funds	Debt Service Fund	Capital Projects Fund		
<b>ASSETS:</b>												
Cash and Cash Equivalents	-	412,706	-	13,558	2,662	10,259	787,247	1,226,432	192,265	-	-	1,418,697
Accounts Receivable	-	-	149,730	777	-	-	-	150,507	-	-	-	150,507
Notes Receivable	151,839	35,736	-	-	-	-	-	187,575	-	-	-	187,575
Other Receivables	-	-	-	-	-	-	61,333	61,333	-	187,569	-	248,902
Due from Other Funds	-	24,743	42,848	478	49,419	-	-	117,488	18,636	212,427	-	348,551
Due from Other Governments	54,524	119,490	-	-	356	69,106	-	372,444	-	186,400	-	558,844
Inventory	-	-	-	-	-	-	41,527	41,527	-	-	-	41,527
Restricted Cash	-	-	-	-	-	-	-	0	10,556	593,269	-	603,825
<b>Total Assets</b>	<b>\$ 206,363</b>	<b>164,704</b>	<b>192,578</b>	<b>14,813</b>	<b>52,437</b>	<b>79,365</b>	<b>890,107</b>	<b>2,157,306</b>	<b>221,457</b>	<b>1,179,665</b>	<b>-</b>	<b>3,558,428</b>

**LIABILITIES AND FUND BALANCES:**

<b>LIABILITIES:</b>												
Accounts Payable	8,248	105,571	143,141	2,416	1,131	70,798	-	630,699	-	53,856	-	684,555
Contracts Payable	6,000	8,000	-	-	-	-	-	14,000	-	73,967	-	87,967
Accrued Payroll and Deductions	-	-	13,967	468	-	1,956	-	16,391	-	-	-	16,391
Due to Other Funds	40,276	15,397	-	-	-	8,567	-	64,240	-	409,813	-	474,053
Due to Others	-	-	-	2,552	-	-	-	2,552	-	-	-	2,552
Deferred Revenue	151,839	35,736	-	-	-	-	-	187,575	-	187,569	-	375,144
<b>Total Liabilities</b>	<b>206,363</b>	<b>164,704</b>	<b>157,108</b>	<b>5,436</b>	<b>1,131</b>	<b>79,365</b>	<b>1,956</b>	<b>915,457</b>	<b>0</b>	<b>725,205</b>	<b>0</b>	<b>1,640,662</b>

**Fund Balances:**

Reserved for Drug Control	-	-	-	-	35,208	-	-	35,208	-	-	-	35,208
Reserved for Drug Education	-	-	-	-	3,147	-	-	3,147	-	-	-	3,147
Reserved for Economic Development	-	-	-	-	-	-	-	0	-	212,427	-	212,427
Reserved for Federal Forfeitures	-	-	-	-	8,465	-	-	8,465	-	-	-	8,465
Reserved for Inventory	-	-	-	-	-	-	41,527	41,527	-	-	-	41,527
Reserved for State Street Aid	-	-	-	-	-	-	-	257,545	-	-	-	257,545
Reserved for Virginia Forfeitures	-	-	-	-	4,486	-	-	4,486	-	-	-	4,486
Unreserved:												
Undesignated	-	-	35,470	9,377	-	-	846,624	891,471	221,457	242,033	-	1,354,961
<b>Total Fund Balances</b>	<b>0</b>	<b>257,545</b>	<b>35,470</b>	<b>9,377</b>	<b>51,306</b>	<b>0</b>	<b>888,151</b>	<b>1,241,849</b>	<b>221,457</b>	<b>454,460</b>	<b>-</b>	<b>1,917,766</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 206,363</b>	<b>164,704</b>	<b>192,578</b>	<b>14,813</b>	<b>52,437</b>	<b>79,365</b>	<b>890,107</b>	<b>2,157,306</b>	<b>221,457</b>	<b>1,179,665</b>	<b>-</b>	<b>3,558,428</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, 2008

	Special Revenue Funds											Total Nonmajor Governmental Funds
	HOME Consortium Fund	State Street Aid Fund	Solid Waste Disposal Fund	Viking Hall Fund	Drug Control Fund	School Federal Projects Fund	Child Nutrition Fund	Total Special Revenue Funds	Debt Service Fund	Capital Projects Fund		
<b>REVENUES:</b>												
Intergovernmental	\$ 244,175	1,379,673	713,226	-	4,486	4,121,029	1,002,548	7,465,137	-	1,531,064	-	8,996,201
Charges for Services	-	-	1,321,822	97,497	-	-	793,265	2,212,584	-	-	-	2,212,584
Revenue from Use of Facilities	-	-	-	535,509	-	-	-	535,509	-	-	-	535,509
Fines and Forfeitures	-	-	22,707	-	33,126	-	-	55,833	-	-	-	55,833
Investment Earnings	-	11,970	242	1,660	1,228	-	30,386	45,486	9,232	20,522	-	75,240
Other	45,856	72,548	182	27,858	1,800	-	1,280	149,524	-	530,010	-	679,534
<b>Total Revenues</b>	<b>290,031</b>	<b>1,452,221</b>	<b>1,344,953</b>	<b>662,524</b>	<b>40,640</b>	<b>4,121,029</b>	<b>1,827,479</b>	<b>10,464,073</b>	<b>9,232</b>	<b>2,081,596</b>	<b>-</b>	<b>12,554,901</b>
<b>EXPENDITURES:</b>												
Current:												
General Government	290,031	1,453,304	-	-	-	-	-	1,743,335	-	9,360	-	1,752,695
Education	-	-	-	-	-	3,919,599	1,776,898	5,696,497	-	26,777	-	5,696,497
Leisure Services	-	-	-	-	-	-	-	0	-	19,327	-	19,327
Public Safety	-	-	-	-	47,435	-	-	47,435	-	-	-	47,435
Public Venue	-	-	-	784,506	-	-	-	784,506	-	-	-	784,506
Public Works	-	742,603	1,494,434	-	-	-	-	2,237,037	-	189,229	-	2,426,266
Capital Outlay	-	-	291,834	-	5,703	201,430	26,463	525,430	-	2,962,357	-	3,487,787
Debt Service:												
Principal Retirement	-	-	-	-	-	-	-	0	1,139,346	-	-	1,139,346
Interest	-	-	-	-	-	-	-	0	616,284	-	-	616,284
Other Costs	-	-	-	-	-	-	-	0	18,453	-	-	18,453
<b>Total Expenditures</b>	<b>290,031</b>	<b>1,453,304</b>	<b>1,786,268</b>	<b>784,506</b>	<b>53,138</b>	<b>4,121,029</b>	<b>1,803,361</b>	<b>11,034,240</b>	<b>1,774,083</b>	<b>3,207,050</b>	<b>-</b>	<b>16,015,373</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,083)	(441,315)	(121,982)	(12,498)	0	24,118	(570,167)	(1,764,851)	(1,125,454)	-	(3,460,472)
<b>Other Financing Sources (Uses):</b>												
Bonds Issued	-	-	-	-	-	-	-	0	-	900,000	-	900,000
Bond Issuance Costs	-	-	-	-	-	-	-	0	-	(15,034)	-	(15,034)
Transfer from General Fund	-	-	445,000	127,000	-	-	-	572,000	1,453,494	473,000	-	2,498,494
Transfer from School Capital Projects Fund	-	-	-	-	-	-	-	0	311,357	-	-	311,357
Transfer to General Fund	-	-	-	-	-	-	-	0	-	(308,390)	-	(308,390)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>445,000</b>	<b>127,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>572,000</b>	<b>1,764,851</b>	<b>1,049,576</b>	<b>-</b>	<b>3,386,427</b>
Net Change in Fund Balances	0	(1,083)	3,685	5,018	(12,498)	0	24,118	1,833	0	(75,878)	-	(74,045)
Fund Balance, July 1, 2007	0	1,083	274,952	31,785	63,804	0	875,160	1,251,143	221,457	530,338	-	2,002,938
Purchase Method Inventory Adj.	-	-	-	-	-	-	(11,127)	(11,127)	-	-	-	(11,127)
<b>Fund Balance, June 30, 2008</b>	<b>\$ 0</b>	<b>0</b>	<b>257,545</b>	<b>35,470</b>	<b>51,306</b>	<b>0</b>	<b>888,151</b>	<b>1,241,849</b>	<b>221,457</b>	<b>454,460</b>	<b>-</b>	<b>1,917,766</b>

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, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 381,221	244,175	(137,046)
Other	35,000	45,856	10,856
Total Revenues	<u>416,221</u>	<u>290,031</u>	<u>(126,190)</u>
<u>Expenditures:</u>			
Operating Expenditures	<u>416,221</u>	<u>290,031</u>	<u>126,190</u>
Total Expenditures	<u>416,221</u>	<u>290,031</u>	<u>126,190</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance, July 1, 2007	-	-	-
Fund Balance, June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>

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, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>				
Intergovernmental:				
City of Bluff City, Tennessee	\$ 50,000	54,000	53,137	(863)
City of Bristol, Tennessee	105,614	105,614	71,718	(33,896)
City of Bristol, Virginia	151,726	151,726	122,045	(29,681)
City of Johnson City, Tennessee	247,953	368,808	332,126	(36,682)
City of Kingsport, Tennessee	306,700	306,700	270,317	(36,383)
Sullivan County, Tennessee	150,000	150,000	96,545	(53,455)
Washington County, Virginia	129,054	129,054	85,100	(43,954)
CHDO	200,100	200,100	195,123	(4,977)
American Dream Downpayment Administration	22,910 163,088	22,910 163,088	21,200 132,362	(1,710) (30,726)
Other	-	73,000	72,548	(452)
<b>Total Revenues</b>	<u>1,527,145</u>	<u>1,725,000</u>	<u>1,452,221</u>	<u>(272,779)</u>
<u>Expenditures:</u>				
Program Expenditures:				
City of Bluff City, Tennessee	50,000	54,000	53,137	863
City of Bristol, Tennessee	105,614	120,614	87,700	32,914
City of Bristol, Virginia	151,726	151,726	122,045	29,681
City of Johnson City, Tennessee	247,953	421,808	384,775	37,033
City of Kingsport, Tennessee	306,700	306,700	270,317	36,383
Sullivan County, Tennessee	150,000	150,000	96,545	53,455
Washington County, Virginia	129,054	134,054	90,100	43,954
CHDO	200,100	200,100	195,123	4,977
American Dream Downpayment	22,910	22,910	21,200	1,710
Administrative Expenditures	163,088	163,088	132,362	30,726
<b>Total Expenditures</b>	<u>1,527,145</u>	<u>1,725,000</u>	<u>1,453,304</u>	<u>271,696</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	(1,083)	(1,083)
Fund Balance, July 1, 2007	-	-	1,083	1,083
Fund Balance, June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</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, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 743,000	713,226	(29,774)
Investment Earnings	12,000	11,970	(30)
Total Revenues	<u>755,000</u>	<u>725,196</u>	<u>(29,804)</u>
<u>Expenditures:</u>			
Resurfacing	435,000	317,463	117,537
Sidewalk Maintenance	70,000	85,404	(15,404)
Pavement Markings	30,000	58,569	(28,569)
Guardrails	38,000	-	38,000
Other	280,000	281,167	(1,167)
Total Expenditures	<u>853,000</u>	<u>742,603</u>	<u>110,397</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,000)	(17,407)	80,593
Fund Balance, July 1, 2007	<u>301,600</u>	<u>274,952</u>	<u>(26,648)</u>
Fund Balance, June 30, 2008	<u>\$ 203,600</u>	<u>257,545</u>	<u>53,945</u>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
SOLID WASTE DISPOSAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Charges for Services	\$ 1,278,000	1,291,000	1,321,822	30,822
Fines and Forfeitures	18,000	18,000	22,707	4,707
Investment Earnings	-	-	242	242
Other	-	-	182	182
<b>Total Revenues</b>	<u>1,296,000</u>	<u>1,309,000</u>	<u>1,344,953</u>	<u>35,953</u>
<u>Expenditures:</u>				
<u>Refuse Collection:</u>				
Personnel	234,295	240,516	233,269	7,247
Operating Expenditures	511,250	511,250	491,998	19,252
Other Expenditures	6,050	6,050	8,516	(2,466)
Capital Outlay	130,000	213,942	191,240	22,702
<b>Total Refuse Collection</b>	<u>881,595</u>	<u>971,758</u>	<u>925,023</u>	<u>46,735</u>
<u>Brush and Bulk Collection:</u>				
Personnel	563,886	570,107	561,523	8,584
Operating Expenditures	168,975	168,975	187,628	(18,653)
Other Expenditures	13,160	13,160	11,500	1,660
Capital Outlay	-	101,000	100,594	406
<b>Total Brush and Bulk Collection</b>	<u>746,021</u>	<u>853,242</u>	<u>861,245</u>	<u>(8,003)</u>
<b>Total Expenditures</b>	<u>1,627,616</u>	<u>1,825,000</u>	<u>1,786,268</u>	<u>38,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(331,616)</u>	<u>(516,000)</u>	<u>(441,315)</u>	<u>74,685</u>
<u>Other Financing Sources (Uses):</u>				
Transfer from General Fund	332,000	486,000	445,000	(41,000)
<b>Total Other Financing Sources (Uses)</b>	<u>332,000</u>	<u>486,000</u>	<u>445,000</u>	<u>(41,000)</u>
<b>Net Change in Fund Balances</b>	384	(30,000)	3,685	33,685
Fund Balance, July 1, 2007	406	31,785	31,785	-
<b>Fund Balance, June 30, 2008</b>	<u>\$ 790</u>	<u>1,785</u>	<u>35,470</u>	<u>33,685</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Charges for Services	\$ 93,500	206,500	97,497	(109,003)
Revenue from Use of Facilities	425,000	425,000	535,509	110,509
Investment Earnings	2,000	2,000	1,660	(340)
Other	8,000	32,912	27,858	(5,054)
Total Revenues	<u>528,500</u>	<u>666,412</u>	<u>662,524</u>	<u>(3,888)</u>
<u>Expenditures:</u>				
Personnel	303,153	303,153	205,420	97,733
Operating Expenditures	99,625	99,625	77,161	22,464
Show Expenditures	281,000	418,912	482,766	(63,854)
Other Expenditures	3,310	3,310	19,159	(15,849)
Total Expenditures	<u>687,088</u>	<u>825,000</u>	<u>784,506</u>	<u>40,494</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(158,588)</u>	<u>(158,588)</u>	<u>(121,982)</u>	<u>36,606</u>
<u>Other Financing Sources (Uses):</u>				
Transfer from General Fund	158,000	158,000	127,000	(31,000)
Total Other Financing Sources (Uses)	<u>158,000</u>	<u>158,000</u>	<u>127,000</u>	<u>(31,000)</u>
Net Change in Fund Balances	(588)	(588)	5,018	5,606
Fund Balance, July 1, 2007	<u>792</u>	<u>4,359</u>	<u>4,359</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 204</u>	<u>3,771</u>	<u>9,377</u>	<u>5,606</u>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
DRUG CONTROL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental	\$ -	-	4,486	4,486
Fines and Forfeitures	35,000	35,000	33,126	(1,874)
Investment Earnings	350	350	1,228	878
Other	2,000	2,000	1,800	(200)
Total Revenues	<u>37,350</u>	<u>37,350</u>	<u>40,640</u>	<u>3,290</u>
<u>Expenditures:</u>				
Public Safety	45,061	55,000	47,435	7,565
Capital Outlay	-	-	5,703	(5,703)
Total Expenditures	<u>45,061</u>	<u>55,000</u>	<u>53,138</u>	<u>1,862</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,711)	(17,650)	(12,498)	5,152
Fund Balance, July 1, 2007	<u>10,147</u>	<u>63,804</u>	<u>63,804</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 2,436</u>	<u>46,154</u>	<u>51,306</u>	<u>5,152</u>

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, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 4,559,291	4,121,029	(438,262)
Total Revenues	<u>4,559,291</u>	<u>4,121,029</u>	<u>(438,262)</u>
<u>Expenditures:</u>			
<u>Instruction:</u>			
Regular Education	729,810	695,186	34,624
Alternate School	430,401	390,370	40,031
Special Education	746,280	666,351	79,929
Vocational Education	47,925	55,178	(7,253)
Total Instruction	<u>1,954,416</u>	<u>1,807,085</u>	<u>147,331</u>
<u>Support Services:</u>			
Health Services	24,021	23,650	371
Other Student Support	761,599	614,668	146,931
Regular Instruction	510,541	383,331	127,210
Alternative School	4,800	3,732	1,068
Special Education	11,500	11,414	86
Vocational Education	3,000	3,099	(99)
Office of Principal	30,000	80,468	(50,468)
Fiscal Services	38,750	39,890	(1,140)
Operation of Plant	20,000	6,654	13,346
Student Transportation	16,383	12,612	3,771
Total Support Services	<u>1,420,594</u>	<u>1,179,518</u>	<u>241,076</u>
<u>Non-Instructional Services:</u>			
Community Services	367,132	352,480	14,652
Early Childhood	662,149	580,516	81,633
Total Non-Instructional Services	<u>1,029,281</u>	<u>932,996</u>	<u>96,285</u>
<u>Capital Outlay</u>	<u>155,000</u>	<u>201,430</u>	<u>(46,430)</u>
Total Expenditures	<u>4,559,291</u>	<u>4,121,029</u>	<u>438,262</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance, July 1, 2007	-	-	-
Fund Balance, June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
CHILD NUTRITION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental	\$ 986,000	1,011,000	1,002,548	(8,452)
Charges for Services	793,500	793,500	793,265	(235)
Investment Earnings	25,200	25,200	30,386	5,186
Other	-	-	1,280	1,280
Total Revenues	<u>1,804,700</u>	<u>1,829,700</u>	<u>1,827,479</u>	<u>(2,221)</u>
<u>Expenditures:</u>				
Food Services	1,789,700	1,839,700	1,776,898	62,802
Capital Outlay	15,000	15,000	26,463	(11,463)
Total Expenditures	<u>1,804,700</u>	<u>1,854,700</u>	<u>1,803,361</u>	<u>51,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>(25,000)</u>	<u>24,118</u>	<u>49,118</u>
Fund Balance, July 1, 2007	790,659	875,160	875,160	-
Purchase Method Inventory Adjustment	-	-	(11,127)	(11,127)
Fund Balance, June 30, 2008	<u>\$ 790,659</u>	<u>850,160</u>	<u>888,151</u>	<u>37,991</u>

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, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Revenues:</u>			
Investment Earnings	\$ 21,000	9,232	(11,768)
Total Revenues	<u>21,000</u>	<u>9,232</u>	<u>(11,768)</u>
<u>Expenditures:</u>			
Principal Retirement	1,219,346	1,139,346	80,000
Interest	640,915	616,284	24,631
Other Costs	20,000	18,453	1,547
Total Expenditures	<u>1,880,261</u>	<u>1,774,083</u>	<u>106,178</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,859,261)</u>	<u>(1,764,851)</u>	<u>94,410</u>
<u>Other Financing Sources (Uses):</u>			
Transfer from General Fund	1,570,000	1,453,494	(116,506)
Transfer from School Capital Projects Fund	600,000	311,357	(288,643)
Total Other Financing Sources (Uses)	<u>2,170,000</u>	<u>1,764,851</u>	<u>(405,149)</u>
Net Change in Fund Balances	310,739	0	(310,739)
Fund Balance, July 1, 2007	<u>222,859</u>	<u>221,457</u>	<u>(1,402)</u>
Fund Balance, June 30, 2008	<u>\$ 533,598</u>	<u>221,457</u>	<u>(312,141)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental	\$ 1,218,000	1,218,000	1,531,064	313,064
Investment Earnings	10,000	10,000	20,522	10,522
Other	354,500	416,662	530,010	113,348
Total Revenues	<u>1,582,500</u>	<u>1,644,662</u>	<u>2,081,596</u>	<u>436,934</u>
<u>Expenditures:</u>				
Capital Outlay	2,422,000	2,624,000	2,962,357	(338,357)
Other	351,000	351,000	244,693	106,307
Total Expenditures	<u>2,773,000</u>	<u>2,975,000</u>	<u>3,207,050</u>	<u>(232,050)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,190,500)</u>	<u>(1,330,338)</u>	<u>(1,125,454)</u>	<u>204,884</u>
<u>Other Financing Sources (Uses):</u>				
Bonds Issued	-	-	900,000	900,000
Issuance Costs for Bonds	-	-	(15,034)	(15,034)
Transfer from General Fund	800,000	800,000	473,000	(327,000)
Transfer to General Fund	-	-	(308,390)	(308,390)
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>800,000</u>	<u>1,049,576</u>	<u>249,576</u>
Net Change in Fund Balances	(390,500)	(530,338)	(75,878)	454,460
Fund Balance, July 1, 2007	<u>477,255</u>	<u>530,338</u>	<u>530,338</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 86,755</u>	<u>0</u>	<u>454,460</u>	<u>454,460</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, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<u>Revenues:</u>			
Investment Earnings	\$ 320,000	335,006	15,006
Total Revenues	<u>320,000</u>	<u>335,006</u>	<u>15,006</u>
<u>Expenditures:</u>			
Capital Outlay	1,050,000	441,849	608,151
Total Expenditures	<u>1,050,000</u>	<u>441,849</u>	<u>608,151</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(730,000)</u>	<u>(106,843)</u>	<u>623,157</u>
<u>Other Financing Sources (Uses):</u>			
Bonds Issued	12,000,000	12,000,000	-
Premium on Bonds Issued	-	727	727
Issuance Costs for Bonds	-	(182,771)	(182,771)
Transfer from General Fund	-	611,668	611,668
Transfer to Debt Service Fund	-	(311,357)	(311,357)
Transfer to General Fund	(130,000)	(70,000)	60,000
Total Other Financing Sources (Uses)	<u>11,870,000</u>	<u>12,048,267</u>	<u>178,267</u>
Net Change in Fund Balances	11,140,000	11,941,424	801,424
Fund Balance, July 1, 2007	<u>-</u>	<u>728</u>	<u>728</u>
Fund Balance, June 30, 2008	<u>\$ 11,140,000</u>	<u>11,942,152</u>	<u>802,152</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, 2008

	<u>Youth Counselor Office</u>	<u>WWTP External Agency</u>	<u>BIDB External Agency</u>	<u>Total Agency Funds</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ -	1,648,725	-	1,648,725
Pooled Cash Held by General Fund	<u>177</u>	<u>-</u>	<u>1,016</u>	<u>1,193</u>
Total Assets	<u>\$ 177</u>	<u>1,648,725</u>	<u>1,016</u>	<u>1,649,918</u>
<u>LIABILITIES:</u>				
Due to Others	<u>\$ 177</u>	<u>1,648,725</u>	<u>1,016</u>	<u>1,649,918</u>
Total Liabilities	<u>\$ 177</u>	<u>1,648,725</u>	<u>1,016</u>	<u>1,649,918</u>

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, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>YOUTH COUNSELOR OFFICE FUND</u>				
ASSETS				
Cash and Cash Equivalents	\$ 699	-	699	0
Pooled Cash Held by General Fund	50	7,490	7,363	177
TOTAL ASSETS	<u>\$ 749</u>	<u>7,490</u>	<u>8,062</u>	<u>177</u>
LIABILITIES				
Due to Others	<u>\$ 749</u>	<u>6,654</u>	<u>7,226</u>	<u>177</u>
 <u>WWTP EXTERNAL AGENCY FUND</u>				
ASSETS				
Cash and Cash Equivalents	<u>\$ 941,144</u>	<u>3,353,230</u>	<u>2,645,649</u>	<u>1,648,725</u>
LIABILITIES				
Due to Others	<u>\$ 941,144</u>	<u>3,353,230</u>	<u>2,645,649</u>	<u>1,648,725</u>
 <u>BIDB EXTERNAL AGENCY FUND</u>				
ASSETS				
Cash and Cash Equivalents	\$ 83,942	-	83,942	0
Pooled Cash Held by General Fund	-	86,016	85,000	1,016
TOTAL ASSETS	<u>\$ 83,942</u>	<u>86,016</u>	<u>168,942</u>	<u>1,016</u>
LIABILITIES				
Due to Others	<u>\$ 83,942</u>	<u>2,074</u>	<u>85,000</u>	<u>1,016</u>
 <u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 1,025,785	3,353,230	2,730,290	1,648,725
Pooled Cash Held by General Fund	50	93,506	92,363	1,193
TOTAL ASSETS	<u>\$ 1,025,835</u>	<u>3,446,736</u>	<u>2,822,653</u>	<u>1,649,918</u>
LIABILITIES				
Due to Others	<u>\$ 1,025,835</u>	<u>3,361,958</u>	<u>2,737,875</u>	<u>1,649,918</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, 2008

	2008
Governmental Funds Capital Assets:	
Land	\$ 4,038,348
Land Improvements	2,660,198
Buildings	29,730,633
Building Improvements	7,599,171
Other Improvements	763,545
Machinery and Equipment	14,661,043
Infrastructure	101,922,131
Construction in Progress	5,004,118
Total Governmental Funds Capital Assets	\$ 166,379,187
Investments in Governmental Funds Capital Assets by Source:	
Bond Issue	\$ 59,462,885
Capital Outlay Notes	1,053,216
Capital Leases	537,438
Donated	78,122,057
Grant Funds	5,799,571
School Activity Funds	98,369
General Fund	12,958,297
Special Revenue/Capital Projects Funds	8,347,354
Total Governmental Funds Capital Assets	\$ 166,379,187

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 June 30, 2008

Function and Activity	Land	Land Improvements	Buildings	Building Improvements	Other Improvements	Machinery & Equipment	Infrastructure	Construction in Progress	Total
<b>General Government:</b>									
General Administration	\$ 113,469	-	1,753,647	-	298,299	327,645	90,974	-	2,584,034
Community Development	65,975	497,418	476,992	66,957	-	173,480	-	-	1,280,822
Other Administrative	286,157	-	5,805,150	158,722	-	1,179,555	-	-	7,429,584
<b>Total General Government</b>	<b>465,601</b>	<b>497,418</b>	<b>8,035,789</b>	<b>225,679</b>	<b>298,299</b>	<b>1,680,680</b>	<b>90,974</b>	<b>0</b>	<b>11,294,440</b>
<b>Education:</b>									
General Operations	2,711,741	-	14,788,268	6,320,185	-	1,506,979	-	643,797	25,970,970
Child Nutrition	-	-	-	-	-	526,783	-	-	526,783
<b>Total Education</b>	<b>2,711,741</b>	<b>0</b>	<b>14,788,268</b>	<b>6,320,185</b>	<b>0</b>	<b>2,033,762</b>	<b>0</b>	<b>643,797</b>	<b>26,497,753</b>
Leisure Services	632,788	2,162,780	1,420,286	196,148	0	1,164,929	0	76,625	5,653,556
<b>Public Safety:</b>									
Police	6,925	-	3,103,929	682,787	-	2,022,743	-	41,471	5,857,855
Fire	82,624	-	583,270	-	-	2,595,506	-	-	3,261,400
<b>Total Public Safety</b>	<b>89,549</b>	<b>0</b>	<b>3,687,199</b>	<b>682,787</b>	<b>0</b>	<b>4,618,249</b>	<b>0</b>	<b>41,471</b>	<b>9,119,255</b>
<b>Public Venue:</b>									
Viking Hall	-	-	-	-	-	107,542	-	-	107,542
Farmer's Market	-	-	33,901	-	-	10,068	-	-	43,969
<b>Total Public Venue</b>	<b>0</b>	<b>0</b>	<b>33,901</b>	<b>0</b>	<b>0</b>	<b>117,610</b>	<b>0</b>	<b>0</b>	<b>151,511</b>
<b>Public Works:</b>									
Streets	138,669	-	1,765,190	174,372	465,246	2,846,155	101,831,157	4,242,225	111,463,014
Solid Waste	-	-	-	-	-	2,199,658	-	-	2,199,658
<b>Total Public Works</b>	<b>138,669</b>	<b>0</b>	<b>1,765,190</b>	<b>174,372</b>	<b>465,246</b>	<b>5,045,813</b>	<b>101,831,157</b>	<b>4,242,225</b>	<b>113,662,672</b>
<b>Total Governmental Funds</b>	<b>\$ 4,038,348</b>	<b>2,660,198</b>	<b>29,730,633</b>	<b>7,599,171</b>	<b>763,545</b>	<b>14,661,043</b>	<b>101,922,131</b>	<b>5,004,118</b>	<b>166,379,187</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, 2008

Function and Activity	Governmental Funds Capital Assets June 30, 2007	Additions	Deductions	Transfers	Adjustments	Governmental Funds Capital Assets June 30, 2008
<b>General Government:</b>						
General Administration	\$ 2,387,615	169,438	2,801	29,782	-	2,584,034
Community Development	1,222,162	180,259	225,382	103,783	-	1,280,822
Other Administrative	7,512,867	133,461	216,744	-	-	7,429,584
<b>Total General Government</b>	<b>11,122,644</b>	<b>483,158</b>	<b>444,927</b>	<b>133,565</b>	<b>0</b>	<b>11,294,440</b>
<b>Education:</b>						
General Operations	25,671,708	1,239,274	940,012	-	-	25,970,970
Child Nutrition	535,376	26,464	35,057	-	-	526,783
<b>Total Education</b>	<b>26,207,084</b>	<b>1,265,738</b>	<b>975,069</b>	<b>0</b>	<b>0</b>	<b>26,497,753</b>
<b>Leisure Services</b>	<b>5,515,109</b>	<b>187,292</b>	<b>113,978</b>	<b>65,133</b>	<b>0</b>	<b>5,653,556</b>
<b>Public Safety:</b>						
Police	5,761,885	281,595	65,735	(114,915)	(4,975)	5,857,855
Fire	3,043,527	486,853	157,704	(111,276)	-	3,261,400
<b>Total Public Safety</b>	<b>8,805,412</b>	<b>768,448</b>	<b>223,439</b>	<b>(226,191)</b>	<b>(4,975)</b>	<b>9,119,255</b>
<b>Public Venue:</b>						
Viking Hall	100,496	7,046	-	-	-	107,542
Farmer's Market	43,969	-	-	-	-	43,969
<b>Total Public Venue</b>	<b>144,465</b>	<b>7,046</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151,511</b>
<b>Public Works:</b>						
Streets	108,168,911	3,658,976	21,156	87,400	(431,117)	111,463,014
Solid Waste	1,907,824	291,834	-	-	-	2,199,658
<b>Total Public Works</b>	<b>110,076,735</b>	<b>3,950,810</b>	<b>21,156</b>	<b>87,400</b>	<b>(431,117)</b>	<b>113,662,672</b>
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 161,871,449</b>	<b>6,662,492</b>	<b>1,778,569</b>	<b>59,907</b>	<b>(436,092)</b>	<b>166,379,187</b>

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
<u>General Fund:</u>						
16.607	Bulletproof Vest Partnership Grant	U.S. Department of Justice	\$ 0	7,300	12,688	(5,388) *
16.738	Edward Byrne Memorial Justice Assistance Grant 2005-DJ-BX-0916	U.S. Department of Justice	0	-	606	(606) *
20.507	Section 5307: Operating Assistance TN-90-X268	U.S. Department of Transportation	0	132,618	218,288	(85,670) *
20.507	Section 5307: Operating Assistance TN-90-X257	U.S. Department of Transportation	(70,495)	94,179	23,684	0
20.507	Section 5307: Operating Assistance TN-90-X240	U.S. Department of Transportation	0	41,595	41,595	0
97.044	Assistance to Firefighters Grant Program for Fire Operations and Firefighter Safety EMW-2006-FG-00538	U.S. Department of Homeland Security	0	88,920	88,920	0
Pass Through State of Tennessee:						
16.580	Byrnes Memorial Grant Z-99-088470-00	U.S. Department of Justice	(1,506)	30,160	32,746	(4,092) *
16.588	STOP Grant Z-07-033062-00	U.S. Department of Justice	0	18,517	29,036	(10,519) *
16.727	(EUDL) Enforcing Underage Drinking Law Grant GG-07-12698-00	U.S. Department of Justice	(20,080)	20,080	-	0
16.738	Byrnes / Justice Assistance Grant Z-06-027526-00	U.S. Department of Justice	0	34,588	39,893	(5,305) *
20.205	Section 112: Transportation Planning Z-07-036290-07	U.S. Department of Transportation	0	48,236	73,378	(25,142) *
20.205	Section 112: Transportation Planning Z-07-036290-06	U.S. Department of Transportation	(24,138)	24,138	22,607	(22,607) *
20.205	Section 5303: Transit Planning GG-07-20729-00	U.S. Department of Transportation	(2,918)	15,650	19,234	(6,502) *
20.600	High Risk Crash Intervention Program Z-07-035725-00	U.S. Department of Transportation	(8,046)	17,983	9,937	0

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
20.600	Impaired Driving Initiative Z-08-024029-00	U.S. Department of Transportation	0	47,940	55,536	(7,596) *
97.039	Hazard Mitigation Grant GG-04-10924-00	U.S. Department of Homeland Security	(1,663)	-	-	(1,663) *
Pass Through State of Virginia						
20.205	Section 112: Transportation Planning FY 08 Authorization	U.S. Department of Transportation	0	17,739	22,251	(4,512) *
20.205	Section 112: Transportation Planning FY 07 Authorization	U.S. Department of Transportation	(4,273)	4,273	-	0
20.205	Section 5303: Transit Planning 41007-01	U.S. Department of Transportation	0	-	22,212	(22,212) *
20.205	Section 5303: Transit Planning 41006-01	U.S. Department of Transportation	(16,375)	16,375	-	0
Pass Through Other Entities:						
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	8,500	8,500	0
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)	(1,740)	16,024	16,715	(2,431) *
93.052	Title III E National Family Caregiver	U.S. Department of Health and Human Services (Subrecipient from First Tennessee Development District)	(389)	2,042	2,197	(544) *
Total General Fund			(151,623)	686,857	740,023	(204,789)
School Federal Projects Fund:						
84.148L	Safe Schools/Healthy Students	U.S. Departments of Education, Health and Human Services, and Justice	(60,903)	2,562,940	2,555,008	(52,971) *

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF BRISTOL, TENNESSEE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
Pass Through State of Tennessee:						
84.010	Title I, Project 2007.01	U.S. Department of Education	(6,655)	631,559	624,932	(28) *
84.027	IDEA, Project 2008.01	U.S. Department of Education	0	657,614	673,001	(15,387) *
84.027	IDEA, Project 2007.21	U.S. Department of Education	(58,341)	62,280	3,939	0
	Total IDEA		(58,341)	719,894	676,940	(15,387)
84.173	Preschool Incentive, Project 2007.01	U.S. Department of Education	0	23,108	23,108	0
84.048	Carl Perkins (Vocational Program Improvements)	U.S. Department of Education	(9,854)	76,145	66,291	0
84.367	Title II, Part A Project 2007.01	U.S. Department of Education	0	161,529	161,529	0
84.367	Title II, Part D Project 2007.01	U.S. Department of Education	0	6,366	6,366	0
	Total Title II		0	167,895	167,895	0
84.186	Drug Free Schools, Project 2007.01	U.S. Department of Education	0	-	720	(720) *
84.298A	Title V, Part A - Innovative Programs	U.S. Department of Education	0	6,135	6,135	0
	Total School Federal Projects Fund		(135,753)	4,187,676	4,121,029	(69,106)
Child Nutrition Fund:						
Pass Through State of Tennessee:						
10.553	National School Breakfast Program	U.S. Department of Agriculture	0	183,773	199,244	(15,471) *
10.555	National School Lunch Program	U.S. Department of Agriculture	0	593,743	639,399	(45,656) *
Pass Through Northeast Tennessee Cooperative:						
10.555	USDA: Commodity Supplemental Feeding - Commodities Distributed	U.S. Department of Agriculture	0	144,117	144,117	0
	Total Child Nutrition Fund		0	921,633	982,760	(61,127)

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
<u>HOME Consortium Fund</u>						
14.239	HOME Investment Partnership Program	U.S. Department of Housing and Urban Development	(183,158)	1,433,862	1,379,672	(128,968) *
<u>Grant Fund:</u>						
14.218	Community Development Block Grant	U.S. Department of Housing and Urban Development	(152,363)	312,967	205,325	(44,721) *
<u>Pass Through State of Tennessee:</u>						
14.231	Emergency Shelter Grant Z-08-022622-00	U.S. Department of Housing and Urban Development	0	29,047	38,850	(9,803) *
14.231	Emergency Shelter Grant Z-07-031495-00	U.S. Department of Housing and Urban Development	(3,514)	3,514	-	0
<u>Total Grant Fund</u>			(155,877)	345,528	244,175	(54,524)
<u>Capital Projects Fund</u>						
<u>Pass Through State of Tennessee:</u>						
20.205	Transportation Enhancement Grant STP-EN-NHE-34(46) PIN# 030564.01	U.S. Department of Transportation	0	1,037,524	1,223,924	(186,400) *
20.205	Transportation Enhancement Grant STP-EN-NHE-34(46) PIN# 030564	U.S. Department of Transportation	(694,037)	1,001,177	307,140	0
<u>Total Capital Projects Fund</u>			(694,037)	2,038,701	1,531,064	(186,400)
<u>TOTAL FEDERAL GRANTS</u>			\$ (1,320,448)	9,614,257	8,998,723	(704,914)

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008

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. The beginning amount represents inventory on hand at the beginning of the year.

NOTE C: PAYMENTS TO SUB-RECIPIENTS

Payments were made from the Community Development Block Grant to the YWCA and the Appalachian Regional Coalition on Homelessness (ARCH) in the amounts of \$25,000 and \$5,000, respectively.

Payments were made from proceeds of the Emergency Shelter Grant to Abuse Alternatives and Salvation Army in the amounts of \$18,500 and \$18,500, respectively.

Payments were made from the HOME Investment Partnership Program to the Southwest Virginia Housing Corporation in the amount of \$195,123.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
<u>General Fund:</u>						
N/A	Community Enhancement Grant Leisure Services	Tennessee Department of State	\$ 0	5,000	5,000	0
N/A	Community Enhancement Grant YWCA Juvenile Court	Tennessee Department of State	0	10,000	10,000	0
N/A	State Senior Center Operations Grant	Tennessee Commission on Children and Youth (Subrecipient of Sullivan County)	0	3,000	3,000	0
N/A	Service Coordination Funds	Tennessee Department of Health and Human Services (Subrecipient from First Tennessee Development District)	0	16,800	16,800	0
N/A	State Transit Operating Assistance Grant Z-08-21334-00	Tennessee Department of Health and Human Services (Subrecipient from First Tennessee Development District)	(467)	2,451	2,637	(653) *
N/A	State Transit Operating Assistance Grant GG-07-12813-00	Tennessee Department of Transportation	0	83,855	167,162	(83,307) *
N/A	Section 5303: Transit Planning GG-07-20729-00	Tennessee Department of Transportation	(85,628)	85,628	-	0
N/A	Section 112: Transportation Planning FY 08 Authorization	Virginia Department of Transportation	(365)	1,956	2,404	(813) *
N/A	Section 112: Transportation Planning FY 07 Authorization	Virginia Department of Transportation	0	2,217	2,781	(564) *
N/A	Section 5303: Transit Planning 41007-01	Virginia Department of Transportation	(534)	534	-	0
			0	-	2,777	(2,777) *

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
N/A	Section 5303: Transit Planning 41006-01	Virginia Department of Transportation	(2,047)	2,047	-	0
N/A	Tennessee Agricultural Enhancement Program Grant	Tennessee Department of Agriculture	0	9,995	9,995	0
	Total General Fund		(89,041)	223,483	222,556	(88,114)
<u>General Purpose School Fund</u>						
N/A	Career Ladder Supplement	Tennessee Department of Education	19,263	219,169	226,413	12,019 **
N/A	Driver's Education	Tennessee Department of Education	(8,880)	32,605	23,725	0
N/A	Early Childhood Grant - Pilot	Tennessee Department of Education	(42,217)	221,821	228,396	(48,792) *
N/A	Early Childhood Grant - Lottery	Tennessee Department of Education	(11,248)	79,443	76,132	(7,937) *
N/A	Extended Contract	Tennessee Department of Education	21,903	167,524	160,588	28,839 **
N/A	Safe Schools Act	Tennessee Department of Education	0	17,600	17,600	0
	Total General Purpose School Fund		(21,179)	738,162	732,854	(15,871)
<u>Child Nutrition Fund:</u>						
N/A	State Matching Funds	Tennessee Department of Agriculture	0	19,788	19,788	0
	Total Child Nutrition Fund		0	19,788	19,788	0
TOTAL STATE GRANTS			\$ (110,220)	981,433	975,198	(103,985)

\* Receivable      \*\* Unused Revenue

See Independent Auditors' Report.

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## 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>
Financial Trends: <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>	136
Revenue Capacity: <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	143
Debt Capacity: <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>	147
Demographic and Economic Information: <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>	152
Operating Information: <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>	154

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)

	1999*	2000*	2001*	2002	2003	2004	2005	2006	2007	2008
<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
Restricted for:										
Capital Assets	-	-	-	2,513,580	1,020,535	422,494	302,716	371,487	111,896	12,354,611
Community and Economic Development	-	-	-	933,761	944,011	811,039	832,684	300	210,000	212,427
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
Leisure Services	-	-	-	16,829	9,299	8,645	9,085	9,481	12,926	20,616
Police and Drug Control	-	-	-	56,136	40,377	26,727	29,328	15,173	75,793	66,519
State Street Aid	-	-	-	298,972	288,046	333,208	387,413	155,100	274,952	257,545
Unrestricted	-	-	-	13,502,697	12,264,260	13,185,677	14,898,035	15,743,113	17,737,719	7,389,014
<b>Total Governmental Activities Net Assets</b>	<b>0</b>	<b>0</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>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
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
<b>Total Business-type Activities Net Assets</b>	<b>0</b>	<b>0</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>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
Restricted for:										
Capital Assets	-	-	-	-	-	-	-	-	-	12,440,163
Community Development	-	-	-	2,513,580	1,020,535	422,494	302,716	371,487	111,896	212,427
Debt Service	-	-	-	933,761	944,011	811,039	832,684	300	210,000	32,027
Education	-	-	-	-	32,629	34,843	23,122	30,568	27,398	254,772
Leisure Services	-	-	-	227,210	74,227	76,424	72,567	56,278	66,841	20,616
Police and Drug Control	-	-	-	16,829	9,299	8,645	9,085	9,481	12,926	66,519
State Street Aid	-	-	-	56,136	40,377	26,727	29,328	15,173	75,793	257,545
Unrestricted	-	-	-	298,972	288,046	333,208	387,413	155,100	274,952	41,425,018
<b>Total Primary Government Net Assets</b>	<b>\$ 0</b>	<b>0</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>

\* 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  
 CHANGES IN NET ASSETS (UNAUDITED)  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

	1999*	2000*	2001*	2002	2003	2004	2005	2006	2007	2008
<b>PROGRAM REVENUES:</b>										
Governmental Activities:										
Charges for Services:										
Education	-	-	-	1,007,388	886,533	873,535	959,619	1,017,952	1,034,228	1,062,804
Public Safety	-	-	-	405,281	317,710	696,580	968,232	940,308	1,024,723	1,096,054
Public Venue	-	-	-	1,212,845	789,493	813,240	431,653	713,071	436,089	727,869
Public Works	-	-	-	759,158	753,107	917,361	1,041,003	1,050,484	1,299,926	1,367,015
Other Activities	-	-	-	214,185	199,687	205,474	216,159	351,087	494,202	537,565
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
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
Total Governmental Activities Program Revenues	0	0	0	19,169,480	21,474,725	26,530,029	24,528,670	23,865,855	35,645,397	30,569,717
Business-type Activities:										
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
Water	-	-	-	3,584,724	3,858,608	3,757,324	3,665,432	3,809,582	4,022,347	4,165,607
Sewer	-	-	-	3,995,541	4,100,590	4,210,408	4,261,403	4,316,970	4,494,021	4,543,321
Cable and Internet	-	-	-	-	-	-	-	353,441	2,322,091	4,137,724
Telephone	-	-	-	-	-	-	-	-	387,950	1,412,239
Demolition Landfill	-	-	-	129,234	167,132	142,483	183,976	128,252	126,749	144,780
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
Total Business-type Activities Program Revenues	0	0	0	59,064,474	62,435,067	66,878,760	66,259,197	76,340,613	81,646,498	89,944,561
Total Primary Government Program Revenues	0	0	0	78,233,954	83,909,792	93,408,789	90,787,867	100,206,468	117,291,895	120,514,278
<b>EXPENSES:</b>										
Governmental Activities:										
General Government										
Education	-	-	-	2,489,895	3,056,001	3,467,305	4,757,598	5,139,301	4,844,996	5,725,884
Leisure Services	-	-	-	26,871,014	26,698,577	26,789,598	28,655,626	30,762,189	33,899,981	35,867,305
Public Safety	-	-	-	1,923,751	1,933,967	1,965,461	2,083,955	2,380,400	2,719,955	2,777,750
Public Venue	-	-	-	7,514,877	8,280,905	8,702,306	9,127,336	9,801,256	10,666,085	10,482,040
Public Works	-	-	-	1,627,953	1,281,469	1,329,476	777,834	1,011,156	878,437	1,231,929
Interest on Long-Term Debt	-	-	-	5,700,459	5,985,646	6,243,406	6,624,843	7,181,502	7,487,226	7,985,529
Total Governmental Activities Expenses	0	0	0	46,565,243	47,623,487	48,834,959	52,315,649	56,637,948	60,851,325	64,733,458
Business-type Activities:										
Electric	-	-	-	49,345,554	53,523,123	56,028,377	54,779,542	64,250,450	67,115,121	72,017,098
Water	-	-	-	3,643,130	3,822,469	3,482,281	3,351,293	3,445,194	3,780,756	3,799,575
Sewer	-	-	-	3,663,039	3,777,955	3,861,979	3,997,785	4,069,436	4,247,002	3,986,849
Cable and Internet	-	-	-	-	-	-	-	287,785	2,006,040	3,556,780
Telephone	-	-	-	-	-	-	-	-	267,905	989,310
Demolition Landfill	-	-	-	168,401	154,109	172,974	205,875	235,954	297,023	521,450
Total Business-type Activities Expenses	0	0	0	56,820,124	61,277,656	63,545,611	62,334,495	72,888,819	77,713,847	84,871,062
Total Primary Government Expenses	0	0	0	103,385,367	108,901,143	112,380,570	114,650,144	128,926,767	138,565,172	149,604,520

(Continued)

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

	1999*	2000*	2001*	2002	2003	2004	2005	2006	2007	2008
<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)	
Business-type Activities	-	-	2,244,350	1,157,411	3,333,149	3,924,702	4,051,794	3,932,651	5,073,499	
Total Primary Government Net Expense	0	0	(25,151,413)	(24,991,351)	(18,971,781)	(23,862,277)	(28,720,299)	(21,273,277)	(29,090,242)	
<b>GENERAL REVENUES AND OTHER CHANGES</b>										
<b>IN NET ASSETS:</b>										
Governmental Activities:										
Taxes:										
Property Taxes	-	-	16,584,591	17,267,372	18,444,597	19,707,656	20,368,771	21,570,386		
Sales Taxes	-	-	7,369,526	7,520,906	7,875,796	8,496,412	9,128,039	9,209,471		
Other Taxes	-	-	2,729,399	2,045,456	1,898,673	2,327,979	2,340,339	2,381,612		
State Revenue (Unrestricted)	-	-	2,231,724	2,030,075	2,000,732	3,210,302	2,945,885	3,003,642		
Investment Earnings (Unrestricted)	-	-	456,157	174,647	98,253	259,373	471,877	620,085		
Other General Revenue	-	-	257,132	254,067	417,167	460,039	446,679	700,723		
Proceeds from Sale of Equipment	-	-	21,454	496	951	-	-	-		
Transfers	-	-	(30,000)	815,020	476,146	833,818	843,142	1,485,934		
Total Governmental Activities	0	0	29,171,791	28,884,709	31,372,484	35,508,283	36,692,940	39,196,500		
Business-type Activities:										
Investment Earnings (Unrestricted)	-	-	893,783	749,431	673,381	976,405	1,152,287	1,862,795	587,558	
Transfers	-	-	30,000	(815,020)	(476,146)	(833,818)	(843,142)	(1,485,934)		
Total Business-type Activities	0	0	923,783	749,431	(141,639)	500,259	318,469	1,019,653	(898,376)	
Total Primary Government	0	0	30,095,574	29,634,140	29,890,461	31,872,743	35,826,752	37,712,593	38,298,124	
<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	
Business-type Activities	-	-	3,168,133	1,906,842	3,191,510	4,424,961	4,370,263	4,952,304	4,175,123	
Total Primary Government	\$ 0	\$ 0	\$ 4,944,161	\$ 4,642,789	\$ 10,918,680	\$ 8,010,466	\$ 7,106,453	\$ 16,439,316	\$ 9,207,882	

\* 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  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE (UNAUDITED)  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

Fiscal Year	Property Taxes	Sales Tax	Other Taxes	Total
1999*	\$ -	-	-	-
2000*	-	-	-	-
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	2,045,456	26,833,734
2005	18,444,597	7,875,796	1,898,673	28,219,066
2006	19,707,656	8,496,412	2,327,979	30,532,047
2007	20,368,771	9,128,039	2,340,339	31,837,149
2008	21,570,386	9,209,471	2,381,612	33,161,469

\*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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<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	-	-	-	-
Debt Service	1,152,588	1,002,588	1,002,588	-	-	-	824,042	-	-	-
Inventory	-	-	-	42,575	34,709	40,961	41,314	37,206	36,818	78,355
Leisure Services	-	-	-	16,829	9,299	8,645	9,085	9,481	12,926	20,616
Police and Drug Control	-	-	-	15,411	361	-	4,357	1,745	11,989	15,213
Unreserved	6,115,697	6,163,685	5,729,198	6,611,938	6,537,851	6,830,739	6,861,988	8,911,943	9,127,258	10,462,313
<b>Total General Fund</b>	<b>\$ 7,268,285</b>	<b>7,166,273</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>All Other Governmental Funds:</b>										
Reserved for:										
Capital Outlay	-	-	-	993,351	120,798	95,936	282,100	326,030	111,896	108,167
Community and Economic Development	152,420	-	11,819	-	-	-	8,642	300	210,000	212,427
Debt Service	-	-	-	273,313	-	-	-	-	-	-
Education	4,540,764	3,795,456	3,231,212	227,210	74,227	76,424	72,567	56,278	66,841	254,772
Encumbrances	1,007,584	553,000	-	599,234	241,799	91,190	109,858	109,509	90,755	333,747
Inventory	-	-	-	64,859	63,851	92,611	110,053	83,244	52,654	41,527
Police and Drug Control	-	-	-	40,725	40,016	26,727	24,971	13,428	63,804	51,306
State Street Aid	252,658	229,300	266,951	298,972	288,046	333,208	387,413	155,100	274,952	257,545
Unreserved, Reported in:										
Special Revenue Funds	2,862,147	3,771,866	3,652,878	3,888,121	3,799,056	4,079,911	4,441,713	5,170,306	6,282,763	7,508,569
Debt Service Fund	230,431	223,501	212,724	273,313	142,023	189,971	178,984	220,891	221,457	221,457
Capital Project Funds	(470,684)	3,767,505	3,466,940	1,230,179	703,745	1,421,759	1,317,022	326,283	322,149	12,184,185
<b>Total All Other Governmental Funds</b>	<b>\$ 8,575,320</b>	<b>12,340,628</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>

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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>REVENUES:</b>										
Taxes	\$ 23,581,346	24,219,114	25,190,948	26,199,256	26,321,671	26,768,949	27,908,857	30,588,527	31,690,741	33,139,066
Licenses and Permits	101,896	106,225	138,393	147,648	154,566	150,097	152,054	180,044	233,850	266,443
Intergovernmental	18,253,923	15,378,769	15,774,508	15,917,410	16,525,184	17,898,825	19,731,646	21,141,889	24,971,548	27,103,389
Charges for Services	2,182,680	2,617,877	2,100,618	1,942,475	1,944,232	2,181,013	2,758,197	2,912,522	3,260,413	3,554,961
Revenues from Use of Facilities	-	-	-	1,237,506	839,660	779,290	364,210	618,497	353,474	651,151
Fines and Forfeitures	270,429	299,918	253,525	327,680	309,323	338,483	453,706	417,834	532,898	456,877
Investment Earnings	515,743	731,070	881,638	456,157	174,646	98,254	259,373	471,877	620,086	844,732
Other	1,323,231	5,132,062	115,834	375,412	445,451	304,691	420,321	663,705	378,462	1,206,892
<b>Total Revenues</b>	<b>46,229,248</b>	<b>48,485,035</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>EXPENDITURES:</b>										
General Government	3,393,453	3,747,386	3,540,604	2,388,030	2,843,801	3,272,598	4,456,212	4,731,009	4,502,006	5,308,254
Education	22,175,312	23,401,292	24,743,388	24,735,794	26,383,469	26,484,146	28,140,633	30,224,340	33,280,755	34,862,919
Leisure Services	1,492,253	1,607,579	1,736,753	1,693,506	1,816,447	1,852,794	1,978,440	2,192,522	2,571,850	2,638,797
Public Safety	5,864,121	6,178,611	7,044,655	6,917,638	7,704,931	8,195,469	8,746,803	9,320,840	10,123,040	10,202,588
Public Venue	947,527	1,312,311	594,001	1,612,413	1,099,437	1,098,890	774,916	1,001,575	868,050	1,228,660
Public Works	2,510,395	2,563,197	2,832,974	3,745,754	4,050,090	4,195,117	4,549,484	4,975,117	5,007,853	5,461,576
Utility Services	-	-	-	-	-	-	-	-	-	-
Capital Outlay	1,722,558	3,156,857	2,971,993	6,741,774	4,237,172	2,914,911	5,921,420	3,268,205	3,453,600	5,506,964
Debt Service:										
Principal	2,190,526	2,310,233	1,510,169	1,336,375	1,046,549	889,192	1,122,650	1,320,253	1,373,901	1,139,346
Interest	422,388	457,033	538,641	451,641	399,692	342,576	295,137	347,683	333,886	616,284
Other Costs	-	-	-	-	-	-	123,155	22,124	21,503	18,453
<b>Total Expenditures</b>	<b>40,718,533</b>	<b>44,734,499</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>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	5,510,715	3,750,536	(1,057,714)	(3,019,381)	(2,866,855)	(726,091)	(4,060,486)	(408,773)	505,028	239,710

(Continued)

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Other Financing Sources (Uses):</b>										
Note Proceeds	-	-	-	-	-	578,000	-	-	-	-
Bonds Issued	-	-	-	3,080,000	1,120,097	-	6,585,000	-	-	12,900,000
Premium on Bonds Issued	-	-	-	-	-	-	10,345	-	-	727
Issuance Costs for Bonds	-	-	-	-	-	-	-	-	-	(197,805)
Payments to Refunded Bond	-	-	-	-	-	-	-	-	-	-
Escrow Agent	-	-	-	(3,000,000)	(1,086,754)	-	(3,033,276)	-	-	-
Proceeds from Capital Leases	-	-	-	316,436	-	-	-	-	-	-
Proceeds from County Bonds	-	-	-	(3,941)	-	-	253,050	-	-	-
Refund to the State of Tennessee	-	-	-	21,454	496	951	-	-	-	-
Sale of Capital Assets	-	-	-	7,063,014	6,626,725	7,708,398	6,684,907	8,025,416	8,142,449	9,413,843
Transfers In	6,883,026	7,685,570	6,959,848	7,063,014	6,626,725	7,708,398	6,684,907	8,025,416	8,142,449	9,413,843
Transfers Out	(6,883,026)	(8,278,331)	(7,039,848)	(7,093,014)	(6,626,725)	(6,893,378)	(6,208,761)	(6,842,198)	(7,170,000)	(7,927,909)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(592,761)</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>Net Change in Fund Balances</b>	<b>\$ 5,510,715</b>	<b>3,157,775</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>

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Service as a Percentage of Noncapital Expenditures	6.70%	6.66%	4.82%	4.17%	3.19%	2.66%	3.07%	3.12%	2.98%	2.89%

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

Fiscal Year	Payments in Lieu of Taxes	Local Sales Tax	Beer and Liquor Taxes	Business Tax	Gas Franchise Tax	Cable Television Franchise Tax	Hotel and Motel Taxes	Total
1999*	-	-	-	-	-	-	-	-
2000*	-	-	-	-	-	-	-	-
2001*	-	-	-	-	-	-	-	-
2002	874,296	7,368,989	509,119	404,542	464,252	242,659	194,421	10,058,278
2003	880,189	7,187,612	522,380	431,073	307,961	243,604	205,559	9,778,378
2004	12,022	7,521,533	579,679	409,451	431,142	252,760	198,179	9,404,766
2005	6,873	7,561,966	599,166	444,651	399,111	252,742	173,756	9,438,265
2006	74,659	8,790,242	633,125	408,536	442,881	267,031	381,292	10,997,766
2007	45,633	9,118,039	684,167	434,742	447,130	321,138	412,529	11,463,378
2008	56,677	9,204,471	743,256	459,759	350,277	356,355	467,276	11,638,071

\*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			Other 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	Commercial and Industrial Property							
1999	135,673	115,863	3,083	33,900	18,869	307,388	2.60	991,971	30.99%	
2000	140,035	127,514	4,119	31,023	18,601	321,292	2.60	1,041,850	30.84%	
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%	

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

Fiscal Year	Total City of Bristol, Tennessee Millage	<u>Overlapping Rates</u> Sullivan County, Tennessee Millage	Total Direct & Overlapping Rates
1999	2.60	2.58	5.18
2000	2.60	2.58	5.18
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

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, 2008

<u>Taxpayer</u>	<u>2008</u>			<u>1999</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.	\$ 42,904,766	1	8.0%	-	-	-
King Pharmaceutical, Inc.	21,438,256	2	4.0%	4,573,521	5	1.4%
Beecham Lab, Inc.	17,314,538	3	3.2%	-	-	-
United Telephone Southeast	9,306,847	4	1.7%	14,570,174	2	4.5%
Godsey Leasing	8,728,360	5	1.6%	2,319,550	9	0.7%
Exide Corporation	8,586,032	6	1.6%	-	-	-
Royal Mouldings Ltd.	8,032,434	7	1.5%	-	-	-
Wellmont Health Systems	7,647,314	8	1.4%	5,805,855	4	1.8%
Bristol Metals, LP	6,678,623	9	1.2%	2,816,852	7	0.9%
Gatton	5,201,304	10	1.0%	-	-	-
Comprehensive Care	-	-	-	2,441,960	8	0.8%
Atmos Energy Corporation	-	-	-	2,240,141	10	0.7%
National Raceways, Inc.	-	-	-	23,368,506	1	7.2%
Raytheon Company	-	-	-	2,640,896	5	0.9%
Robinette Company	-	-	-	2,832,714	6	0.9%
Smithkline Beecham	-	-	-	9,706,674	3	3.0%
	<u>\$135,838,474</u>		<u>25.4%</u>	<u>73,316,843</u>		<u>22.7%</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, 2008
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
1999*	\$ -	-	-	-	-	-	-	-	-
2000	8,353,622	(49,659)	8,303,963	8,014,527	96.5%	277,340	8,291,867	99.9%	12,096
2001	8,949,345	43,642	8,992,987	8,539,761	95.0%	439,233	8,978,994	99.8%	13,993
2002	9,456,180	(40,907)	9,415,273	9,055,623	96.2%	331,396	9,387,019	99.7%	28,254
2003	9,650,913	(117,009)	9,533,904	9,189,163	96.4%	285,488	9,474,651	99.4%	59,253
2004	10,230,605	(91,149)	10,139,456	9,917,752	97.8%	174,912	10,092,664	99.5%	46,792
2005	10,764,095	(68,976)	10,695,119	10,362,411	96.9%	262,799	10,625,210	99.3%	69,909
2006	11,518,027	(40,834)	11,477,193	11,068,858	96.4%	317,854	11,386,712	99.2%	90,481
2007	11,955,217	24,156	11,979,373	11,516,911	96.1%	227,693	11,744,604	98.0%	234,769
2008	12,980,029	1,130	12,981,159	12,507,378	96.4%	-	12,507,378	96.4%	473,781

\*Comparable information was not available for prior years.

Note: As of June 30, 2008, tax years prior to 2007 had been turned over to Sullivan County, Tennessee Clerk and Master for collections.

See Independent Auditors' Report.

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	Demolition and Landfill Obligation Bonds	Water, Sewer, and Sewer Revenue Bonds	Water and Sewer Payable	Capital Leases	Water and Sewer Payable	Water and Sewer Payable	Capital Leases			
1999	\$ 8,208,467	690,000	438,552	-	-	13,207,433	6,339,333	-	-	-	-	28,883,785	*	1,180
2000	11,118,334	470,000	382,194	-	-	10,905,000	7,506,790	-	-	-	-	30,382,318	7.18%	1,241
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

\*Comparable information was not available for prior years.

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

1 See the Schedule of Demographic and Economic Statistics on page 152 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
	<sup>1</sup>			<sup>2</sup>	<sup>3</sup>
1999	\$ 8,208,647	230,431	7,978,216	0.80%	326
2000	11,118,334	223,501	10,894,833	1.05%	445
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

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 143 for property value data.

<sup>3</sup> See the Schedule of Demographic and Economic Statistics on page 152 for population data.

See Independent Auditors' Report.

CITY OF BRISTOL, TENNESSEE  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)  
As of June 30, 2008

<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	\$ 31,295,000	18%	<u>\$ 5,633,100</u>
Subtotal, Overlapping Debt			5,633,100
City of Bristol, Tennessee Direct Debt			19,714,153
Total Direct and Overlapping Debt			<u><u>\$ 25,347,253</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.

† 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 Principal	Debt Service Interest	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
1999	\$ -	-	-	-	-	7,950,253	4,690,984	3,259,269	1,434,736	1,059,331	1.31
2000	-	-	-	-	-	8,145,520	4,263,230	3,882,290	1,567,996	1,112,604	1.45
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	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	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	8,855,477	5,838,172	3,017,305	1,370,000	88,967	2.07

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.

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>
1999	24,487	*	\$ 28,895	37.7	3,608	3.8%
2000	24,487	423,180,000	30,073	37.7	3,608	4.1%
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%

\*Comparable information was not available for prior years.

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

See Independent Auditors' Report.

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

<u>EMPLOYER</u>	<u>2008</u>			<u>1999</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	1,514	1	9.05%		1	
Exide Corporation	900	2	5.38%		2	
Embarq (Formerly Sprint)	700	3	4.18%		3	
Touchstone Wireless	695	4	4.15%		-	
King Pharmaceuticals	472	5	2.82%		8	
Bristol, Tennessee School System	427	6	2.55%		4	
City of Bristol, Tennessee	328	7	1.96%		7	
Bristol Metals LP	324	8	1.94%		6	
Robinette Company	294	9	1.76%		10	
GlaxoSmithKline Laboratories	240	10	1.43%		5	
Cortrim Hardware Parts Company					9	
	<u>5,894</u>		<u>35.22%</u>			

Source: Tennessee Department of Economic & Community Development

Note: Total employment and number of employees for 1999 was unavailable.

See Independent Auditors' Report.

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

FUNCTION	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	32	34	34	38	39	37	30	31	31	37
Education	384.5	396.5	395.5	399.5	401.5	399.5	400	413	422	427
Leisure Services	28	28	30	32	32	32	32	33	33	34
Public Safety										
Police	85	85	85	86	88	88	91	91	92	92
Fire	43	46	46	46	47	47	47	50.5	50.5	51.5
Public Works										
Engineering & GIS	-	-	-	-	-	-	7	8	8	8
Street Maintenance	23	23	23	24	24	24	24.5	24.5	24.5	25
Fleet Maintenance	10	10	10	10	10	10	10	10	10	10
Solid Waste	19	19	19	18	16	16	16	16	16	16
Other	6	6	9	9	9	9	8.5	8.5	8.5	7.7
Public Venue	9	10	10	10	6	7	6	5.5	5.5	5.5
Electric	62	60	60	60	60	60	60	60	60	60
Water	26	25.5	25.5	25.5	25.5	26.5	26.5	26.5	26.5	25
Sewer	13	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	14
Demolition Landfill	2	2	2	2	2	2	2	2	2	2.3
<b>Total</b>	<b>742.5</b>	<b>757.5</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>

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Education</u>										
Average Daily Membership	3,608	3,608	3,590	3,493	3,580	3,616	3,675	3,675	3,864	3,898
<u>Public Safety</u>										
Police:										
Average Emergency Response Time	4.5 min.	4.5 min.	4.5 min.	4.5 min.	4.5 min.	4.5 min.	4.5 min.	6 min.	6.24 min.	6.32 min.
Number of Calls for Service	21,120	22,022	22,232	23,544	32,683	42,914	55,729	53,591	47,097	47,156
Number of Arrests	1,848	2,036	1,848	1,359	1,807	1,911	1,454	2,088	2,313	2,507
Fire:										
Average Response Time	5.3 min.	4.2 min.	4.5 min.	4.5 min.	4.5 min.	6.41 min.	4.59 min.	5.02 min.	4.46 min.	5.05 min.
Number of Alarms Answered	2,152	2,121	2,152	2,851	2,617	2,554	3,914	4,085	4,192	4,569
Number of Code Inspections	5,119	4,187	5,119	6,360	4,913	5,941	6,813	6,288	7,381	1,210
<u>Public Works</u>										
Refuse Collected (Cubic Yards or Tons)	31,787 CY	31,787 CY	10,368 T	10,132 T	10,521 T	45,234 CY	11,272 T	10,821 T	10,656 T	10,569 T
Brush Collection (Cubic Yards)	44,167	44,167	45,045	47,416	49,512	37,239	41,928	42,280	40,943	41,311
Junk Collection (Cubic Yards)	26,584	26,584	26,766	35,273	39,212	27,333	29,052	27,899	24,196	25,205
Leaf Collection (Cubic Yards or Tons)	7,101 CY	7,101 CY	1,200 T	1,547 T	1,207 T	5,973 CY	5,782 CY	5,249 CY	1,031 T	5,101 CY
Number of Customers	9,066	9,066	9,253	9,313	9,328	9,559	9,741	9,873	10,041	10,074
<u>Water</u>										
Daily Average Treatment (Million Gallons)	5.5	5.5	5.9	6	6	6.52	5.7	5.7	5.5	6.1
Number of Customers	11,146	11,194	11,446	11,591	11,994	11,789	11,820	11,938	12,256	12,298
Average Water Loss (Water Produced Versus Water Sold)	*	*	*	*	*	*	*	*	26.83%	18.90%
<u>Sewer</u>										
Daily Average Treatment (Bristol, VA/TN) (Million Gallons)	9.5	9.5	9.5	9.5	9.5	9.5	11.75	9.5	9.5	8.3
Number of Customers	*9634	9,822	10,078	9,858	10,165	9,771	10,335	10,425	10,584	10,865
<u>Demolition Landfill</u>										
Waste Received (Cubic Yards)	40,000	40,000	36,494	30,000	35,000	51,527	49,102	52,935	51,479	63,423

\*Comparable information was not available for prior years.

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

Water Loss calculated per AWWA adopted standard for calculating unaccounted for water loss.

Source: Summarized from internal records.

See Independent Auditors' Report.

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

Education	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of Elementary Schools	6	6	6	6	6	6	6	6	6	5
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
<u>Leisure Services</u>										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	24	24	24	24	24	24	24	24	24	24
Parks Acreage	2,300	2,300	2,377	2,377	2,377	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
<u>Public Safety</u>										
<u>Police:</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	43	43	44	44	44	44	43	43	43	43
<u>Fire:</u>										
Fire Stations	4	4	4	4	4	4	4	4	4	4
<u>Public Works</u>										
Streets (miles)	334	336	337	338	341	341	346	347	351	352
<u>Electric</u>										
Miles of Service Lines	*	*	*	*	*	1,226	1,226	1,239	1,251	1,272
Miles of Cable Lines	*	*	*	*	*	*	69.8	69.8	69.8	937.0
<u>Water</u>										
Water Mains (Miles)	*	*	*	*	*	250	250	250	259	261
Fire Hydrants	787	879	879	900	1,050	1,050	1,050	1,050	1,067	1,212
Maximum Daily Capacity (Millions of Gallons)	10	10	10	10	10	10	10	10	10	10
Number of Booster Stations	10	8	5	5	5	5	5	5	5	5
Number of Water Reservoirs	12	13	8	8	8	8	8	8	8	8
<u>Sewer</u>										
Sanitary Sewers (Miles)	*	*	*	*	*	210	210	210	228	229
Maximum Daily Treatment Capacity (Million of Gallons)	15	15	15	15	15	15	15	15	15	15
Number of Wastewater Lift Stations	26	26	28	28	28	28	28	28	28	29

\*Comparable information was not available for prior years.  
Note: Construction began on a new Fairmount Elementary School during the summer of 2008. The older school facility was demolished in order for the new building to be rebuilt on the same site.  
Source: Summarized from internal records.

See Independent Auditors' Report.

**CITY OF BRISTOL, TENNESSEE**  
**SCHEDULE OF WATER AND SEWER RATES (UNAUDITED)**  
 For the Fiscal Year Ended June 30, 2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<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	5.00	-	-	-
From 1,001 to 50,000	2.10	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	2.00	-	-	-
Over 100,000	1.80	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	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	4.20	-	-	-
From 50,001 to 100,000	4.00	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	4.00	-	-	-
<u>Commercial</u>										
Inside the City:										
First 100,000 Gallons	200.00	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	1.00	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	400.00	-	-	-
Over 100,000 Gallons (Per 1,000 Gallon)	2.00	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
From 1,001 to 50,000	-	-	-	-	-	-	-	2.23	2.36	2.49
From 50,001 to 100,000	-	-	-	-	-	-	-	2.12	2.25	2.38
From 100,001 to 250,000	-	-	-	-	-	-	-	1.91	2.02	2.13
Over 250,001	-	-	-	-	-	-	-	1.35	1.43	1.51

CITY OF BRISTOL, TENNESSEE  
**SCHEDULE OF WATER AND SEWER RATES (UNAUDITED)**  
 For the Fiscal Year Ended June 30, 2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Rural/Outside the City (Per 1,000 Gallon):</b>										
First 1,000 Gallons (Minimum)	-	-	-	-	-	-	-	10.60	11.24	11.87
From 1,001 to 50,000	-	-	-	-	-	-	-	4.46	4.72	4.98
From 50,001 to 100,000	-	-	-	-	-	-	-	4.24	4.50	4.75
From 100,001 to 250,000	-	-	-	-	-	-	-	3.82	4.04	4.27
Over 250,001	-	-	-	-	-	-	-	2.70	2.86	3.03
Utility Districts (Per 1,000 Gallon)	N/A	N/A	N/A	N/A	2.60	2.60	2.60	2.60	2.60	2.60
<b>Sewer Rates</b>										
Monthly Charge for Cost of Supplying Service	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.09	3.18	3.18
Monthly Charge for I/I Rehabilitation	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.06	2.12	2.12
<b>Inside Rates</b>										
Monthly Customer Charge (Per 1,000 Gallon)										
Minimum Bill of 2,000 Gallons	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.40	3.50	3.50
and Up to 2,500,000 Gallons	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.31	2.38	2.38
Over 2,500,000 Gallons										
<b>Outside Rates (Per 1,000 Gallon)</b>										
Monthly Residential Customer Charge	4.95	4.95	4.95	4.95	4.95	4.95	4.95	5.10	5.25	5.25
Minimum Bill of 3,000 Gallons										
Monthly Non-residential Customer Charge	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.67	5.84	5.84
Minimum Bill of 3,000 Gallons										

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.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Residential</u>										
Monthly Customer Charge	\$ 5.52	5.52	5.52	5.52	5.52	6.29	6.29	6.29	6.29	6.42
Energy Charge:										
First 1,000 kWh Per Month	0.05018	0.05018	0.05018	0.05018	0.05018	0.05374	0.05374	0.06352	0.06157	0.07212
Additional kWh Per Month	0.05615	0.05615	0.05615	0.05615	0.05615	0.05918	0.05918	0.06896	0.06701	0.07767
<u>Commercial, Industrial, Governmental and Institutional</u>										
Plan A-1 (Demand up to 50 kW and usage up to 15,000 kWh):										
Monthly Customer Charge	10.00	10.00	10.00	10.00	10.00	14.00	14.00	14.00	14.00	14.29
Energy Charge	0.05820	0.05820	0.05820	0.05820	0.05820	0.06240	0.06240	0.06240	0.07112	0.08236
Plan A-2 (Demand of 50 kW to 1,000 kW or demand less than 50kW but usage in excess of 15,000 kWh):										
Monthly Customer Charge	10.00	10.00	10.00	10.00	10.00	25.00	25.00	25.00	25.00	25.51
Demand Charge:										
First 50 kW	-	-	-	-	-	-	-	-	-	-
Excess of 50kW	7.86	7.86	7.86	7.86	7.86	8.56	8.56	10.06	9.63	10.49
Energy Charge:										
First 15,000 kWh Per Month	0.05774	0.05774	0.05774	0.05774	0.05774	0.06194	0.06194	0.07300	0.07066	0.08189
Additional kWh Per Month	0.03184	0.03184	0.03184	0.03184	0.03184	0.03420	0.03420	0.04042	0.03947	0.04785
Plan A-3 (Demand of 1,001 kW to 5,000 kW):										
Monthly Customer Charge	10.00	10.00	10.00	10.00	10.00	25.00	25.00	25.00	25.00	25.51
Demand Charge:										
First 1,000 kW	7.89	7.89	7.89	7.89	7.89	8.56	8.56	10.14	9.67	10.58
Excess of 1,000 kW	9.09	9.09	9.09	9.09	9.09	10.06	10.06	11.94	11.39	12.45
Energy Charge	0.03184	0.03184	0.03184	0.03184	0.03184	0.03420	0.03420	0.04042	0.03947	0.04785
Plan B (Demand of 5,001 kW to 15,000 kW):										
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	10.23	10.23	10.96	10.96	12.89	12.33	13.16
Energy Charge:										
First 620 kWh Per Month	0.02825	0.02825	0.02825	0.02825	0.02825	0.03050	0.03050	0.03588	0.03514	0.04234
Additional kWh Per Month	0.02306	0.02306	0.02306	0.02306	0.02306	0.02477	0.02477	0.02928	0.02883	0.03559

(Continued)

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<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	10.34	10.34	11.07	11.07	13.00	12.44	13.27
Energy Charge:										
First 620 kWh Per Month	0.02825	0.02825	0.02825	0.02825	0.02825	0.03050	0.03050	0.03588	0.03514	0.04234
Additional kWh Per Month	0.02306	0.02306	0.02306	0.02306	0.02306	0.02477	0.02477	0.02928	0.02883	0.03559
<b>Plan D (Demand in excess of 25,000 kW):</b>										
Monthly Customer Charge	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	-	-	-	-	-
Demand Charge	12.60	12.60	12.60	12.60	12.60	-	-	-	-	-
Energy Charge	0.02265	0.02265	0.02265	0.02265	0.02265	-	-	-	-	-

Source: Summarized from internal records.

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

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

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

Source: Summarized from internal records.

See Independent Auditors' Report.

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**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, 2008, which collectively comprise the City of Bristol Tennessee's basic financial statements and have issued our report thereon dated January 26, 2009. We did not audit the financial statements of the Electric Fund, which represents 65%, 59% and 90% percent, respectively, of the assets, net assets, and operating 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 6% 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bristol, Tennessee's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the City of Bristol, Tennessee's financial statements that is more than inconsequential will not be prevented or detected by the City of Bristol, Tennessee's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-1, 08-2 and 08-3 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies listed as items 08-1, 08-2 and 08-3 to be material weaknesses.

#### **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 January 26, 2009.

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

This report is intended solely for the information and use of management, state and federal awarding agencies and pass-through entities, others within the City, and City Council 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  
January 26, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control over Compliance**

The 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 requirements that

could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bristol, Tennessee's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of management, state and federal awarding agencies and pass-through entities, others within the City, and the City Council 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  
January 26, 2009

CITY OF BRISTOL, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

Section I - Summary of Auditors' Results

1. The auditor's report expresses an **unqualified opinion** on the basic financial statements.
2. **Three significant deficiencies** related to the audit of the financial statements were reported in the 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 three 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 Report on Compliance with Requirements Applicable to 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** relative to major programs.
7. The programs tested as major programs include:

<u>Name of Program</u>	<u>CFDA Number</u>
Safe Schools/Health Students	84.184L
Child Nutrition Cluster:	
USDA Commodity Supplemental Feeding Program	10.555
National School Breakfast Program	10.533
National School Lunch Program	10.555
Title I	84.010
Transportation Enhancement Grant	20.205

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**.

Section II - Findings - Financial Statement Audit

**08-1: Capital Asset Records (Material Weakness)**

*Condition:* The capital asset records did not contain an accurate listing of capital assets, including an improperly capitalized expense and an asset not owned by the City.

*Cause:* There is no periodic inventory of capital assets. Also, incorrect assumptions regarding ownership in joint State project.

*Effect:* Capital assets are being misstated.

*Recommendation:* We recommend the City implement procedures to ensure the capital asset listing is complete and accurate.

*Management's Response:* Management has implemented procedures over the past few years to improve the accuracy and completeness of the capital asset records. The improperly capitalized expense relates to an asset acquired several years ago that should not have been capitalized. Staff should have previously removed the item recorded in error. Disbursements of a similar nature have not been capitalized in recent years.

The asset capitalized that was not owned by the City relates to infrastructure. It is difficult to determine who owns jointly developed infrastructure projects that have been funded by various sources. An asset was capitalized where the City funded a portion of the construction through the Capital Projects Fund, but ownership of the asset remained with the State. Finance staff will work more closely with Economic Development and Public Works staffs to gain a better understanding of future projects to ensure accounting treatment for the transactions is accurate.

#### **08-2: Recording of Interfund Accounts (Material Weakness)**

*Condition:* The City improperly accounted for certain interfund transactions on a cash basis instead of accrual basis. In addition, certain interfund account balances were removed without proper documentation.

*Cause:* Inadequate communication between management regarding interfund transactions.

*Effect:* Interfund receivables and payables are being misstated.

*Recommendation:* We recommend the City implement procedures to ensure the proper recording of all interfund accounts.

*Management's Response:* All funds maintained by the City were properly reconciled with the exception of payment in lieu of tax transactions between the General Fund and Electric Fund. Each fund is administered by different management and accounting staffs and interfund activity was reconciled until the 2008 year. City staff recorded the transaction on the accrual basis and in accordance with the City Council resolution. A prior period adjustment was made in the General Fund to correct for previously accounting for this transaction on the cash basis.

In discussions about the issue with staff of Bristol Tennessee Essential Services, an amount between the two funds that appeared to be forgiven in 2004 was questioned. Research was conducted into the transaction and it was concluded that the intent of the Electric Fund was not to have previously written off the transaction. The conclusion was also that the amount was still outstanding between the two funds. In order to resolve this

issue, both funds were adjusted to reflect the amount as still outstanding on the balance sheets. Each fund also reflected the current year transfer on the accrual basis of accounting. Discrepancies of this nature should not arise again since both funds are now properly reflecting the activity.

**08-3: Recording of Accrual for Self-Insurance Claims (Material Weakness)**

*Condition:* The City did not record an adequate liability for self-insurance claims.

*Cause:* An estimate of unreported claims was not calculated.

*Effect:* Self-insurance claims payable are misstated.

*Recommendation:* We recommend the City implement procedures to ensure the proper recording of an estimate of unreported self-insurance claim liability.

*Management's Response:* Management included in accrued liabilities at year end an amount that was representative of known accrued insurance claims as of the finalization of the year-end closing process in September. Claims had been significantly less for the 2008 year than in prior years and the third party administrator was changed effective July 1, 2007. The total amount accrued was approximately \$50,000 more than accruals for the most recent fiscal years. Therefore, it appeared to management that claims were being processed sooner and that a material amount of claims did not exist that were being excluded from accrual.

Management did review the accrual or estimate and did not feel at that period of time that additional accruals were required based upon the information available. More claim data was available throughout the period of audit testwork. In order to prevent this issue from arising in the future, management will reconsider the estimates used during closing when more information is available later in the year. Management will then provide a client adjustment to the auditors to prevent the financial statements from being misleading, if deemed necessary.

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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