



CITY OF BRISTOL, VIRGINIA

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

CITY OF BRISTOL, VIRGINIA
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2012

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CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2012

MEMBERS OF CITY COUNCIL

Mayor
Vice Mayor

Ed Harlow
Jim Steele
Guy Odum
Don Ashley
James Heaney

CITY OFFICIALS

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

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

BVU AUTHORITY

Chairman
Vice-Chairman

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

BVU AUTHORITY OFFICIALS

President and CEO
Executive Vice President and CFO
Attorney

Wes Rosenbalm
Stacey Pomrenke
G. Walter Bressler

SCHOOL BOARD MEMBERS

Chair
Vice-Chair

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

CITY OF BRISTOL, VIRGINIA
DISTRICT OFFICIALS
June 30, 2012

SCHOOL OFFICIALS

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

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

INDUSTRIAL DEVELOPMENT AUTHORITY BOARD

Chairman
Vice-Chairman

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Bristol, Virginia (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of BVU Authority, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us and, our opinion, insofar as it relates to the amounts included for BVU Authority, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Bristol, Virginia as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund and Community Development Block Grant Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 5 through 13 and 79 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

December 6, 2012

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

As management of the City of Bristol, Virginia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2012 fiscal year by \$28,212,298 (*net assets*). Of this amount, \$24,745,959 of the Governmental Activities (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,825,003. Of this amount \$1,123,803 is attributable to governmental activities and \$1,701,200 is from business type activities. Effective July 1, the Clear Creek Golf Course was included in the governmental activities as a part of Parks and Recreation. This reclassification decreased the general fund net assets by \$2,932,331.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,812,381. Approximately 23% of this total amount, \$5,795,788, is available for spending at the government's discretion (unassigned fund balance) which is an increase of 14.6% over last year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,795,788 or 10% of total general fund expenditures.
- The City's total debt increased by \$1,436,502 during the current fiscal year. General Obligation Bonds (bonded debt) increased \$1,525,273. Other Debt which is comprised of capital lease obligations, long term loans, notes payables, and compensated absences decreased \$88,771.

Overview of the Financial Statements

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

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

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

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate School Board, BVU Authority and Industrial Development Authority for which the City is financially accountable. Financial information for the School Board and BVU Authority are reported separately from the financial information presented for the primary government itself. Complete financial statements for the School Board can be obtained from the Finance Department, Bristol Virginia Public Schools, (276) 821-5600. Financial statements for BVU Authority can be obtained from the Finance Department at (276) 821-6200. Financial information for the Industrial Development Authority is included in this report.

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

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

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

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

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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

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

The basic governmental fund financial statements and the budgetary comparison statements can be found on pages 18-25 of this report.

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

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

The proprietary fund financial statements provide separate information for the solid waste disposal fund, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 26-29 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 30-78 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 79-80 of this report.

The statements of the Industrial Development Authority referred to earlier in connection with discretely presented component units are presented immediately following the required supplementary information and can be found on pages 81-82 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded total liabilities by \$28,212,298 at the close of the most recent fiscal year.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Government-Wide Financial Analysis (Continued)

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

An additional portion of the City's net assets, \$779,252, represents resources that are subject to external restrictions on how they may be used. These resources are comprised of funds for Capital Projects, \$55,987, and the Commonwealth Attorney Federal Sharing Revenue, \$723,265. The remaining balance of *unrestricted net assets* may be used to meet the government's ongoing obligations to citizens and creditors. The City's net assets increased by \$2,825,003. This is comprised of an increase in net assets from governmental activities of \$1,123,803 and an increase in net assets from business-type activities of \$1,701,200.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and Other Assets	\$ 41,092	\$ 41,133	\$ 2,348	\$ 1,331	\$ 43,440	\$ 42,464
Capital Assets	51,990	59,894	30,075	25,631	82,065	85,525
Total Assets	93,082	101,027	32,423	26,962	125,505	127,989
Long-Term Liabilities Outstanding	22,578	27,599	43,356	39,772	65,934	67,371
Other Liabilities	12,107	13,907	22,076	18,499	34,183	32,406
Total Liabilities	34,685	41,506	65,432	58,271	100,117	99,777
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	30,778	33,996	513	-	31,291	33,996
Restricted	955	779	9	-	964	779
Unrestricted	26,664	24,746	(33,531)	(31,309)	(6,867)	(6,563)
Total Net Assets	\$ 58,397	\$ 59,521	\$ (33,009)	\$ (31,309)	\$ 25,388	\$ 28,212

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The City's Changes in Net Assets (in thousands 000's)						
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Program Revenue						
Charges for Services	\$ 939	\$ 1,795	\$ 6,033	\$ 5,559	\$ 6,972	\$ 7,354
Operating Grants and Contributions	16,737	14,065	-	-	16,737	14,065
Capital Grants and Contributions	2,948	4,190	-	-	2,948	4,190
General Revenues						
Property Taxes	13,428	13,597	-	-	13,428	13,597
Other Taxes	11,722	12,419	-	-	11,722	12,419
Grants and Contributions						
Not Restricted	3,313	3,087	-	-	3,313	3,087
Unrestricted Investment Earnings	58	41	2	2	60	43
Gain (Loss) on Sale of Property	(99)	4	(19)	33	(118)	37
Other	-	415	-	28	-	443
Total Revenues	<u>49,046</u>	<u>49,613</u>	<u>6,016</u>	<u>5,622</u>	<u>55,062</u>	<u>55,235</u>
Expenses						
General Government						
Administration	2,701	2,739	-	-	2,701	2,739
Judicial Administration	1,598	1,316	-	-	1,598	1,316
Public Safety	12,556	13,108	-	-	12,556	13,108
Public Works	4,951	5,645	-	-	4,951	5,645
Health and Welfare	5,626	5,998	-	-	5,626	5,998
Education	8,549	8,937	-	-	8,549	8,937
Parks, Recreation, and Cultural	2,784	3,798	-	-	2,784	3,798
Community Development	4,609	2,378	-	-	4,609	2,378
Transit	555	546	-	-	555	546
Interest on Long-Term Debt	1,049	1,092	-	-	1,049	1,092
Solid Waste Disposal	-	-	7,118	6,854	7,118	6,854
Golf Course	-	-	1,019	-	1,019	-
Total Expenses	<u>44,978</u>	<u>45,557</u>	<u>8,137</u>	<u>6,854</u>	<u>53,115</u>	<u>52,411</u>
Excess (Deficiency)						
Before Transfers	4,068	4,056	(2,121)	(1,232)	1,947	2,824
Transfers	-	(2,932)	-	2,932	-	-
Change in Net Assets	<u>4,068</u>	<u>1,124</u>	<u>(2,121)</u>	<u>1,700</u>	<u>1,947</u>	<u>2,824</u>
Net Assets -- July 1, as Restated	<u>54,329</u>	<u>58,397</u>	<u>(30,888)</u>	<u>(33,009)</u>	<u>23,441</u>	<u>25,388</u>
Net Assets -- June 30	<u>\$ 58,397</u>	<u>\$ 59,521</u>	<u>\$ (33,009)</u>	<u>\$ (31,309)</u>	<u>\$ 25,388</u>	<u>\$ 28,212</u>

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Governmental Activities. Governmental activities for the current year increased the City's net assets by \$4,056,134. Effective July 1, the Clear Creek Golf Course was reclassified as a governmental activity. This reclassification resulted in a transfer that decreased the governmental fund's net assets by \$2,932,331. Overall the net assets increased \$1,123,803 from governmental activities and the factors contributing to this increase are noted below.

Revenues from governmental activities totaled \$49,612,892 which was an increase of \$566,385 over last year. Operating Grants and Contributions (28%), Property Taxes (27%), and Other Local Taxes (25%) were the major sources of revenues. Local Sales and Use Taxes, Restaurant Meal Taxes and Business License Taxes increased \$342,560, \$224,404, and \$176,773 respectively.

Expenses for governmental activities totaled \$45,556,758. This is a \$578,537 increase over last year. Public safety (29%), education (20%), health and welfare (13%), public works (12%) and parks and recreation (8%) account for 82% of total governmental expenses. The increase in expenses is attributed to costs associated with the inclusion of the Clear Creek Golf Club.

Business-type Activities. Net assets of the business-type activities increased \$1,701,200 from the prior year. The following highlights the activities that impacted this net change:

- The Solid Waste Disposal fund operating revenues increased \$207,239 over the previous year.
- The Solid Waste Disposal fund operating expenses decreased \$329,754 in comparison with the previous year.
- The Solid Waste Disposal fund's non-operating expenses such as interest expense (\$1,610,208) and amortization costs (\$76,830) contributed to an overall loss.
- The Clear Creek Golf Course was reclassified as a governmental activity resulting in \$2,932,331 increase to the business-type activities net assets.

Program revenues for the business-type funds totaled \$5,558,996 of which 100% was Charges for Services. Expenses totaled \$6,853,393.

Component Unit. The School Board's total net assets increased by \$23,004. This increase is attributable to the increase in current year funding, primarily related to major insurance recoveries received during the year. BVU Authority increased its net assets by \$19,599,063. Of this approximately \$15,700,000 is attributable to grants from the Virginia Tobacco Commission and the U.S. Department of Commerce for fiber optic infrastructure expansion in Southwest Virginia.

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,812,381 a decrease of \$1,858,216 in comparison with the prior year. Approximately 23% of this total amount, \$5,795,788 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is shown as *nonspendable, restricted or assigned* to indicate that it is not available for new spending. Advances to other funds represent the most significant amount of nonspendable fund balance and is not expected to be collected in the near term.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,795,788, while total fund balance reached \$24,804,025. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10% of total general fund expenditures, while total fund balance represents 46% of that same amount.

The fund balance of the City's general fund decreased by \$1,849,415 during the current fiscal year. This decrease is primarily due to Clear Creek Golf Course being reclassified as a governmental activity.

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

Net assets of the proprietary funds amounted to a deficit of (\$31,308,522). This was an increase of \$1,701,200. This increase is primarily due to Clear Creek Golf Course being reclassified as a governmental activity.

Solid Waste Disposal net assets decreased \$1,231,131 as compared with a decrease of \$1,783,070 in fiscal year 2011.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was approximately an increase of \$4,577,000 which can be briefly summarized as follows:

CITY OF BRISTOL, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

General Fund Budgetary Highlights (Continued)

- The budget was increased for an appropriation of an aggregate total for the use of Tax Anticipation Notes in the amount of \$3,300,000. The appropriation was approved with the original budget but was not added until May 2012.
- Insurance recovery monies were added to the budget in the amount of \$300,010.
- The budget was increased for an economic incentive of \$575,000 that would enable CityMac to locate in the downtown area.
- School Balances from the previous year were reappropriated to the current year budget in the amount of \$175,000.
- Approximately \$125,000 was added to the budget for grant funding awarded after the beginning of the fiscal year.

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

- Actual revenues were more than budgeted revenues by approximately \$552,000. This difference is attributed to lease payments received from the School board for the use of the new School Board Facility in the amount of \$187,500. Local Sales and Use Taxes of \$268,671 were collected in excess of budgeted amounts. Local funding not budgeted was received to aid with the Downtown Streetscape Capital Project in the amount of \$172,493.
- Actual expenditures were more than budgeted expenditures by approximately \$2,639,000. The primary difference for actual expenses being more than budget is due to the costs associated with the restoration of the Central Warehouse Building which is being used by the School Board. Project costs totaled \$2,765,416.
- Other financing sources were more than budgeted by approximately \$865,000. This difference is primarily attributable to the local bond proceeds received to aid in restoration of the Central Warehouse Building which is being used by the School Board.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$85,525,631 (net of accumulated depreciation). This total is comprised of land, buildings, machinery and equipment, and infrastructure. The total increase in the City's capital assets for the current fiscal year was \$3,460,645 or 4.22%.

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Capital Asset and Debt Administration (Continued)

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

- Building Improvements as a result of roof replacements made to several city offices necessitated by hail damage-\$540,000.
- Fire Training Center/Burn Building 2nd story addition-\$134,217
- Infrastructure additions in the amount of \$2,346,000 resulting from the completion of Resting Tree Road and Bridge, Bonham Road and Bridge improvements, installation of Downtown Street Lights, and replacements of traffic signal lights with LED lights.

Additional information on the City's capital assets can be found in Note IV on pages 46 through 50 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$67,371,049. Of this amount, \$56,343,709 (83%) comprises debt backed by the full faith and credit of the government.

- The City's total bonded debt increased by \$1,525,273. Other long-term debt which is comprised of debt not bonded, capital lease obligations, long-term loans, notes payables, and compensated absences decreased \$88,771.
- The City maintains the states intercept rating of Aa3 from Moody's for general obligation debt. The underlying rating for the city is A1 from Moody's and A for Standard and Poor's.

Additional information on the City's long-term debt can be found in Note IV on pages 55 through 61 of this report.

Economic Factors Impacting Next Year's Budget

- Exit 5 Development of regional impact which includes the purchase of land in the amount of twenty-five million dollars.
- Concerns of state funding and how it will impact local government.
- Employee costs including health care, retirement and compensation.
- Retail development at the Exit 7 in the latter part of 2011-2012 which will impact local taxes including meals and sales taxes in fiscal year 2012-2013.

Requests for Information

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

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	BVU Authority	Industrial Development Authority
ASSETS						
Cash and Cash Equivalents	\$ 6,224,873	231,682	6,456,555	670,484	16,821,389	4,186
Investments	-	-	-	113,129	-	-
Receivables, Net of Allowance	12,836,759	426,541	13,263,300	-	9,101,267	354,315
Notes Receivable	580,000	-	580,000	-	-	-
Due from Component Units	402,868	82,882	485,750	-	-	-
Due from Primary Government	-	-	-	-	-	-
Due from Other Governments	1,674,058	-	1,674,058	1,412,441	2,019,435	-
Due from Others	-	-	-	31,250	-	-
Internal Balances	17,660,963	(17,660,963)	-	-	-	-
Prepays	-	-	-	-	1,229,185	-
Inventories	97,882	-	97,882	28,810	3,045,684	-
Residential Lots for Sale	470,140	-	470,140	-	-	-
Bond Issuance Costs, Net	406,602	589,525	996,127	-	756,186	-
Other Current Assets	-	-	-	-	68,796	-
Restricted Assets						
Cash and Cash Equivalents	779,252	-	779,252	866,817	1,219,259	-
Investments	-	-	-	261,246	1,584,936	-
Capital Assets, Net	59,894,006	25,631,625	85,525,631	15,977,240	140,545,229	-
TOTAL ASSETS	101,027,403	9,301,292	110,328,695	19,361,417	176,391,366	358,501
LIABILITIES						
Accounts Payable and Accrued Liabilities	1,901,964	126,534	2,028,498	1,135,481	7,107,252	-
Accrued Interest Payable	375,646	685,930	1,061,576	-	467,911	-
Accrued Payroll and Related Liabilities	287,297	25,461	312,758	1,145,651	154,792	-
Due to Primary Government	-	-	-	69,218	62,217	354,315
Due to Other Governmental Units	-	-	-	-	25,183	-
Unearned Revenue	10,720,074	-	10,720,074	6,826	1,691,362	-
Potential Development Credits	-	-	-	-	47,000	-
Customer Deposits Payable	-	-	-	-	1,219,259	-
Assets Held in Agency Capacity	76,093	-	76,093	-	-	-
Other Post-Employment Benefits	546,349	-	546,349	58,575	770,285	-
Retirement Benefits Payable	-	-	-	-	32,682	-
Long-Term Liabilities						
Due Within One Year	2,561,665	1,466,558	4,028,223	99,811	1,574,271	-
Due in More Than One Year	25,037,495	38,305,331	63,342,826	313,932	41,551,078	-
TOTAL LIABILITIES	41,506,583	40,609,814	82,116,397	2,829,494	54,703,292	354,315

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	BVU Authority	Industrial Development Authority
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	33,995,609	-	33,995,609	15,977,240	99,697,091	-
Restricted For						
Commonwealth Attorney	723,265	-	723,265	-	-	-
Capital Projects	55,987	-	55,987	1,126,919	-	-
Unrestricted	24,745,959	(31,308,522)	(6,562,563)	(572,236)	21,990,983	4,186
TOTAL NET ASSETS	<u>\$ 59,520,820</u>	<u>(31,308,522)</u>	<u>28,212,298</u>	<u>16,531,923</u>	<u>121,688,074</u>	<u>4,186</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS								
Functions/Programs	Expenses	PROGRAM REVENUES			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	BVU Authority	Industrial Development Authority
Primary Government										
Governmental Activities										
General Government	\$ 2,738,642	273,817	2,026,398	-	(438,427)	-	(438,427)	-	-	-
Judicial Administration	1,315,755	348,572	707,942	-	(259,241)	-	(259,241)	-	-	-
Public Safety	13,108,290	128,420	2,612,061	1,237,757	(9,130,052)	-	(9,130,052)	-	-	-
Public Works	5,645,111	1,137	3,104,290	2,871,875	332,191	-	332,191	-	-	-
Health and Welfare	5,997,666	-	4,496,250	-	(1,501,416)	-	(1,501,416)	-	-	-
Education	8,937,192	-	-	-	(8,937,192)	-	(8,937,192)	-	-	-
Parks, Recreation, and Cultural	3,798,309	998,571	22,245	71,002	(2,706,491)	-	(2,706,491)	-	-	-
Community Development	2,378,139	3,554	734,415	-	(1,640,170)	-	(1,640,170)	-	-	-
Transit	545,380	41,066	361,842	9,028	(133,444)	-	(133,444)	-	-	-
Interest on Long-Term Debt	1,092,274	-	-	-	(1,092,274)	-	(1,092,274)	-	-	-
Total Governmental Activities	<u>45,556,758</u>	<u>1,795,137</u>	<u>14,065,443</u>	<u>4,189,662</u>	<u>(25,506,516)</u>	<u>0</u>	<u>(25,506,516)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Business-type Activities										
Solid Waste Disposal	6,853,393	5,558,996	-	-	-	(1,294,397)	(1,294,397)	-	-	-
Golf Course	-	-	-	-	-	-	-	-	-	-
Total Business-type Activities	<u>6,853,393</u>	<u>5,558,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,294,397)</u>	<u>(1,294,397)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>\$ 52,410,151</u>	<u>7,354,133</u>	<u>14,065,443</u>	<u>4,189,662</u>	<u>(25,506,516)</u>	<u>(1,294,397)</u>	<u>(26,800,913)</u>	<u>0</u>	<u>0</u>	<u>0</u>

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS									
	PROGRAM REVENUES				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	BVU Authority	Industrial Development Authority
Component Units										
School Board	\$ 26,022,591	459,919	9,407,659	57,375	-	-	-	(16,097,638)	-	-
BVU Authority	77,566,833	81,088,897	-	15,687,587	-	-	-	-	19,209,651	-
Industrial Development Authority	861,827	-	-	-	-	-	-	-	-	(861,827)
Total Component Units	<u>\$ 104,451,251</u>	<u>81,548,816</u>	<u>9,407,659</u>	<u>15,744,962</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(16,097,638)</u>	<u>19,209,651</u>	<u>(861,827)</u>
General Revenues										
Property Taxes					13,597,177	-	13,597,177	-	-	-
Other Taxes					12,419,037	-	12,419,037	-	-	-
State Aid					-	-	-	6,507,444	-	-
Payments from Primary Government					-	-	-	8,869,281	-	709,577
Grants and Contributions Not Restricted to Specific Programs					3,086,610	-	3,086,610	-	-	-
Unrestricted Investment Earnings					40,707	2,028	42,735	11,675	95,879	152,250
Gain (Loss) on Sale of Property					4,122	32,815	36,937	(14,534)	224,330	-
Insurance Recoveries					414,997	28,423	443,420	742,467	-	-
Other					-	-	-	106,109	-	-
Transfers					(2,932,331)	2,932,331	-	-	-	-
Total General Revenues and Transfers					<u>26,630,319</u>	<u>2,995,597</u>	<u>29,625,916</u>	<u>16,222,442</u>	<u>320,209</u>	<u>861,827</u>
Change in Net Assets					<u>1,123,803</u>	<u>1,701,200</u>	<u>2,825,003</u>	<u>124,804</u>	<u>19,529,860</u>	<u>-</u>
Net Assets, Beginning					58,397,017	(33,009,722)	25,387,295	16,508,919	102,158,214	4,186
Prior Period Adjustments					-	-	-	(101,800)	-	-
Net Assets, Beginning - Restated					<u>58,397,017</u>	<u>(33,009,722)</u>	<u>25,387,295</u>	<u>16,407,119</u>	<u>102,158,214</u>	<u>4,186</u>
Net Assets, Ending					<u>\$ 59,520,820</u>	<u>(31,308,522)</u>	<u>28,212,298</u>	<u>16,531,923</u>	<u>121,688,074</u>	<u>4,186</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 6,216,517	8,356	6,224,873
Cash and Cash Equivalents, Restricted	779,252	-	779,252
Receivables, Net	12,673,491	163,268	12,836,759
Due from Component Units	402,868	-	402,868
Due from Other Governmental Units	1,674,058	-	1,674,058
Inventories	97,882	-	97,882
Residential Lots for Sale	470,140	-	470,140
Advances to Other Funds	17,660,963	-	17,660,963
Notes Receivable	580,000	-	580,000
TOTAL ASSETS	\$ 40,555,171	171,624	40,726,795
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 1,901,964	-	1,901,964
Accrued Payroll and Related Liabilities	287,297	-	287,297
Deferred Revenue	13,485,792	163,268	13,649,060
Assets Held in Agency Capacity	76,093	-	76,093
TOTAL LIABILITIES	15,751,146	163,268	15,914,414
FUND BALANCES			
Nonspendable			
Inventories	97,882	-	97,882
Residential Lots for Sale	470,140	-	470,140
Advances to Other Funds	17,660,963	-	17,660,963
Restricted For			
Commonwealth Attorney	723,265	-	723,265
Capital Projects	55,987	-	55,987
Assigned to			
Community Development	-	8,356	8,356
Unassigned	5,795,788	-	5,795,788
TOTAL FUND BALANCES	24,804,025	8,356	24,812,381
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,555,171	171,624	40,726,795

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

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

Fund Balances - Total Governmental Funds	\$ 24,812,381
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	59,894,006
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,928,986
Interest on long-term debt is not accrued in the funds as in the government-wide statements.	(375,646)
Long-term liabilities, including bonds payable and related premiums, capital leases, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(28,145,509)
Related debt costs are amortized over the term of the debt in the governmental activities; however, use current financial resources and therefore, are reported as expenditures in the funds.	<u>406,602</u>
Net Assets of Governmental Activities	<u><u>\$ 59,520,820</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
REVENUES			
General Property Taxes	\$ 13,915,700	-	13,915,700
Other Local Taxes	12,419,037	-	12,419,037
Intergovernmental	18,786,544	346,316	19,132,860
Charges for Services	1,161,149	-	1,161,149
Revenue from Use of Property	308,524	-	308,524
Permits, Privilege Fees, and			
Regulatory Licenses	69,455	-	69,455
Fines and Forfeitures	228,566	-	228,566
Investment Earnings	20,568	140	20,708
Other	1,590,455	5,717	1,596,172
	<u>48,499,998</u>	<u>352,173</u>	<u>48,852,171</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General Government	2,669,506	-	2,669,506
Judicial Administration	1,453,743	-	1,453,743
Public Safety	13,202,148	-	13,202,148
Public Works	4,750,566	-	4,750,566
Health and Welfare	6,016,795	-	6,016,795
Education	8,701,292	-	8,701,292
Parks, Recreation, and Cultural	3,458,881	-	3,458,881
Community Development	2,040,298	360,974	2,401,272
Transit	519,256	-	519,256
Capital Projects	5,901,666	-	5,901,666
Debt Service			
Principal Retirement	4,470,405	-	4,470,405
Interest and Fiscal Charges	1,007,191	-	1,007,191
	<u>54,191,747</u>	<u>360,974</u>	<u>54,552,721</u>
TOTAL EXPENDITURES			
Excess (Deficiency) of Revenues Over			
(Under) Expenditures	<u>(5,691,749)</u>	<u>(8,801)</u>	<u>(5,700,550)</u>

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Community Development Block Grant Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers In/Out	(2,996,108)	-	(2,996,108)
Bond Issuance	6,146,486	-	6,146,486
Insurance Recoveries	671,165	-	671,165
Sale of Capital Assets	20,791	-	20,791
TOTAL OTHER FINANCING SOURCES (USES)	3,842,334	0	3,842,334
Net Change in Fund Balances	(1,849,415)	(8,801)	(1,858,216)
FUND BALANCES, JULY 1, 2011	26,653,440	17,157	26,670,597
FUND BALANCES, JUNE 30, 2012	\$ 24,804,025	8,356	24,812,381

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

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

Net Change in Fund Balances - Total Governmental Funds	\$(1,858,216)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets, \$7,120,648 exceed depreciation (\$2,347,125) in the current period.	4,773,523
The net effect of various transactions involving capital assets (contributions and sales) is to decrease net assets.	(202,671)
Recognition of the allocation of capital assets to the discretely presented component unit - School Board equal to the debt service payment net of accumulated depreciation.	(206,400)
Revenues in the funds are recorded when they provide current financial resources to the government; while in the Statement of Activities, those revenues were recorded at the time when they were considered earned.	270,600
The change in accrued interest expense reported in the Statement of Activities does not require the use of current financial resources. Therefore, it is not reported as an expenditure in the governmental funds.	(11,604)
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.	(68,344)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.	(1,530,228)
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.	(106,634)
Transfer to close the Clear Creek Golf Course fund into the General Fund.	<u>63,777</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,123,803</u></u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General Property Taxes	\$ 14,008,990	14,008,990	13,915,700	(93,290)
Other Local Taxes	12,086,300	12,086,300	12,419,037	332,737
Intergovernmental	18,906,973	19,029,294	18,786,544	(242,750)
Charges for Services	1,097,000	1,097,000	1,161,149	64,149
Revenue from Use of Property	300,000	300,000	308,524	8,524
Permits, Privilege Fees, and Regulatory Licenses	52,000	52,000	69,455	17,455
Fines and Forfeitures	305,000	305,000	228,566	(76,434)
Investment Earnings	12,000	12,000	20,568	8,568
Other	1,005,609	1,057,722	1,590,455	532,733
TOTAL REVENUES	47,773,872	47,948,306	48,499,998	551,692
EXPENDITURES				
Current				
General Government	2,575,415	2,579,242	2,669,506	(90,264)
Judicial Administration	1,284,660	1,284,660	1,453,743	(169,083)
Public Safety	12,419,175	12,764,620	13,202,148	(437,528)
Public Works	4,311,251	4,435,904	4,750,566	(314,662)
Health and Welfare	6,229,963	6,229,963	6,016,795	213,168
Education	8,526,292	8,701,292	8,701,292	-
Parks, Recreation, and Cultural	3,299,273	3,313,133	3,458,881	(145,748)
Community Development	982,020	1,592,781	2,040,298	(447,517)
Transit	538,751	541,949	519,256	22,693
Capital Projects	3,193,752	3,193,752	5,901,666	(2,707,914)
Debt Service				
Principal Retirement	2,586,511	5,886,511	4,470,405	1,416,106
Interest and Fiscal Charges	1,028,733	1,028,733	1,007,191	21,542
TOTAL EXPENDITURES	46,975,796	51,552,540	54,191,747	(2,639,207)
Excess (Deficiency) of Revenues Over (Under) Expenditures	798,076	(3,604,234)	(5,691,749)	(2,087,515)

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers In/Out	(798,076)	(623,076)	(2,996,108)	(2,373,032)
Bond Issuance	-	3,300,000	6,146,486	2,846,486
Insurance Recoveries	-	300,010	671,165	371,155
Sale of Capital Assets	-	-	20,791	20,791
TOTAL OTHER FINANCING SOURCES (USES)	(798,076)	2,976,934	3,842,334	865,400
Net Change in Fund Balances	-	(627,300)	(1,849,415)	(1,222,115)
FUND BALANCES, JULY 1, 2011	-	-	26,653,440	16,536,907
FUND BALANCES, JUNE 30, 2012	\$ 0	(627,300)	24,804,025	15,314,792

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 258,734	260,834	346,316	85,482
Investment Earnings	-	-	140	140
Other	12,052	12,052	5,717	(6,335)
TOTAL REVENUES	270,786	272,886	352,173	79,287
EXPENDITURES				
Current				
Community Development	270,786	272,886	360,974	(88,088)
TOTAL EXPENDITURES	270,786	272,886	360,974	(88,088)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(8,801)	(8,801)
FUND BALANCES, JULY 1, 2011	-	-	17,157	17,157
FUND BALANCES, JUNE 30, 2012	\$ 0	0	8,356	8,356

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	Business-type Activities - Enterprise Fund	
	Solid Waste Disposal Fund	Total Enterprise Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 231,682	231,682
Accounts Receivable, Net	426,541	426,541
Due from Component Units	82,882	82,882
Total Current Assets	741,105	741,105
Noncurrent Assets		
Capital Assets, Net	25,631,625	25,631,625
Bond Issuance Costs, Net	589,525	589,525
Total Other Noncurrent Assets	26,221,150	26,221,150
TOTAL ASSETS	26,962,255	26,962,255
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	126,534	126,534
Accrued Interest Payable	685,930	685,930
Accrued Payroll and Related Liabilities	25,461	25,461
Bonds and Leases Payable	1,356,224	1,356,224
Compensated Absences Payable	110,334	110,334
Total Current Liabilities	2,304,483	2,304,483
Long-Term Liabilities		
Advances from Other Funds	17,660,963	17,660,963
Compensated Absences Payable	75,311	75,311
Bonds and Leases Payable, Net of Unamortized Deferred Amounts	31,940,193	31,940,193
Landfill Closure Costs	6,289,827	6,289,827
Total Long-Term Liabilities	55,966,294	55,966,294
TOTAL LIABILITIES	58,270,777	58,270,777
NET ASSETS		
Unrestricted	(31,308,522)	(31,308,522)
TOTAL NET ASSETS	\$ (31,308,522)	(31,308,522)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for Services, Net	\$ 5,509,600	-	5,509,600
Sales	49,256	-	49,256
Other Revenue	140	-	140
TOTAL OPERATING REVENUES	5,558,996	0	5,558,996
OPERATING EXPENSES			
Landfill Closure and Post Closure Care	175,653	-	175,653
Administrative and General	3,761,767	-	3,761,767
Depreciation	1,228,935	-	1,228,935
TOTAL OPERATING EXPENSES	5,166,355	0	5,166,355
Operating Income (Loss)	392,641	0	392,641
NONOPERATING REVENUES (EXPENSES)			
Interest Income	2,028	-	2,028
Interest Expense	(1,610,208)	-	(1,610,208)
Amortization of Bond Costs	(76,830)	-	(76,830)
Insurance Recoveries	28,423	-	28,423
Gain (Loss) on Disposal of Assets	32,815	-	32,815
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,623,772)	0	(1,623,772)
Net Income (Loss) Before Operating Transfers	(1,231,131)	0	(1,231,131)
TRANSFER TO CLOSE FUND	-	2,932,331	2,932,331
Change in Net Assets	(1,231,131)	2,932,331	1,701,200
NET ASSETS, JULY 1, 2011	(30,077,391)	(2,932,331)	(33,009,722)
NET ASSETS, JUNE 30, 2012	\$ (31,308,522)	0	(31,308,522)

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 5,492,508	-	5,492,508
Payments to Suppliers	(2,280,430)	-	(2,280,430)
Payments to Employees	(1,731,649)	-	(1,731,649)
Interfund Receipts (Payments)	170,063	-	170,063
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,650,492	0	1,650,492
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Equipment	66,546	-	66,546
Insurance Recovery Proceeds	28,423	-	28,423
Purchase of Capital Assets	(121,108)	-	(121,108)
Principal Paid on Capital Debt	(516,653)	-	(516,653)
Interest Paid on Capital Debt	(1,737,738)	-	(1,737,738)
Interfund Loan Receipts	419,867	(69,355)	350,512
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(1,860,663)	(69,355)	(1,930,018)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	2,028	-	2,028
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	2,028	0	2,028
Net Increase (Decrease) in Cash and Cash Equivalents	(208,143)	(69,355)	(277,498)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	439,825	69,355	509,180
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 231,682	0	231,682

(Continued)

CITY OF BRISTOL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Solid Waste Disposal Fund	Clear Creek Golf Course Fund	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY (USED FOR)			
OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 392,641	-	392,641
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Provided by (Used for) Operating Activities:			
Depreciation Expense	1,228,935	-	1,228,935
(Increase) Decrease in Receivables	(52,310)	-	(52,310)
(Increase) Decrease in Due from Other Funds	170,063	-	170,063
(Increase) Decrease in Due from Component Units	(14,178)	-	(14,178)
Increase (Decrease) in Accounts Payable	(261,159)	-	(261,159)
Increase (Decrease) in Accrued Liabilities	175,653	-	175,653
Increase (Decrease) in Accrued Payroll and Related Liabilities	(5,212)	-	(5,212)
Increase (Decrease) in Compensated Absences Payable	16,059	-	16,059
NET CASH PROVIDED BY (USED FOR)			
OPERATING ACTIVITIES	<u>\$ 1,650,492</u>	<u>0</u>	<u>1,650,492</u>
NONCASH CAPITAL AND RELATED			
FINANCING ACTIVITIES			
Capital Asset Acquisitions Financed through Capital Leases	<u>\$ 237,751</u>	<u>0</u>	<u>237,751</u>

See accompanying notes to the financial statements.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Primary Government

The City of Bristol, Virginia (the City) was founded in 1890. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor, vice mayor and three other Council members. The City is not part of a county and has taxing powers subject to statewide restrictions and limits. The City is the primary government of the reporting entity.

The City provides a full range of municipal services including police and fire, sanitation health and social services, public improvements, planning and zoning, general administrative services, economic development, education, landfill, emergency 911 communications, and recreational services.

Discretely Presented Component Units

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

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The following entities are excluded from the accompanying financial statements:

Joint Ventures

Jointly Owned Wastewater Facility

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

Jointly Owned Regional Airport

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

Jointly Owned Public Library

The City, along with the City of Bristol, Tennessee, established a jointly owned public library located in Bristol, Virginia. Each City Council appoints five members to the library board, on which there is one at-large member appointed by the board itself. Each locality provides equal funding to the library annually and each has fifty percent ownership of the capital assets which are included in capital assets in the government-wide statements. During the year, the City contributed \$634,738 to fund operations of the Library. Financial Statements of the Bristol Public Library can be obtained from the Library, located at 701 Goode Street, Bristol, Virginia, 24201.

Related Organizations

Highlands Juvenile Detention Center

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Related Organizations (Continued)

Bristol Redevelopment and Housing Authority

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

Other Boards and Commissions

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

B. Government-Wide and Fund Financial Statements

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

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City reports two major governmental funds:

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

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

The City reports the following major proprietary fund:

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As of July 1, 2011, the *Clear Creek golf course fund*, which accounted for the operations of the City's golf course, was transferred into the general fund.

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 (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

Investments for the School Board and BVU, discretely presented component units, are reported at fair value.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

The two major sources of property taxes are described below:

Real Estate

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute, at a rate enacted by City Council on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of the City of Bristol, Virginia. Public utility property is assessed by the Commonwealth. The tax rate is \$0.94 per \$100 of assessed value. For the 2012 tax year, the real estate and public utility property tax rate is \$0.99 per \$100 assessed value.

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

Personal Property

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

Rehabilitation Loans

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

Allowance for Uncollectible Accounts

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories and Prepaids

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

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

4. Restricted Assets

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

5. Capital Assets

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

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

Capitalization of Interest

BVU capitalizes interest costs incurred on funds used to construct property, plant, and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$372,033 in 2012.

School Board Capital Assets and Related Debt Reporting

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Deferred/Unearned Revenues

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

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

7. Compensated Absences

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

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized on a straight-line basis 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, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2012, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

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

Committed – includes amounts that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

10. Estimates

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Advertising Costs

Advertising and marketing costs are expensed as incurred. Advertising expense for BVU totaled approximately \$421,501 for the year ended June 30, 2012.

12. Other Post-Employment Benefits Than Pensions (OPEB)

GASB Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. The cost of post-employment health care benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability. The OPEB disclosure is documented in Note V.A.

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

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

The governmental funds balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable and related premiums, capital leases, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(28,145,509) difference are as follows:

Bonds Payable	\$ (23,389,548)
Less: Deferred charge on refunding (net of amortization of \$58,624 recorded as interest expense)	256,674
Add: Bond premium (net of amortization of \$35,726 recorded as interest expense)	(291,990)
Literary Fund Loans	(1,440,000)
Capital Lease Obligations	(1,033,533)
Other Post-Employment Benefits	(546,349)
Compensated Absences	<u>(1,700,763)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (28,145,509)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “The net effect of various transactions involving capital assets (i.e., contributions and sales) is to decrease net assets.” The details of this \$(202,671) 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.	\$ 71,002
The statement of activities reports an impairment loss for capital assets. Conversely, governmental funds do not report any gain or loss on impairment of capital assets.	(256,168)
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>(17,505)</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>\$ (202,671)</u>

Another element of that reconciliation states that “Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$(68,344) difference are as follows:

Deferred Charges on Refunding Amortization	\$ (58,624)
Bond Issuance Costs Amortization	(45,446)
Bond Premiums Amortization	<u>35,726</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>\$ (68,344)</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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

Another element of that reconciliation is for a “Transfer to close the Clear Creek Golf Course fund into the General Fund.” The details of this \$63,777 difference are as follows:

Transfer Capital Assets, Net of Accumulated Depreciation	\$ 3,539,209
Transfer Accrued Interest	(28,376)
Transfer Bond Issue Costs, Net of Amortization	44,675
Transfer Bonds Payable	(3,530,404)
Transfer Bond Premiums and Deferred Loss, Net of Amortization	162,036
Transfer Capital Lease	<u>(123,363)</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>\$ 63,777</u>

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

1. The City Manager submits to City Council a proposed operating and capital budget for the fiscal year commencing the following July 1, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Appropriations for each fund can be revised only by City Council. The City Manager is authorized to transfer amounts within general government departments.
5. Formal budgetary integration is employed as a management control device for the general fund.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgets and Budgetary Accounting (Continued)

6. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30.
8. All budgetary data presented is the revised budget as of June 30.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the General fund by \$2,639,207 due to the Central Office Renovation capital project not being included in the budget. However, bond proceeds for the same amount offset the expenditures for the capital project. The Community Development Block Grant fund expenditures also exceeded appropriations by \$88,088.

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

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

BVU had no investment activity during the year other than certificates of deposit and a United States Treasury Securities Investment Trust Pool.

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

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

	Primary Government			Component Units	
		Community Development	Solid Waste	BVU	Industrial
	General	Block Grant	Disposal	Authority	Development Authority
Receivables					
Taxes	\$ 12,224,882	-	-	-	-
Accounts	945,313	-	426,541	8,735,995	-
Energy Conservation					
Loans	-	-	-	828,832	-
Rehabilitation Loans	-	188,268	-	-	-
Property Sale	-	-	-	-	354,315
Gross Receivables	13,170,195	188,268	426,541	9,564,827	354,315
Less: Allowance for Uncollectibles	(496,704)	(25,000)	-	(463,560)	-
Net Total Receivables	<u>\$ 12,673,491</u>	<u>163,268</u>	<u>426,541</u>	<u>9,101,267</u>	<u>354,315</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

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

	Deferred Revenue		
	Unavailable	Unearned	Total
Receivables			
Taxes for Ensuing Fiscal Year	\$ -	9,920,074	9,920,074
Taxes Not Collected during Period of Availability	1,734,804	-	1,734,804
Due from Component Unit	354,315	-	354,315
Rehabilitation Loans	163,268	-	163,268
Notes Receivable	580,000	-	580,000
Bristol Utilities Board	-	800,000	800,000
Other	96,599	-	96,599
	<u>\$ 2,928,986</u>	<u>10,720,074</u>	<u>13,649,060</u>

Receivable on Property Sales

During fiscal year 2005, the City transferred \$1,450,000 to the IDA to fund the purchase of land and building. Subsequent to the acquisition of the property, the IDA began leasing the property under a capital lease (as discussed in Note IV.F) with all monthly lease payments to be remitted to the City as they are collected, resulting in an amount due from the IDA. The remaining interfund balance of \$354,315 has been deferred as unavailable in the General Fund.

Notes Receivable

Two promissory notes were issued by the City in February 2007 to construct/renovate an old school (Douglas) into housing. The notes are for \$350,000 and \$150,000, respectively. Both notes have an interest rate of 4.00% and have a thirty-one year term. Accrued interest was \$80,000 as of June 30, 2012. All accrued interest and principal is due in one balloon payment at maturity.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

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

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 8,166,985	10,000	-	2,408,441	10,585,426
Construction in Progress	2,663,524	4,935,509	-	(7,202,823)	396,210
Total Capital Assets, Not Depreciated	10,830,509	4,945,509	0	(4,794,382)	10,981,636
Capital Assets, Being Depreciated					
Buildings and Improvements	15,768,690	713,418	-	3,300,000	19,782,108
Land Development Costs	-	-	-	480,000	480,000
Machinery and Equipment	9,873,005	508,028	115,740	608,027	10,873,320
Library Assets	6,820,163	59,287	-	-	6,879,450
Public Domain Infrastructure	81,933,477	965,408	-	4,593,965	87,492,850
Total Capital Assets, Being Depreciated	114,395,335	2,246,141	115,740	8,981,992	125,507,728
Less Accumulated Depreciation For					
Buildings and Improvements	6,335,195	373,350	-	427,645	7,136,190
Land Development Costs	-	19,200	-	268,800	288,000
Machinery and Equipment	5,936,326	713,788	99,071	415,360	6,966,403
Library Assets	1,516,120	237,242	-	-	1,753,362
Public Domain Infrastructure	59,447,858	1,003,545	-	-	60,451,403
Total Accumulated Depreciation	73,235,499	2,347,125	99,071	1,111,805	76,595,358
Total Capital Assets, Being Depreciated, Net	41,159,836	(100,984)	16,669	7,870,187	48,912,370
Governmental Activities Capital Assets, Net	\$ 51,990,345	4,844,525	16,669	3,075,805	59,894,006

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Primary Government (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers/ Adjustments	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 3,601,645	-	-	(2,799,583)	802,062
Total Capital Assets, Not Depreciated	<u>3,601,645</u>	<u>0</u>	<u>0</u>	<u>(2,799,583)</u>	<u>802,062</u>
Capital Assets, Being Depreciated					
Land Development Costs	33,866,958	15,945	-	(480,000)	33,402,903
Buildings and Improvements	585,834	-	-	(585,834)	-
Infrastructure	29,792	-	-	-	29,792
Plant in Service	1,557,039	13,330	-	-	1,570,369
Machinery and Equipment	<u>6,669,692</u>	<u>329,585</u>	<u>322,398</u>	<u>(608,029)</u>	<u>6,068,850</u>
Total Capital Assets, Being Depreciated	<u>42,709,315</u>	<u>358,860</u>	<u>322,398</u>	<u>(1,673,863)</u>	<u>41,071,914</u>
Less Accumulated Depreciation For					
Land Development Costs	10,835,456	945,432	-	(268,800)	11,512,088
Buildings and Improvements	250,077	-	-	(250,077)	-
Infrastructure	11,575	3,722	-	-	15,297
Plant in Service	645,276	39,207	-	-	684,483
Machinery and Equipment	<u>4,493,936</u>	<u>240,574</u>	<u>288,667</u>	<u>(415,360)</u>	<u>4,030,483</u>
Total Accumulated Depreciation	<u>16,236,320</u>	<u>1,228,935</u>	<u>288,667</u>	<u>(934,237)</u>	<u>16,242,351</u>
Total Capital Assets, Being Depreciated, Net	<u>26,472,995</u>	<u>(870,075)</u>	<u>33,731</u>	<u>(739,626)</u>	<u>24,829,563</u>
Business-Type Activities Capital Assets, Net	<u>\$ 30,074,640</u>	<u>(870,075)</u>	<u>33,731</u>	<u>(3,539,209)</u>	<u>25,631,625</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Primary Government (Continued)

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

Governmental Activities

General Government Administration	\$ 124,705
Judicial Administration	119,469
Public Safety	512,949
Public Works	1,082,413
Health and Welfare	26,699
Education	29,500
Parks, Recreations and Cultural	417,330
Transit	34,060
Total Depreciation Expense, Governmental Activities	<u>\$ 2,347,125</u>

Business-Type Activities

Solid Waste Disposal	<u>\$ 1,228,935</u>
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The equipment category of the primary government includes assets recorded under capital lease with a cost of \$1,731,961 and accumulated amortization of \$699,874. The equipment category of the business-type activities includes assets recorded under capital lease obligations with a cost of \$546,288 and accumulated amortization of \$46,196.

Insurance recoveries in the amounts of \$671,165 were received in the general fund during the year as a result of building and equipment damages. Included in the public safety, judicial administration and general government program expenses are an impairment loss of \$256,168 for buildings with hail damage and restoration costs of \$589,188.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Units

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

School Board

School Board	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Not Depreciated					
Land	\$ 273,242	-	-	-	273,242
Construction in Progress	-	118,897	-	-	118,897
Total Capital Assets, Not Depreciated	273,242	118,897	0	0	392,139
Capital Assets, Being Depreciated					
Buildings and Improvements	22,614,128	911,121	3,780	285,000	23,806,469
Furniture and Fixtures	8,329,027	1,010,601	333,488	-	9,006,140
Transportation Equipment	2,058,309	121,346	94,010	-	2,085,645
Total Capital Assets, Being Depreciated	33,001,464	2,043,068	431,278	285,000	34,898,254
Less Accumulated Depreciation For					
Buildings and Improvements	11,287,381	544,182	800	201,440	12,032,203
Furniture and Fixtures	5,361,992	697,850	320,560	90,416	5,829,698
Transportation Equipment	1,370,777	168,870	94,010	5,615	1,451,252
Total Accumulated Depreciation	18,020,150	1,410,902	415,370	297,471	19,313,153
Total Capital Assets, Being Depreciated, Net	14,981,314	632,166	15,908	(12,471)	15,585,101
School Board Capital Assets, Net	\$ 15,254,556	751,063	15,908	(12,471)	15,977,240

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

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	\$ 1,730,820	-	(285,000)	1,445,820
Accumulated Depreciation	(465,601)	(29,500)	78,601	(416,500)
	\$ 1,265,219	(29,500)	(206,399)	1,029,320

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Discretely Presented Component Units (Continued)

BVU Authority

<u>BVU Authority</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated				
Land	\$ 1,448,557	6,500	-	1,455,057
Construction in Progress	10,213,517	36,099,010	15,723,186	30,589,341
Total Capital Assets, Not Depreciated	<u>11,662,074</u>	<u>36,105,510</u>	<u>15,723,186</u>	<u>32,044,398</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	1,761,799	44,429	-	1,806,228
Fiber	39,399,032	195,848	-	39,594,880
Plant in Service	104,743,325	4,421,914	319,243	108,845,996
Machinery and Equipment	42,645,495	3,671,432	1,659,665	44,657,262
Total Capital Assets, Being Depreciated	<u>188,549,651</u>	<u>8,333,623</u>	<u>1,978,908</u>	<u>194,904,366</u>
Less Accumulated Depreciation For				
Buildings and Improvements	368,554	71,095	-	439,649
Fiber	9,240,613	1,724,091	6,611	10,958,093
Plant in Service	50,551,250	3,061,804	316,618	53,296,436
Machinery and Equipment	19,255,753	3,111,208	657,604	21,709,357
Total Accumulated Depreciation	<u>79,416,170</u>	<u>7,968,198</u>	<u>980,833</u>	<u>86,403,535</u>
Total Capital Assets, Being Depreciated, Net	<u>109,133,481</u>	<u>365,425</u>	<u>998,075</u>	<u>108,500,831</u>
BVU Authority Capital Assets, Net	<u>\$ 120,795,555</u>	<u>36,470,935</u>	<u>16,721,261</u>	<u>140,545,229</u>

BVU received contributions in aid of construction of approximately \$852,000 for 2012. This amount is reported as a reduction in costs of the related assets.

Idle property in the amount of \$90,957 was held at June 30, 2012 for BVU.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” The General fund has advanced \$17,660,963 as of June 30, 2012 to the Solid Waste Disposal fund. The advances to the Solid Waste Disposal fund from the General Fund represent payments made on behalf of that fund that are to be reimbursed. Fund balance has been classified as nonspendable for this amount as payment is not expected in the near term.

Transfers between funds are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Clear Creek Golf Course Fund	General Fund	\$ 2,996,108
Governmental Activities	Clear Creek Golf Course Fund	63,777

The Clear Creek Golf Course fund was transferred to the General fund in the current year. The capital assets and debt of the Golf Course were transferred at the government-wide level.

E. Due To/From Other Governmental Units

Amounts due between the primary government and discretely presented component units are as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government - General Fund	Industrial Development Authority	\$ 354,315
Primary Government - General Fund	School Board	69,218
BVU Authority	Primary Government - General Fund	20,665
Primary Government - Solid Waste Disposal Fund	BVU Authority	82,882

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Due To/From Other Governmental Units (Continued)

Amounts due from other governmental units are as follows:

	Governmental	Component Units	
	Activities	School Board	BVU Authority
Commonwealth of Virginia			
State and Local Sales Tax	\$ 387,180	-	-
Welfare Grants	125,732	-	-
Comprehensive Service Grants	275,723	-	-
Categorical Aid Shared Expenses	213,883	-	-
VDOT Reimbursement	130,953	-	-
School Grants	-	551,128	-
Other	225,058	-	-
Federal Government			
School Grants	-	861,313	-
Welfare Grants	142,272	-	-
Department of Transportation Grants	84,661	-	-
Other	88,012	-	-
Other			
Bristol, Tennessee (Joint Sewerage System)	-	-	1,448,347
Other	584	-	571,088
	<u>\$ 1,674,058</u>	<u>1,412,441</u>	<u>2,019,435</u>

F. Leases

City as Lessor

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

City as Lessor (Continued)

The aggregate minimum future lease payments to be received based on the lowest percentage factor of 5% are \$372,031. Future payments are to be received as follows:

Year Ended June 30	
2013	\$ 152,250
2014	152,250
2015	<u>67,531</u>
Total	<u>\$ 372,031</u>

The City owns the School Board's Central Office and receives \$187,500 annually in lease income.

City as Lessee

In September 2007, the City entered into a capital lease for two fire trucks. The lease is for a 10 year term with an interest rate of 4.60% and requires yearly payments of \$180,752. The assets have a cost of \$1,400,899 and accumulated amortization of \$504,320. Further information on the lease amortization is included in Note IV.G.

In April 2009, the City entered into a capital lease for golf carts. The lease is for a 51 month term with an interest rate of 4.69% and requires monthly payments of \$5,395. The assets have a cost of \$249,992 and accumulated amortization of \$187,494. Further information on the lease amortization is included in Note IV.G.

In December 2009, the City entered into a capital lease for a brush truck. The lease is for a 3 year term with an interest rate of 4.35% and requires quarterly principal payments of \$8,849. The asset has a cost of \$99,047 and accumulated amortization of \$19,808 as of June 30, 2012. Further information on the lease amortization is included in Note IV.G.

In October 2010, the City entered into a capital lease for an air compressor. The lease is for a 24 month term with an interest rate of 4.93% and requires monthly payments of \$312. The asset has a cost of \$7,136 and accumulated amortization of \$1,427. Further information on the lease amortization is included in Note IV.G.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

City as Lessee (Continued)

In December 2010, the City entered into a capital lease for an excavator. The lease is for a 60 month term with an interest rate of 4.00% and requires monthly payments of \$3,727. The asset has a cost of \$202,354 and accumulated amortization of \$20,235. Further information on the lease amortization is included in Note IV.G.

In July 2011, the City entered into a capital lease for survey equipment. The lease is for a 24 month term with an interest rate of 0.00% and requires monthly payments of \$354. The asset has a cost of \$8,490 and accumulated amortization of \$1,528. Further information on the lease amortization is included in Note IV.G.

In July 2011, the City entered into a capital lease for an excavator. The lease is for a 24 month term with an interest rate of 3.50% and requires monthly payments of \$3,136. The asset has a cost of \$72,580 and accumulated amortization of \$6,532. Further information on the lease amortization is included in Note IV.G.

In December 2011, the City entered into a capital lease for a skid steer loader. The lease is for a 36 month term with an interest rate of 5.50% and requires monthly payments of \$2,046. The asset has a cost of \$67,713 and accumulated amortization of \$0. Further information on the lease amortization is included in Note IV.G.

In December 2011, the City entered into a capital lease for a skid steer loader. The lease is for a 36 month term with an interest rate of 1.50% and requires monthly payments of \$1,056. The asset has a cost of \$47,263 and accumulated amortization of \$4,726. Further information on the lease amortization is included in Note IV.G.

In January 2012, the City entered into a capital lease for a trash truck. The lease is for a 36 month term with an interest rate of 3.24% and requires monthly payments of \$6,676. The assets have a cost of \$122,775 and accumulated amortization of \$0. Further information on the lease amortization is included in Note IV.G.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases (Continued)

Discretely Presented Component Unit – BVU Authority

BVU leases network fiber optic cable to others. The leases are non-cancelable operating leases with terms of ten to twenty years. The lease terms require the entire lease amount to be paid on acceptance of the fiber. Receipts under these agreements have totaled approximately \$1,846,000 as of June 30, 2012.

G. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due Within One Year
Government Activities						
General Obligation Bonds	\$ 17,961,234	2,765,416	(844,200)	3,507,098	23,389,548	1,105,900
Bond Premiums	311,684	-	(35,726)	16,032	291,990	-
Deferred Costs	(137,230)	-	58,624	(178,068)	(256,674)	-
Literary Fund Loans	1,680,000	-	(240,000)	-	1,440,000	240,000
Capital Lease Obligations	1,061,158	81,070	(232,058)	123,363	1,033,533	239,157
Compensated Absences	1,701,348	953,050	(976,941)	23,306	1,700,763	976,608
Governmental Activities, Long-Term Liabilities	<u>\$ 22,578,194</u>	<u>3,799,536</u>	<u>(2,270,301)</u>	<u>3,491,731</u>	<u>27,599,160</u>	<u>2,561,665</u>
Business-Type Activities						
General Obligation Bonds	\$ 36,698,350	-	(413,300)	(3,507,098)	32,777,952	1,241,600
Bond Premiums	886,335	-	(92,595)	(16,032)	777,708	-
Deferred Costs	(901,937)	-	87,054	178,068	(636,815)	-
Capital Lease Obligations	366,539	237,751	(103,355)	(123,363)	377,572	114,624
Landfill Closure Liability	6,114,174	175,653	-	-	6,289,827	-
Compensated Absences	192,892	126,393	(110,334)	(23,306)	185,645	110,334
Business-Type Activities, Long-Term Liabilities	<u>\$ 43,356,353</u>	<u>539,797</u>	<u>(632,530)</u>	<u>(3,491,731)</u>	<u>39,771,889</u>	<u>1,466,558</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due Within One Year
Discretely Presented						
Component Unit - BVU						
Revenue and Refunding Bonds	\$ 44,545,000	-	(1,160,000)	-	43,385,000	1,200,000
MI Connection Note Payable	885,391	-	(885,391)	-	-	-
VRA Loans	2,325,754	-	(97,331)	-	2,228,423	100,464
Capital Lease Obligations	70,095	-	(70,095)	-	-	-
Compensated Absences	1,372,830	982,010	(833,815)	-	1,521,025	518,934
BVU, Long-Term Liabilities	<u>\$ 49,199,070</u>	<u>982,010</u>	<u>(3,046,632)</u>	<u>0</u>	<u>47,134,448</u>	<u>1,819,398</u>
Bond Premiums					2,527,292	118,006
Deferred Restructuring Costs					(6,536,391)	(363,133)
BVU, Long-Term Liabilities, Net					<u>43,125,349</u>	<u>1,574,271</u>
Discretely Presented						
Component Unit - School Board						
Compensated Absences	\$ 385,106	197,940	(169,303)	-	413,743	99,811
School Board, Long-Term Liabilities	<u>\$ 385,106</u>	<u>197,940</u>	<u>(169,303)</u>	<u>0</u>	<u>413,743</u>	<u>99,811</u>

Series 2011A General Obligation Bond

The Qualified School Construction Bond was issued by the City in the amount of \$3,000,000 on June 16, 2011. The tax credit bond was issued to renovate the school administration building and has an interest rate of 4.50% with a maturity date of June 2027. A federal tax credit will be received for reimbursement of the interest.

Defeasance of Debt

The City defeased certain general obligation bonds by placing the proceeds in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2012, \$2,875,000 of bonds are considered defeased. The deferred costs are being amortized over the life of the new bonds as a component of interest expense.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Compensated Absences

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

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

Year Ended June 30	Governmental Activities					
	General Obligation Bonds		Literary Fund Loans		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,105,900	964,714	240,000	43,200	239,157	45,090
2014	1,184,200	920,652	240,000	36,000	147,467	26,421
2015	1,533,050	860,727	240,000	28,800	150,982	29,770
2016	1,200,400	795,877	240,000	21,600	157,929	22,822
2017	1,259,250	746,028	240,000	21,600	165,198	15,554
2018-2022	7,588,650	2,751,667	240,000	-	172,800	7,952
2023-2027	9,518,098	1,113,517	-	-	-	-
	<u>\$ 23,389,548</u>	<u>8,153,182</u>	<u>1,440,000</u>	<u>151,200</u>	<u>1,033,533</u>	<u>147,609</u>

Year Ended June 30	Business-Type Activities			
	General Obligations Bonds		Capital Leases Obligations	
	Principal	Interest	Principal	Interest
2013	\$ 1,241,600	1,550,012	114,624	13,289
2014	1,493,300	1,503,732	99,899	8,755
2015	1,229,450	1,448,897	98,375	4,306
2016	1,722,100	1,378,766	51,483	1,348
2017	1,873,950	1,292,606	13,191	161
2018-2022	11,493,850	4,962,891	-	-
2023-2027	13,723,702	1,682,789	-	-
	<u>\$ 32,777,952</u>	<u>13,819,693</u>	<u>377,572</u>	<u>27,859</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

<u>General Obligation Bonds</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Original Issue</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Public Improvement 1993A Series	5.10-5.50%	04-93	12-12	\$ 990,000	\$ 35,000	-
Public Improvement 2002 Series	3.00-5.25	02-02	11-22	6,795,000	3,167,598	1,442,402
Public Improvement 2003A Series	2.00-5.00	03-03	03-25	9,615,000	1,515,000	1,325,000
Public Improvement 2006B Series	3.50 - 4.00	12-06	06-27	3,675,000	3,225,000	-
Public Improvement 2006C Series	5.00	12-06	07-16	6,090,000	1,534,200	3,985,800
Taxable Re-Structuring 2007A Series	5.00-5.375	10-07	07-17	3,245,000	953,250	2,121,750
Public Improvement 2007B Series	4.00-4.25	10-07	07-26	4,055,000	4,055,000	-
Taxable General Obligation 2007C Series	5.653	10-07	07-23	12,050,000	1,687,000	10,363,000
Gen Obligation Refunding Bonds 2009 Series	3.25	02-09	02-19	1,755,000	630,000	1,125,000
Gen Obligation Refunding Bonds 2010 Series	2.00-5.00	11-10	02-26	1,015,000	-	1,015,000
Gen Obligation Refunding Bonds 2010 Series	2.00-5.00	11-10	02-26	15,175,000	3,775,000	11,400,000
2011 Qualified School Construction Bond	4.50	06-11	06-27	3,000,000	2,812,500	-
					23,389,548	32,777,952
				Bond Premiums	291,990	777,708
				Less Deferred Costs	(256,674)	(636,815)
					<u>\$23,424,864</u>	<u>32,918,845</u>
<u>Other Long-Term Debt</u>						
Literary Fund Loans - VA Middle School	3.00%	09-97	09-17	\$ 4,800,000	<u>\$ 1,440,000</u>	<u>-</u>
<u>Capital Lease Obligations</u>						
Governmental	4.60%	09-07	01-18	\$ 1,400,899	\$ 929,239	-
	4.69%	04-09	07-13	249,992	63,125	-
	3.50%	07-11	07-13	72,580	36,924	-
	0.00%	07-11	07-13	8,490	4,245	-
Solid Waste	4.35%	12-09	12-12	99,047	-	17,412
	4.00%	12-10	01-16	202,354	-	149,060
	4.93%	10-10	11-12	7,136	-	1,487
	5.50%	12-11	12-14	67,713	-	57,292
	1.50%	12-11	12-14	47,263	-	40,949
	3.24%	01-12	01-17	122,755	-	111,372
					<u>\$ 1,033,533</u>	<u>377,572</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit - BVU Authority

Series 2010 Revenue and Refunding Bonds

Revenue and Refunding Bonds of \$44,545,000 were issued by BVU in 2010. Proceeds from the Series 2010 bonds issued were used to refund prior utility system bonds of the City. The bonds were issued in the form of fixed rate revenue bonds to mature on October 1, 2033. The fixed interest rate on the bonds ranges from 2.35% and 6.14% depending on the bond maturity date.

MI Connection Note Payable

In December 2007, BVU agreed to purchase CATV headend equipment from MI Connection Communications System for \$1,000,000. The note associated with the purchase is payable in 240 monthly payments of \$6,600 through December 2027, at a fixed interest rate of 5.00%. This note was secured by the headend equipment. During the current year, pursuant to Article IV of the MI Connection Operating agreement, BVU sold the CATV headend equipment to MI Connection and was relieved of the remaining debt related to the equipment.

Virginia Resources Authority Loans Payable

In September 2008, BVU entered into two separate agreements with the Virginia Resources Authority (VRA). Money for these agreements is provided by the Drinking Water State Revolving Funds. The Bristol View Connector RLF loan was issued in the amount of \$1,289,511, of which \$1,165,246 was outstanding as of June 30, 2012. The Hassan Heights Water Tank RLF loan was issued in the amount of \$1,176,557, of which \$1,063,177 was outstanding as of June 30, 2012. Each note has a 20 year term and a 3.20% interest rate with the first interest payment having commenced in October 2009. Principal and interest payments then began in April 2010 and will continue through April 2029.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit - BVU Authority (Continued)

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

Year Ended June 30	Discretely Presented Component Unit			
	BVU Authority			
	Virginia Resources Authority Loans		Revenue and Refunding Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 100,464	70,512	1,200,000	2,277,529
2014	103,705	67,272	1,255,000	2,222,217
2015	107,050	63,927	1,320,000	2,166,267
2016	110,503	60,474	1,375,000	2,107,667
2017	114,067	56,909	1,445,000	2,044,467
2018-2022	627,958	226,924	8,415,000	9,048,322
2023-2027	735,982	118,900	10,245,000	6,753,301
2028-2032	328,694	13,250	12,415,000	3,579,443
2033-2037	-	-	5,715,000	342,841
	<u>\$ 2,228,423</u>	<u>678,168</u>	<u>43,385,000</u>	<u>30,542,054</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

Component Unit – BVU Authority (Continued)

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

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Amount Outstanding
<u>Revenue and Refunding Bonds</u>					
Series 2010 Revenue and Refunding Bonds	2.51-6.14%	10-10	10-33	\$ 44,545,000	\$43,385,000
VRA RLF Loans	3.20%	09-08	04-29	2,466,068	2,228,423
					<u>\$45,613,423</u>
				Bond Premiums	2,527,292
				Deferred Restructuring Costs	<u>(6,536,391)</u>
					<u>\$41,604,324</u>

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

<u>Principal</u>	<u>Premiums</u>	<u>Deferred Costs</u>	<u>Total</u>
<u>\$ 1,200,000</u>	<u>118,006</u>	<u>(363,133)</u>	<u>954,873</u>

Pledged Revenues

BVU has pledged future customer revenues, net of specified operating expenses, to repay \$44,545,000 in revenue bonds issued October 2010. Proceeds from the bonds provided financing for the refinancing of the Series 2003 Revenue and Refunding bonds along with the Series 2007 Revenue Bonds. The bonds are payable solely from BVU's net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 2% of net revenues. The total principal and interest remaining to be paid on the bonds is approximately \$73,927,054. Principal and interest paid for the current year and total customer net revenues were \$3,037,170 and \$81,088,897, respectively.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Landfill Closure and Post-Closure Care Costs

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

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

The estimated landfill closure and postclosure care cost liability for the old landfill is \$2,808,866 as of June 30, 2012, which is based on 70% usage (filled) of the landfill. It is estimated that an additional \$1,203,780 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is currently expected to be filled to capacity (the year 2020). The City is mining waste from the old landfill, baling it, and placing it in the quarry balefill. The old landfill is expected to remain open until its mandated closure date in 2020.

The estimated liability for landfill closure and postclosure care costs for the quarry balefill is \$3,307,862 as of June 30, 2012, which is based on 36.3% usage (filled) of the landfill. It is estimated that an additional \$5,794,675 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is currently expected to be filled to capacity (the year 2043).

The estimated liability from landfill closure and postclosure care costs of the compost facility, wood incinerator and the tire shredder as of June 30, 2012 are \$62,118, \$23,993, and \$86,988, respectively. It is estimated that an additional \$331,887 will be recognized for the compost facility as closure expense between the date of the balance sheet and the date the facility is expected to be closed.

It should be recognized that the formula for closure/postclosure costs are based on a prescribed formula established by the Department of Environmental Quality without regard to regions or cost differentials across the State. The estimated total current cost of the landfill closure and postclosure care (\$13,609,540) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2012. However, the actual costs of closure will be paid out at the time of closure of each facility and postclosure will be paid out in the thirty years following the closure of each facility. The actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

I. Net Assets

The solid waste disposal fund has an accumulated deficit in net assets of (\$31,308,522). The City is currently funding the operating losses out of the general fund; however, it continues to monitor the operations of the landfill and is exploring opportunities to produce operating surpluses in future years to reduce the deficit.

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

NOTE V - OTHER INFORMATION

A. Post-Employment Health Care Benefits (OPEB)

Plan Description

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

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation.

	<u>City</u>	<u>School Board</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 259,000	194,100	453,100
Interest on Net OPEB Pension Obligation (NPO)	5,500	4,000	9,500
Adjustment to Annual Required Contribution	2,400	(3,500)	(1,100)
Annual OPEB Cost (Expense)	<u>266,900</u>	<u>194,600</u>	<u>461,500</u>
Contributions Made	<u>(136,375)</u>	<u>(217,325)</u>	<u>(353,700)</u>
Increase (Decrease) in Net OPEB Pension Obligation	130,525	(22,725)	107,800
Net OPEB Obligation - Beginning of Year	<u>415,824</u>	<u>81,300</u>	<u>497,124</u>
Net OPEB Obligation - End of Year	<u><u>\$ 546,349</u></u>	<u><u>58,575</u></u>	<u><u>604,924</u></u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012, 2011 and 2010 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 461,500	76.6%	\$ 604,924
June 30, 2011	452,900	82.0%	497,124
June 30, 2010	412,100	31.2%	415,624

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-Employment Health Care Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

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

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

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

Discretely Presented Component Unit – BVU Authority

Plan Description

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

Funding Policy

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-Employment Health Care Benefits (Continued)

Discretely Presented Component Unit – BVU Authority (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

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

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

Annual Required Contribution (ARC)	\$ 375,900
Interest on Net OPEB Pension Obligation (NPO)	21,400
Adjustment to Annual Required Contribution	<u>(21,600)</u>
Annual OPEB Cost (Expense)	375,700
Contributions Made	<u>(107,915)</u>
Increase in Net OPEB Pension Obligation	267,785
Net OPEB Obligation—Beginning of Year	<u>502,500</u>
Net OPEB Obligation—End of Year	<u><u>\$ 770,285</u></u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

A. Post-Employment Health Care Benefits (Continued)

Discretely Presented Component Unit – BVU Authority (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The schedule of funding progress and schedule of contributions to the plan for fiscal year 2012 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Actual Contribution</u>	<u>% Contributed</u>
June 30, 2012	\$ 375,700	\$ 107,915	28.7%
June 30, 2011	360,500	125,939	34.9%
June 30, 2010	246,800	103,361	41.9%

B. Pension Plan

Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of that report is available on their website at <http://www.varetire.org/pdf/Publications/2011-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual reported compensation to the VRS. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the City, School Board and BVU are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2012 was 16.02% of annual covered payroll (including the employee share of 5.00% paid by the employer). The School Board's contribution rate for the fiscal year ended June 30, 2012 was 14.21% of annual covered payroll (including the 5.00% employee contribution). BVU's contribution rate for the fiscal year ended 2012 was 14.73% of annual covered payroll (including the employee share of 5.00% paid by the employer).

For the three fiscal years ended June 30, 2012, 2011, and 2010, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$1,320,592, \$1,042,839, and \$1,472,929, respectively, and represented 11.33%, 8.93%, and 13.81%, of annual covered payroll, respectively, and 100% of required contributions for 2012, 2011 and 2010.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Annual Pension Cost - City and School Board

For the fiscal year ended June 30, 2012, the City's and the School Board's annual pension cost of \$2,214,303 and \$50,045, respectively, were equal to their required and actual contributions. The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 members and 2.25% per year for Plan 2 members. Both the investment rate of return and projected salary increases also include an inflation component of 2.50%. The actuarial value of the City's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of the short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years. The June 30, 2011 valuation increases the remaining amortization rate to 30 years to phase-in the impact of the change in interest rate. The amortization period will decrease by one each year in subsequent valuations until reaching 20 years.

Three-Year Trend Information for the City

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 2,214,303	100%	\$ -
June 30, 2011	2,233,529	100%	-
June 30, 2010	3,616,914	100%	-

Three-Year Trend Information for the School Board

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 50,045	100%	\$ -
June 30, 2011	43,787	100%	-
June 30, 2010	37,317	100%	-

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Annual Pension Cost - BVU Authority

For the fiscal year ended June 30, 2012, BVU's annual pension cost of \$832,048 was equal to its required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method.

Only one year of trend information is available for BVU due to the creation of BVU Authority, a discretely presented component unit of the City of Bristol, Virginia, effective July 1, 2010. At this time, BVU moved from the plan administered as part of the City of Bristol, Virginia. The June 30, 2011 actuarial valuation was the first performed for BVU's separate defined benefit pension plan.

Trend Information for BVU

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 832,048	100%	\$ -

The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases also include an inflation component of 2.50%. The actuarial value of BVU's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of the short-term volatility in the market value of assets over a five-year period. BVU's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Funded Status and Funding Progress - City and School Board

As of June 30, 2011, the most recent actuarial valuation date, the City's plan was 76.91% funded. The actuarial accrued liability for benefits was \$99,723,361, and the actuarial value of assets was \$76,700,176, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,023,185. The covered payroll (annual payroll of active employees covered by the plan) was \$13,824,803, and the ratio of the UAAL to the covered payroll was 166.54%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's plan was 82.17% funded. The actuarial accrued liability for benefits was \$2,815,819, and the actuarial value of assets was \$2,313,685, resulting in an unfunded actuarial accrued liability (UAAL) of \$502,134. The covered payroll (annual payroll of active employees covered by the plan) was \$350,356, and the ratio of the UAAL to the covered payroll was 143.32%.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Funded Status and Funding Progress - BVU Authority

As of June 30, 2011, the most recent actuarial valuation date, the plan was 96.83% funded. The actuarial accrued liability for benefits was \$1,411,185, and the actuarial value of assets was \$1,366,492, resulting in an unfunded actuarial accrued liability (UAAL) of \$44,693. The covered payroll (annual payroll of active employees covered by the plan) was \$8,910,312, and the ratio of the UAAL to the covered payroll was 0.50%.

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

C. Termination of Benefits Payable

At June 30, 2012, BVU has a liability for voluntary termination benefits payable resulting from early retirement incentives to one individual until they reach retirement age under the Virginia Retirement System. The liability is measured at the discounted present value of expected future benefit payments, computed with an effective annual discount rate of 6.00%.

D. Service Contracts - Wholesale Power

In September 2006, BVU entered into an agreement with the Tennessee Valley Authority for the purchase of wholesale power for distribution. This contract began on January 1, 2008 and will end December 31, 2027. For the year ended June 30, 2012, \$40,341,634 was expensed under this contract.

E. Risk Management

Workmen's Compensation

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

E. Risk Management (Continued)

General Liability and Other

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

Healthcare

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

Dental

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

Reconciliation of claim liabilities is as follows:

Dental

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Balance July 1	\$ 3,908	6,789	3,919
Claims Incurred	122,476	108,486	120,312
Claims Paid	<u>119,595</u>	<u>111,356</u>	<u>117,658</u>
Balance, June 30	<u>\$ 6,789</u>	<u>3,919</u>	<u>6,573</u>

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

F. Jointly-Owned Wastewater Facility

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

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

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

Due from Other Governments	
Contributions in Excess of Allocated Capital Outlays	\$ 1,256,199
Due from Joint Sewerage System	<u>192,148</u>
Total Due from Other Governments	<u>\$ 1,448,347</u>
Due from Joint Sewerage System consisted of the following:	
Contributions to Joint Wastewater	\$ 1,382,197
Prior Period Adjustments	(14,118)
Other Income	<u>5,798</u>
Total Contributions and Other Income	<u>1,373,877</u>
Expenditures - BVU's Portion	<u>(1,181,729)</u>
Total Due from Joint Sewerage System	<u>\$ 192,148</u>
Capital assets of the Joint Sewerage System reported by BVU are as follows:	
Land	\$ 181,015
Equipment, Treatment and Composing Plant	18,447,338
Accumulated Depreciation	<u>(13,107,868)</u>
Net Capital Assets	<u>\$ 5,520,485</u>

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

G. Revenue Sharing Agreement

Washington County

Effective December 31, 1998, the City entered into an agreement with Washington County, Virginia, whereby the City pays a share of real estate, personal property and machinery and tools tax revenues derived from certain areas. Payments are to be 60% of the related tax for years 1-5, 40% for 6-10 years and 25% for years 11 and beyond. Amounts paid to Washington County during the year were approximately \$57,079.

H. Capital Contributions

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

I. Commitments and Contingencies

The City has agreed to pay its pro rata share of 10% of principal and interest on revenue bonds issued by Sullivan County, Tennessee, for the jointly owned Regional Airport in the event that the Airport revenues are insufficient to meet debt obligations. The City's management does not feel that any default is likely. In November 2012, the Owners of the Tri-Cities Regional Airport TN/VA took the action necessary to create the Tri-Cities Airport Authority. The Authority will be responsible for issuing its own debt.

During a prior year, a joint plan with the City of Bristol, Tennessee to control flooding was approved with the City agreeing to pay one half of the cost. The total estimated cost to the City is \$700,000 with approximately \$136,000 remaining as of June 30, 2012.

Special Purpose Grants

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

Litigation and Regulatory Issues

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

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

I. Commitments and Contingencies (Continued)

Economic Development Performance Agreement

In April 2010, the City and BVU entered into an agreement with a Company to pay from its Economic Development Funds. The City received \$1,000,000 as Governor's Development Opportunity Fund grant and remitted it to the Company during the year ended June 30, 2011. The City transferred land to the Company and will make a local match of \$1,166,444 which will be paid in increments of \$116,000 over 10 years beginning in fiscal year 2013. As a Jobs Creation and Capital Investment Grant for the promotion of economic development within the City, BVU will make annual payments over 11 years from 2011 through 2021, according to the following schedule:

2013 – 2016	\$283,356
2017 – 2021	\$ 83,356

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

J. Economic Dependency

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

K. Subsequent Events

In August 2012, \$25,000,000 in General Obligation Notes Series 2012A and Series 2012B were issued for costs and expenditures related to the acquisition of approximately 140 acres of land near Exit 5 in Bristol, Virginia to be used for economic development purposes. The land was purchased in October 2012.

In October 2012, General Obligation Public Improvement Revenue and Refunding Bonds, Series 2012A and General Obligation Public Improvement Refunding Bonds, Series 2012B were issued to refinance approximately \$6,500,000 of outstanding debt and provide funds of approximately \$1,700,000 for landfill improvements.

CITY OF BRISTOL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE V - OTHER INFORMATION (CONTINUED)

L. Prior Period Adjustment - School Board

A prior period adjustment at the government-wide level of \$101,800 was necessary to record additional depreciation expense due to an error in calculation in the prior year.

M. New Accounting Standards

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

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2012

City Employees - Pension Plan

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
June 30, 2011	\$ 76,700,176	\$ 99,723,361	\$ 23,023,185	76.91%	\$ 13,824,803	166.54%
June 30, 2010	77,002,838	102,996,280	25,993,442	74.76%	22,355,474	116.27%
June 30, 2009	76,906,435	94,846,567	17,940,132	81.09%	23,007,636	77.97%

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

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
June 30, 2011	\$ 2,313,685	\$ 2,815,819	\$ 502,134	82.17%	\$ 350,356	143.32%
June 30, 2010	2,368,412	2,936,997	568,585	80.64%	361,980	157.08%
June 30, 2009	2,513,650	2,773,058	259,408	90.65%	383,828	67.58%

Component Unit - BVU Authority - Pension Plan

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
June 30, 2011	\$ 1,366,492	\$ 1,411,185	\$ 44,693	96.83%	\$ 8,910,312	0.50%

The above schedule represents BVU Authority's funding progress for the defined benefit pension plan. BVU Authority was a fund of the City. As of June 30, 2011, BVU Authority was not included in the City's defined benefit pension plan.

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
June 30, 2012

City and School Board - Other Post-Employment Benefits

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

Component Unit - BVU Authority - Other Post-Employment Benefits

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ -	\$ 3,410,200	\$ 3,410,200	0.00%	\$ 8,654,000	39.40%
June 30, 2008	-	2,459,100	2,459,100	0.00%	9,823,000	25.00%

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
BALANCE SHEET
INDUSTRIAL DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2012

ASSETS	
Cash	\$ 4,186
Receivables	<u>354,315</u>
TOTAL ASSETS	<u><u>\$ 358,501</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to Primary Government	<u>\$ 354,315</u>
TOTAL LIABILITIES	<u>354,315</u>
FUND BALANCES	
Unassigned	<u>4,186</u>
TOTAL FUND BALANCES	<u>4,186</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 358,501</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
INDUSTRIAL DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
For the Fiscal Year Ended June 30, 2012

REVENUES	
Intergovernmental	
City of Bristol, Virginia	\$ 709,577
Investment Earnings	<u>152,250</u>
TOTAL REVENUES	<u>861,827</u>
EXPENDITURES	
Industrial Development	<u>861,827</u>
TOTAL EXPENDITURES	<u>861,827</u>
Net Change in Fund Balances	-
FUND BALANCE, JULY 1, 2011	<u>4,186</u>
FUND BALANCE, JUNE 30, 2012	<u><u>\$ 4,186</u></u>

Amounts reported in the Statement of Activities are different because:

Net Change in Fund Balance	\$ -
Revenues in the funds are recorded when they provide current financial resources to the government while in the Statement of Activities, those revenues were recorded at the time when they were considered earned.	(145,000)
Expenditures are reported in the funds when they require the use of current financial resources while in the Statement of Activities those expenses are recorded when incurred.	<u>145,000</u>
Change in Net Assets	<u><u>\$ 0</u></u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<u>Department of Agriculture</u>			
State Administrative Matching Grant for Food Stamp Program	Department of Social Services	10.561	\$ 340,380
<u>Department of Health and Human Services</u>			
Family Preservation and Support	Department of Social Services	93.556	20,162
Temporary Assistance to Needy Families	Department of Social Services	93.558	364,949
Refugee and Entrant Assistance - State Administered Programs	Department of Social Services	93.566	496
Low-Income Home Energy Assistance	Department of Social Services	93.568	32,391
Child Care and Development Block Grant	Department of Social Services	93.575	110,902
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Social Services	93.596	118,515
Chafee Education and Training Vouchers Program	Department of Social Services	93.599	2,550
Child Welfare Services - State Grants	Department of Social Services	93.645	1,250
Foster Care - Title IV-E	Department of Social Services	93.658	476,975
Adoption Assistance	Department of Social Services	93.659	129,268
Social Services Block Grant	Department of Social Services	93.667	246,488
Independent Living	Department of Social Services	93.674	7,833
State Children's Insurance Program	Department of Social Services	93.767	9,525
Medical Assistance Program	Department of Social Services	93.778	197,058
Other	Department of Social Services	93.xxx	224
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant - Entitlement Grants	N/A	14.218	360,974
<u>Department of Energy</u>			
ARRA - Energy Efficiency and Conservation Block Grant Program	Department of Mines, Minerals and Energy	81.128	390,822
<u>Department of Homeland Security</u>			
Assistance to Firefighters Wellness Grant	Department of Emergency Management	97.044	98,244
Law Enforcement Terrorism Prevention Program	Department of Criminal Justice Services	97.067	10,419
2009 Heavy Tactical Rescue Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	25,018
2009 Interoperable Communications Unit	Department of Emergency Management	97.073	23,471
2009 Haz-Mat Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	39,458
2008 Heavy Tactical Rescue Team Equipment, Exercise and Training Grant	Department of Emergency Management	97.073	63,712
State Homeland Security Program Grant	Department of Criminal Justice Services	97.067	4,588
Crime Records Information Sharing Network Expansion			

(Continued)

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<u>Department of Justice</u>			
Violence Against Women Formula Grants	Department of Criminal Justice Services	16.588	21,771
Edward Byrne Memorial Justice Assistance Grant Program - Digital Cameras for Patrol Officers	Department of Criminal Justice Services	16.738	10,164
Drug Court Discretionary Grant Program - 2010	N/A	16.585	121,470
Drug Court Discretionary Grant Program - 2009	N/A	16.585	9,954
<u>Department of Transportation</u>			
Drive Hammered Get Nailed	Department of Transportation	20.600	11,221
Selective Enforcement Grant	Department of Transportation	20.600	25,191
Metro Planning Organization (Section 5303)	City of Bristol, Tennessee	20.514	74,159
Metro Planning Organization (Highway Planning)	City of Bristol, Tennessee	20.205	42,786
Transit Operating Assistance Grant	Department of Transportation	20.507	205,087
ARRA - Transit Capital Assistance Grant	Department of Transportation	20.500	10,796
Total Federal Award Expenditures			<u>\$ 3,608,271</u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
NOTES TO SCHEDULE OF FEDERAL AWARDS
June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICY

Basis of Accounting

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

NOTE 2 - SUBGRANTEES

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

Believe in Bristol	\$ 10,000
Bristol Housing and Redevelopment	2,428
Birthplace of Country Music	15,000
Crooked Road	5,000
Crossroads Medical Mission	5,800
D.A.R.E.	4,000
King Mountain Supportive Housing	9,800
Patricia Freedman Literacy Academy	22,617
People, Inc.	<u>6,000</u>
	<u>\$ 80,645</u>

NOTE 3 - PROGRAM INCOME

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

See Independent Auditors' Report.

SECTION III

STATISTICAL SECTION

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in Capital Assets,										
Net of Related Debt	\$ 33,995,609	30,777,836	29,401,065	29,915,337	23,694,648	28,512,940	13,804,929	10,555,902	6,094,345	6,967,702
Restricted	779,252	955,441	1,614,580	2,073,182	2,842,539	-	119,144	335,787	362,658	226,090
Unrestricted	24,745,959	26,663,740	22,824,118	23,274,681	26,693,206	22,233,712	11,079,991	13,999,679	17,748,246	15,144,530
Total Governmental Activities Net Assets	<u>\$ 59,520,820</u>	<u>58,397,017</u>	<u>53,839,763</u>	<u>55,263,200</u>	<u>53,230,393</u>	<u>50,746,652</u>	<u>25,004,064</u>	<u>24,891,368</u>	<u>24,205,249</u>	<u>22,338,322</u>
Business-type Activities										
Invested in Capital Assets,										
Net of Related Debt	\$ -	512,547	60,044,625	54,845,271	51,272,867	42,606,561	52,758,724	43,849,657	34,322,730	41,807,583
Restricted	-	9,316	9,316	10,322	17,176	14,814	9,374	9,374	9,374	87,093
Unrestricted	(31,308,522)	(33,531,585)	538,771	(806,746)	(855,858)	97,397	(10,103,653)	(6,521,057)	1,369,722	(3,402,853)
Total Business-type Activities Net Assets	<u>\$ (31,308,522)</u>	<u>(33,009,722)</u>	<u>60,592,712</u>	<u>54,048,847</u>	<u>50,434,185</u>	<u>42,718,772</u>	<u>42,664,445</u>	<u>37,337,974</u>	<u>35,701,826</u>	<u>38,491,823</u>
Primary Government										
Invested in Capital Assets,										
Net of Related Debt	\$ 33,995,609	31,290,383	89,445,690	84,760,608	74,967,515	71,119,501	66,563,653	54,405,559	40,417,075	48,775,285
Restricted	779,252	964,757	1,623,896	2,083,504	2,859,715	14,814	128,518	345,161	372,032	313,183
Unrestricted	(6,562,563)	(6,867,845)	23,362,889	22,467,935	25,837,348	22,331,109	976,338	7,478,622	19,117,968	11,741,677
Total Primary Government Net Assets	<u>\$ 28,212,298</u>	<u>25,387,295</u>	<u>114,432,475</u>	<u>109,312,047</u>	<u>103,664,578</u>	<u>93,465,424</u>	<u>67,668,509</u>	<u>62,229,342</u>	<u>59,907,075</u>	<u>60,830,145</u>

Note:

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES										
Governmental Activities										
General Government	\$ 2,738,642	2,700,711	2,978,720	2,661,457	2,802,250	3,054,842	2,601,267	2,427,473	2,389,899	1,818,580
Judicial Administration	1,315,755	1,597,660	1,509,552	1,296,392	1,157,293	1,143,616	1,069,265	957,804	841,884	822,106
Public Safety	13,108,290	12,555,922	12,357,339	12,896,808	12,319,196	12,203,912	12,289,639	11,592,580	10,904,991	10,698,402
Public Works	5,645,111	4,951,172	6,659,981	6,353,187	6,462,708	5,920,702	3,629,910	3,617,194	3,466,809	3,336,047
Health and Welfare	5,997,666	5,625,680	5,495,954	5,645,470	6,229,012	5,202,426	5,918,891	4,900,033	4,487,386	4,168,656
Education	8,937,192	8,548,977	9,265,259	9,307,322	8,996,957	8,338,635	9,200,388	8,541,575	9,503,133	8,857,599
Parks, Recreation, and Cultural	3,798,309	2,784,258	2,835,079	2,882,840	2,813,305	2,717,968	2,810,812	2,549,563	2,380,739	2,214,028
Community Development	2,378,139	4,609,396	2,867,133	1,692,851	1,474,618	2,593,211	1,630,732	3,850,009	3,613,557	1,049,646
Transit	545,380	555,189	552,312	552,299	534,060	502,415	521,312	657,059	489,900	460,781
Interest on Long-Term Debt	1,092,274	1,049,255	925,339	1,156,243	939,447	873,403	754,571	677,586	643,352	511,155
Total Governmental Activities Expenses	<u>45,556,758</u>	<u>44,978,220</u>	<u>45,446,668</u>	<u>44,444,869</u>	<u>43,728,846</u>	<u>42,551,130</u>	<u>40,426,787</u>	<u>39,770,876</u>	<u>38,721,650</u>	<u>33,937,000</u>
Business-type Activities										
Electric	-	-	48,136,810	51,968,590	43,059,795	37,947,763	37,996,520	29,674,864	22,877,316	22,642,934
Water	-	-	3,167,214	3,021,749	2,752,272	2,696,045	2,542,253	2,582,115	2,758,274	2,416,096
Wastewater	-	-	3,198,095	3,123,505	2,993,874	3,075,293	3,033,617	3,061,934	3,167,805	2,599,846
OptiNet	-	-	17,622,508	16,476,305	14,227,775	11,806,290	10,732,027	10,200,551	8,068,127	5,269,808
Solid Waste Disposal	6,853,393	7,117,767	7,252,392	7,020,171	6,718,162	7,199,284	7,009,844	7,071,098	7,140,610	6,629,493
Golf Course	-	1,019,440	1,093,885	1,117,334	1,129,135	1,186,216	1,266,691	1,170,971	1,111,281	1,104,581
Total Business-type Activities Expenses	<u>6,853,393</u>	<u>8,137,207</u>	<u>80,470,904</u>	<u>82,727,654</u>	<u>70,881,013</u>	<u>63,910,891</u>	<u>62,580,952</u>	<u>53,761,533</u>	<u>45,123,413</u>	<u>40,662,758</u>
Total Primary Government Expenses	<u>\$ 52,410,151</u>	<u>53,115,427</u>	<u>125,917,572</u>	<u>127,172,523</u>	<u>114,609,859</u>	<u>106,462,021</u>	<u>103,007,739</u>	<u>93,532,409</u>	<u>83,845,063</u>	<u>74,599,758</u>

(Continued)

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
General Government	\$ 273,817	280,751	316,195	277,958	257,859	261,452	165,907	202,410	156,240	129,575
Judicial Administration	348,572	332,140	279,718	230,806	250,633	214,632	258,272	275,919	314,482	273,541
Public Safety	128,420	183,343	174,210	274,435	473,704	708,593	759,331	729,335	807,140	741,289
Public Works	1,137	1,647	2,861	547	882,538	733,494	853,049	625,035	546,176	577,051
Health and Welfare	-	-	-	-	-	-	118,140	122,273	126,710	-
Parks, Recreation, and Cultural	998,571	101,527	97,233	91,769	98,123	103,223	114,107	108,966	108,142	115,344
Other Activities	44,620	39,865	34,769	39,318	37,804	41,145	36,831	38,829	43,001	38,022
Operating Grants and Contributions	14,065,443	16,737,399	13,868,952	13,325,110	14,337,295	12,670,217	11,487,441	10,672,859	9,661,849	9,986,788
Capital Grants and Contributions	4,189,662	2,947,622	3,730,705	2,656,318	1,565,583	4,549,390	1,798,859	490,464	353,992	15,732
Total Governmental Activities Program Revenues	<u>20,050,242</u>	<u>20,624,294</u>	<u>18,504,643</u>	<u>16,896,261</u>	<u>17,903,539</u>	<u>19,282,146</u>	<u>15,591,937</u>	<u>13,266,090</u>	<u>12,117,732</u>	<u>11,877,342</u>
Business-type Activities										
Charges for Services										
Electric	-	-	50,543,639	54,844,870	46,489,221	39,857,424	39,870,170	34,258,137	27,903,957	27,742,189
Water	-	-	3,179,182	3,530,035	3,337,032	3,341,488	3,191,277	2,932,032	2,627,925	2,539,450
Wastewater	-	-	3,316,913	3,197,360	3,329,804	3,264,167	3,287,249	3,177,476	3,492,236	3,153,548
OptiNet	-	-	19,236,343	17,234,687	14,525,312	10,973,174	8,633,285	7,272,254	4,654,103	754,192
Solid Waste Disposal	5,558,996	5,351,757	4,900,792	4,755,432	4,311,968	4,254,511	4,155,851	4,278,408	4,404,205	3,849,225
Golf Course	-	681,069	654,339	695,125	750,047	748,699	734,213	796,174	842,672	780,859
Capital Grants and Contributions	-	-	3,826,270	2,341,810	5,648,768	1,180,429	7,263,779	2,809,297	1,128,919	301,000
Total Business-type Activities Program Revenues	<u>5,558,996</u>	<u>6,032,826</u>	<u>85,657,478</u>	<u>86,599,319</u>	<u>78,392,152</u>	<u>63,619,892</u>	<u>67,135,824</u>	<u>55,523,778</u>	<u>45,054,017</u>	<u>39,120,463</u>
Total Primary Government Program Revenues	<u>\$ 25,609,238</u>	<u>26,657,120</u>	<u>104,162,121</u>	<u>103,495,580</u>	<u>96,295,691</u>	<u>82,902,038</u>	<u>82,727,761</u>	<u>68,789,868</u>	<u>57,171,749</u>	<u>50,997,805</u>
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (25,506,516)	(24,353,926)	(26,942,025)	(27,548,608)	(25,825,307)	(23,268,984)	(24,834,850)	(26,504,786)	(26,603,918)	(22,059,658)
Business-type Activities	<u>(1,294,397)</u>	<u>(2,104,381)</u>	<u>5,186,574</u>	<u>3,871,665</u>	<u>7,511,139</u>	<u>(290,999)</u>	<u>4,554,872</u>	<u>1,762,245</u>	<u>(69,396)</u>	<u>(1,542,295)</u>
Total Primary Government Net Expense	<u>\$ (26,800,913)</u>	<u>(26,458,307)</u>	<u>(21,755,451)</u>	<u>(23,676,943)</u>	<u>(18,314,168)</u>	<u>(23,559,983)</u>	<u>(20,279,978)</u>	<u>(24,742,541)</u>	<u>(26,673,314)</u>	<u>(23,601,953)</u>

(Continued)

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL REVENUES AND OTHER CHANGES										
IN NET ASSETS										
Governmental Activities										
Taxes										
Property Taxes	\$ 13,597,177	13,427,997	12,651,353	12,686,832	13,392,015	16,359,843	11,222,394	9,932,616	10,094,587	9,388,596
Other Taxes	12,419,037	11,722,627	11,448,949	11,613,383	12,046,825	11,690,941	10,494,811	10,365,709	9,697,950	9,370,443
Payments from Component Unit	-	-	-	-	-	-	14,016	1,808,068	2,777,778	-
Intergovernmental Revenue Not Restricted	3,086,610	3,312,837	2,393,388	2,262,805	2,333,394	2,352,125	3,007,102	3,852,074	2,635,195	2,459,312
Investment Earnings	40,707	58,232	34,069	125,736	214,667	187,409	108,697	97,677	7,266	14,065
Gain (Loss) on Sale of Property	4,122	(99,480)	29,343	(2,343,748)	(27,853)	117,601	(152,889)	8,693	(27,003)	-
Other	414,997	-	-	-	-	-	21,572	8,568	30,985	425,659
Transfers	(2,932,331)	-	(1,352,839)	458,300	350,000	350,000	350,000	1,117,500	3,581,484	3,636,117
Total Governmental Activities	<u>26,630,319</u>	<u>28,422,213</u>	<u>25,204,263</u>	<u>24,803,308</u>	<u>28,309,048</u>	<u>31,057,919</u>	<u>25,065,703</u>	<u>27,190,905</u>	<u>28,798,242</u>	<u>25,294,192</u>
Business-type Activities										
Investment Earnings	2,028	2,094	110,037	175,516	524,052	697,018	1,454,416	1,050,095	766,991	1,219,169
Gain (Loss) on Sale of Property	32,815	(19,154)	(105,585)	25,781	17,048	(1,692)	(406)	(58,692)	(31,329)	-
Other	28,423	-	-	-	-	-	-	-	-	(83,641)
Transfers	<u>2,932,331</u>	<u>-</u>	<u>1,352,839</u>	<u>(458,300)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>(1,117,500)</u>	<u>(3,581,484)</u>	<u>(3,636,117)</u>
Total Business-type Activities	<u>2,995,597</u>	<u>(17,060)</u>	<u>1,357,291</u>	<u>(257,003)</u>	<u>191,100</u>	<u>345,326</u>	<u>1,104,010</u>	<u>(126,097)</u>	<u>(2,845,822)</u>	<u>(2,500,589)</u>
Total Primary Government	<u>\$ 29,625,916</u>	<u>\$28,405,153</u>	<u>26,561,554</u>	<u>24,546,305</u>	<u>28,500,148</u>	<u>31,403,245</u>	<u>26,169,713</u>	<u>27,064,808</u>	<u>25,952,420</u>	<u>22,793,603</u>
CHANGE IN NET ASSETS										
Governmental Activities	\$ 1,123,803	4,557,254	(1,423,437)	2,032,807	2,483,741	7,788,935	230,853	686,119	2,194,324	3,234,534
Business-type Activities	<u>1,701,200</u>	<u>(2,121,441)</u>	<u>6,543,865</u>	<u>3,614,662</u>	<u>7,702,239</u>	<u>54,327</u>	<u>5,658,882</u>	<u>1,636,148</u>	<u>(2,915,218)</u>	<u>(4,042,884)</u>
Total Primary Government	<u>\$ 2,825,003</u>	<u>2,435,813</u>	<u>5,120,428</u>	<u>5,647,469</u>	<u>10,185,980</u>	<u>7,843,262</u>	<u>5,889,735</u>	<u>2,322,267</u>	<u>(720,894)</u>	<u>(808,350)</u>

Note:

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Nondisposable	\$ 18,228,985	20,641,868	-	-	-	-	-	-	-	-
Restricted	779,252	955,441	-	-	-	-	-	-	-	-
Unassigned	5,795,788	5,056,131	-	-	-	-	-	-	-	-
Reserved	-	-	20,656,132	19,727,559	17,445,721	11,292,989	7,883,336	3,302,676	6,904,013	14,022,517
Unreserved	-	-	3,130,749	4,714,935	8,715,759	7,938,332	787,983	7,795,789	9,179,187	2,097,917
Total General Fund	<u>\$ 24,804,025</u>	<u>26,653,440</u>	<u>23,786,881</u>	<u>24,442,494</u>	<u>26,161,480</u>	<u>19,231,321</u>	<u>8,671,319</u>	<u>11,098,465</u>	<u>16,083,200</u>	<u>16,120,434</u>
All Other Governmental Funds										
Assigned	\$ 8,356	17,157	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	27,870	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	-	-	18,364	24,532	87,935	9,627	(26,385)	28,317	11,171	2,178
Total All Other Governmental Funds	<u>\$ 8,356</u>	<u>17,157</u>	<u>18,364</u>	<u>24,532</u>	<u>87,935</u>	<u>9,627</u>	<u>1,485</u>	<u>28,317</u>	<u>11,171</u>	<u>2,178</u>

Note:

The presentation of fund balance was changed to conform with GASB 54 beginning with fiscal year 2011.

See Independent Auditors' Report.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
Taxes	\$ 26,334,737	25,730,352	24,620,177	24,918,957	26,309,728	28,220,221	21,752,273	20,298,325	19,727,411	18,721,767
Permits, Privilege Fees, and Licenses	69,455	104,035	31,359	43,601	55,367	88,032	86,288	93,415	74,017	91,709
Fines and Forfeitures	228,566	222,367	175,137	134,421	148,419	146,528	186,976	214,507	247,654	214,474
Investment Earnings	329,232	351,582	360,088	409,244	536,400	523,313	489,918	267,281	168,309	179,337
Charges for Services	1,161,149	274,959	332,728	400,203	1,273,679	1,116,025	1,430,179	1,287,715	1,307,061	1,354,406
Other	1,596,172	1,674,254	972,769	388,716	595,798	627,169	350,328	534,222	509,655	465,555
Intergovernmental	19,132,860	20,691,719	18,532,759	16,829,007	17,071,694	16,971,145	15,403,804	15,058,282	12,487,916	12,404,438
Total Revenues	48,852,171	49,049,268	45,025,017	43,124,149	45,991,085	47,692,433	39,699,766	37,753,747	34,522,023	33,431,686
EXPENDITURES										
General Government	2,669,506	2,425,753	2,587,737	2,556,942	2,854,121	2,949,908	2,500,908	2,299,735	2,285,132	1,799,817
Judicial Administration	1,453,743	1,485,763	1,401,759	1,271,989	1,127,182	1,120,914	1,039,768	955,437	815,370	792,736
Public Safety	13,202,148	12,908,930	12,199,613	12,511,555	12,041,017	12,854,163	12,295,870	11,646,734	10,895,628	10,349,840
Public Works	4,750,566	4,267,752	4,136,424	4,033,008	4,193,526	3,866,181	3,990,794	4,143,388	4,012,670	3,199,012
Health and Welfare	6,016,795	5,635,487	5,507,342	5,623,301	6,222,774	5,201,697	5,911,003	4,907,608	4,462,085	4,145,290
Education	8,701,292	8,298,377	8,976,766	9,009,699	8,690,721	8,019,557	8,868,472	8,196,819	9,145,537	8,481,114
Parks, Recreation, and Cultural	3,458,881	2,504,239	2,514,823	2,849,361	2,484,434	2,420,945	2,736,703	2,521,567	2,311,299	2,121,099
Community Development	2,401,272	4,797,396	2,867,133	1,692,851	1,474,618	2,593,211	1,600,291	3,847,048	6,083,691	1,149,646
Transit	519,256	598,985	520,962	623,487	520,894	477,949	528,463	628,542	511,667	427,446
Capital Projects	5,901,666	2,259,068	2,024,195	3,343,054	1,183,154	2,915,828	1,903,490	3,323,348	1,052,674	1,857,599
Debt Service:										
Principal	4,470,405	6,876,400	7,354,194	1,282,171	5,436,521	3,959,810	1,574,531	1,116,698	585,883	705,712
Interest	1,007,191	923,095	979,386	983,772	731,396	756,711	734,986	707,047	616,466	494,100
Total Expenditures	54,552,721	52,981,245	51,070,334	45,781,190	46,960,358	47,136,874	43,685,279	44,293,971	42,778,102	35,523,411
Excess (Deficiency) of Revenues										
Over/(Under) Expenditures	(5,700,550)	(3,931,977)	(6,045,317)	(2,657,041)	(969,273)	555,559	(3,985,513)	(6,540,224)	(8,256,079)	(2,091,725)
OTHER FINANCING SOURCES (USES)										
Bond Issuances	6,146,486	6,270,473	6,630,569	-	6,747,950	7,422,000	724,750	2,321,500	4,475,000	4,413,354
Payments to Bond Escrow Agents	-	-	-	-	-	-	-	(2,302,887)	-	-
Sale of Capital Assets	20,791	16,421	105,806	65,630	78,891	2,151,267	418,349	436,522	34,455	-
Insurance Recoveries	671,165	21,468	-	-	-	-	38,436	-	-	-
Capital Lease	-	-	-	-	1,400,899	-	-	-	-	-
Transfers In	-	-	-	809,023	350,000	350,000	350,000	1,291,004	3,863,484	3,204,815
Transfers Out	(2,996,108)	-	(1,352,839)	-	-	-	-	(173,504)	(282,000)	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	3,842,334	6,308,362	5,383,536	874,653	8,577,740	9,923,267	1,531,535	1,572,635	8,090,939	7,418,169
Net Change in Fund Balances	\$ (1,858,216)	2,376,385	(661,781)	(1,782,388)	7,608,467	10,478,826	(2,453,978)	(4,967,589)	(165,140)	5,326,444
Debt Service as a Percentage of Noncapital Expenditures	11.26%	15.38%	16.99%	5.34%	13.47%	10.67%	5.53%	4.45%	2.88%	3.56%

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Real Estate (1)	Personal Property (2)	Machinery and Tools (2)	Public Service Corporation (3)	Mobile Homes (4)	Total Assessed Value	Tax Rate (per \$100)	
							Real Estate	Personal Property
2012	\$ 1,055,329,250	43,626,984	12,067,951	19,026,098	1,377,046	1,131,427,329	0.94%	7.00%
2011	1,042,533,650	49,163,845	12,137,866	17,495,045	1,468,048	1,122,798,454	0.94%	7.00%
2010	1,037,501,250	36,755,193	10,657,820	15,375,438	1,534,142	1,101,823,843	0.94%	7.00%
2009	932,366,500	40,381,108	10,815,071	15,573,204	1,495,279	1,000,631,162	1.05%	7.00%
2008	918,459,200	38,417,934	12,790,535	14,250,641	1,505,142	985,423,452	1.05%	7.00%
2007	874,768,300	35,898,923	17,593,513	19,560,928	1,664,016	949,485,680	0.98%	6.00%
2006	767,041,575	34,747,388	17,859,218	16,764,883	*	836,413,064	0.98%	6.00%
2005	754,670,575	36,732,886	18,095,654	18,955,042	*	828,454,157	0.98%	6.00%
2004	738,938,475	36,048,456	15,856,600	20,181,818	*	811,025,349	0.98%	6.00%
2003	724,965,475	35,896,104	19,565,734	16,686,749	*	797,114,062	1.10%	6.00%

* - Not available

(1) Assessed at 100% of fair market value

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

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

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

Note: Reassessments occur every four years

Source: Commissioner of Revenue

See Independent Auditors' Report.

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

Taxpayer	2012			2003		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Johnson Sugar Hollow LLC	\$ 17,547,000	1	20.0%	\$ -		0.0%
Bristol Mall Associates	16,871,900	2	19.2%	21,330,400	1	27.3%
D&J Virginia Real Estate LLC	10,960,500	3	12.5%	-		0.0%
HD Development of MD (Home Depot)	8,392,900	4	9.5%	-		0.0%
Debora Jean Limited (Tinseltown)	7,178,300	5	8.2%	6,591,300	4	8.4%
Apple Nine SPE Bristol (Marriott)	6,502,700	6	7.4%	-		0.0%
Ball Metal Beverage Container Corp.	5,733,000	7	6.5%	4,890,900	6	6.3%
Ventas Realty (Liberty Place)	5,662,400	8	6.4%	-		0.0%
Pacific Capital Group (Post Office/Food Lion)	4,552,900	9	5.2%	-		0.0%
Yale Bristol VA LLC	4,523,300	10	5.1%	-		0.0%
Trammel Hotel Investments LLC	-		0.0%	16,553,100	2	21.2%
Electrolux LLC	-		0.0%	7,067,200	3	9.1%
C&J Bristol Plaza	-		0.0%	5,423,400	5	7.0%
Liberty Place Associates	-		0.0%	4,447,800	7	5.7%
The United Company	-		0.0%	3,938,000	9	5.0%
Bristol Brass & Copper	-		0.0%	4,106,800	8	5.3%
Bristol Associates	-		0.0%	3,658,600	10	4.7%
	<u>\$ 87,924,900</u>		<u>100.0%</u>	<u>\$ 78,007,500</u>		<u>100.0%</u>

Source: Commissioner of Revenue

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Adjusted Levy		Amount	Percentage of Levy
2012	\$ 13,724,757	\$ 12,948,516	94.34%	\$ -	\$ 12,948,516	94.34%
2011	13,721,770	12,883,684	93.89%	314,089	13,197,773	96.18%
2010	13,454,389	12,645,361	93.99%	501,036	13,146,397	97.71%
2009	13,552,799	12,800,034	94.45%	523,948	13,323,982	98.31%
2008	13,397,350	12,815,457	95.66%	359,250	13,174,707	98.34%
2007	12,294,395	11,351,927	92.33%	755,446	12,107,373	98.48%
2006	11,769,692	11,281,140	95.85%	300,926	11,582,066	98.41%
2005	10,748,059	10,370,212	96.48%	206,204	10,576,416	98.40%
2004	9,962,418	9,551,491	95.88%	229,390	9,780,881	98.18%
2003	10,258,771	9,910,443	96.60%	190,779	10,101,222	98.46%

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Legal Debt Margin										
Debt Limit	\$ 107,435,535	106,002,870	103,750,125	93,236,650	91,845,920	87,476,830	76,704,158	75,467,058	73,893,848	72,496,548
Total Net Debt Applicable to Limit	57,607,500	56,339,584	57,830,000	59,952,387	62,287,820	59,894,556	61,713,861	51,753,727	42,985,000	39,855,000
Legal Debt Margin	<u>\$ 49,828,035</u>	<u>49,663,286</u>	<u>45,920,125</u>	<u>33,284,263</u>	<u>29,558,100</u>	<u>27,582,274</u>	<u>14,990,297</u>	<u>23,713,331</u>	<u>30,908,848</u>	<u>32,641,548</u>

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	\$ 1,074,355,348
Debt Limit (10% of assessed value)	107,435,535
Less Debt Applicable to Limit:	
General Obligation Bonds	(56,167,500)
Other Long-Term Obligations	<u>(1,440,000)</u>
Legal Debt Margin	<u>\$ 49,828,035</u>

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

See Independent Auditors' Report.

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

Fiscal Year	General Obligation Bonds					Other Governmental Activities	
	Governmental General Obligation Bonds	Business-Type General Obligation Bonds	Total General Obligation Bonds	Percentage of Actual Value of Taxable Property	Per Capita	Notes Payable	Other Debt
2011	\$ 17,961,234	36,698,350	54,659,584	4.87%	3,090	-	1,680,000
2010	18,394,451	37,515,549	55,910,000	5.07%	3,192	-	1,920,000
2009	18,786,751	38,993,249	57,780,000	5.77%	3,299	-	2,172,387
2008	19,534,789	40,320,211	59,855,000	6.07%	3,432	-	2,432,820
2007	16,277,411	40,913,325	57,190,736	6.02%	3,287	-	2,703,820
2006	12,345,291	41,868,500	54,213,791	5.71%	3,116	2,775,000	2,974,820
2005	12,710,937	39,042,790	51,753,727	6.19%	2,974	211,500	3,247,455
2004	13,315,000	29,670,000	42,985,000	5.19%	2,485	2,654,000	3,516,820
2003	9,150,000	30,705,000	39,855,000	4.91%	2,317	-	3,792,703

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

* Not available

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

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

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

See Independent Auditors' Report.

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

Fiscal Year	Population (1)	Per Capita Personal Income (3)	Public School Enrollment	Unemployment Rate
2012	17,750	*	2,265	8.3%
2011	17,750	*	2,276	8.8%
2010	17,835	32,084	2,244	9.2%
2009	17,516	32,506	2,265	10.5%
2008	17,429	32,454	2,272	5.9%
2007	17,571	30,895	2,308	5.2%
2006	17,425	29,880	2,302	4.8%
2005	17,479	27,657	2,295	5.3%
2004	17,433	25,982	2,324	6.0%
2003	17,200	25,704	2,335	6.2%

*Not available

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

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

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

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA
PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year and Five Years Ago

<u>EMPLOYER</u>	2012			2008		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
City of Bristol	715	1	15.31%	700	1	14.99%
Electro Mechanical Corp.	620	2	13.27%	400	5	8.56%
Commonwealth of Virginia	550	3	11.77%	300	7	6.42%
Sprint PCS	428	4	9.16%	500	2	10.70%
Office Max	416	5	8.91%	500	3	10.70%
US Solutions	367	6	7.86%	200	10	4.28%
Strongwell Corp	300	7	6.42%	450	4	9.63%
Alpha Natural Resources	264	8	5.65%			
Aerus (formerly Electrolux)	240	9	5.14%	125	12	2.68%
Ball Corp (formerly Reynolds Metal)	218	10	4.67%	200	8	4.28%
Shearer's (formerly Moore's Snack Foods)	200	11	4.28%	150	11	3.21%
United Parcel Service	193	12	4.13%	300	6	6.42%
Virginia Intermont College	160	13	3.43%	200	9	4.28%
	<u>4,671</u>		<u>100.00%</u>	<u>4,025</u>		<u>86.17%</u>

Source: Andrew Trivette, Community Development Director

See Independent Auditors' Report.

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

FUNCTION/PROGRAM	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
General Government	24	24	23	23	27	30	32	32
Judicial Government	17	16	16	16	15	31	19	16
Public Safety	173	171	172	173	172	161	188	187
Public Works	25	25	22	23	21	34	41	42
Solid Waste	34	33	41	45	46	41	45	45
Health and Welfare	41	41	39	39	41	41	41	39
Parks, Recreation, and Cultural	21	21	22	21	22	22	22	21
Clear Creek Golf Course	6	5	5	5	5	4	5	7
Library	24	21	22	24	27	22	32	27
Community Development	7	7	7	9	8	10	11	11
Transit	8	10	9	9	10	9	9	9
Water	-	-	6	6	6	6	6	*
Sewer	-	-	8	8	8	7	7	*
OptiNet	-	-	99	106	102	31	31	*
Electric	-	-	79	71	70	66	64	*
Total	380	374	570	578	580	515	553	436

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

* Comparable information was not available for prior years.

See Independent Auditors' Report.

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

<u>Function/Program</u>	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
<u>Judicial Administration</u>								
Sheriff								
Inmates Housed (Daily)	141	143	131	126	136	147	144	118
Inmate Transports	583	416	353	512	1,095	1,095	1,063	901
Courts Worked	583	625	661	628	615	584	452	448
<u>Public Safety</u>								
Police								
Criminal Warrants	2,631	2,409	3,126	2,978	2,954	2,852	2,655	2,567
Parking Violations	154	343	611	500	776	649	798	1,707
Traffic Violations	5,994	6,084	5,244	3,803	3,738	4,319	8,091	9,101
Fire								
Fire Responses	175	169	171	183	197	175	128	148
EMS Responses	1,489	1,523	1,410	1,262	1,264	998	1,019	1,128
Hazmat Responses	74	83	80	97	88	79	78	80
Other Responses	808	751	780	768	513	537	573	460
<u>Public Works</u>								
Refuse Collected (tons per day)	29	31	32	33	33	33	34	36
Recyclables collected (tons per day)	7	11	13	10	8	13	17	20
<u>Library</u>								
Volumes in collection	169,312	178,331	165,858	164,494	159,547	144,558	149,100	146,350
Total Circulated	372,108	382,877	390,382	371,697	340,937	359,248	340,900	302,900

See Independent Auditors' Report.

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

Function/Program	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
<u>Public Safety</u>								
Law Enforcement Vehicles	70	69	76	73	79	80	94	95
Fire Stations	3	3	3	3	3	3	3	3
<u>Public Works</u>								
Primary Streets (lane miles)	50.64	50.64	50.64	50.64	48.80	49.00	48.00	48.00
Secondary Streets (lane miles)	210.49	210.49	208.55	208.23	208.23	208.00	204.00	202.00
<u>Parks, Recreation, and Cultural</u>								
Community Center	1	1	1	1	1	1	1	1
Parks/Athletic Fields	18	18	18	18	18	18	18	17

See Independent Auditors' Report.

SECTION IV
INTERNAL CONTROL AND
COMPLIANCE SECTION

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

Honorable Members of City Council
City of Bristol
Bristol, Virginia

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units and each major fund of the City of Bristol, Virginia (the City) as of and for the year ended June 30, 2012 which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Town*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited the financial statements of BVU Authority, a discretely presented component unit, as described in our report on the City of Bristol, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 07-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency: 12-1.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated December 6, 2012.

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

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

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

December 6, 2012

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

Honorable Members of City Council
City of Bristol
Bristol, Virginia

Compliance

We have audited the compliance of the City of Bristol, Virginia (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit. This report does not include the results of the other auditors' testing of compliance requirements that are reported separately by those auditors.

The City's basic financial statements include the operations of the City of Bristol, Virginia School Board (the School Board) and BVU Authority, discreetly presented component units, which received \$3,882,042 and \$12,265,780, respectively, in federal awards which are not included in the schedule during the year ended June 30, 2012. Our audit, described below, did not include the operations of the School Board because a separate report was issued, nor BVU Authority because other auditors were engaged to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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

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

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

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

December 6, 2012

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements.
2. One material weakness and one significant deficiency were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the basic financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the audit.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

Transit Operating Assistance Grant	20.507
ARRA - Transit Capital Assistance Grant	20.500
Temporary Assistance to Needy Families	93.558
Foster Care – Title IV-E	93.658
Community Development Block Grant – Entitlement Grants	14.218
ARRA – Energy Efficiency and Conservation Block Grant	81.128
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City was determined to not be a low-risk auditee.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

Current Year Findings

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

Condition: The Solid Waste Disposal Fund has a fund deficit.

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

Effect: The Solid Waste Disposal Fund has received continuous advances from the General Fund resulting in significant interfund balances consuming almost all of the unassigned fund balance of the General Fund.

Recommendation: Management and City Council have implemented some operational changes to the Solid Waste Disposal Fund during the current year in order to see an increase in operational efficiency in the next fiscal year. Also, subsequent to year end, there were additional actions taken to help decrease the deficit. Continued efforts to monitor these results and implementation of changes should be maintained to make proprietary funds self-sufficient and repay the General Fund for the advances.

Management Response: Management and members of City Council are aware of the Solid Waste Disposal Fund and its operations. Improvements in operational changes have resulted in ongoing efficiencies of approximately \$500,000 per year. As noted in a prior audit, a contract to capture methane gas and market to the energy markets has been finalized. The start of these operations is scheduled to begin in September 2013.

12-1 Significant Deficiency – Purchase Cards

Condition: During the review of purchase cards, we noted several purchases that did not have proper approval for payment, supporting documents, or a purchase order properly issued. Also, there were several purchases that sales tax was paid, instead of being tax-exempt.

Criteria: The Virginia Public Procurement Act and the City's purchasing policies require proper approval for payment, purchase orders to be obtained before purchase with proper approval, and supporting documents for all purchase cards.

Effect: The City is not in compliance with the Virginia Public Procurement Act and City purchasing policies.

Recommendation: We recommend proper approval and supporting documentation be obtained for all purchase card purchases and purchase orders should be issued in a timely manner (i.e. before the purchase) for all purchases that exceed the purchasing policy threshold. Also, store accounts should be tax-exempt and sales tax should not be paid for purchases.

CITY OF BRISTOL, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)

Current Year Findings (Continued)

12-1 Significant Deficiency – Purchase Cards (Continued)

Management Response: Management agrees with the recommendation. Additional steps have been put into place to ensure all applicable purchase cards have purchase orders or purchase requisitions before processing. The City established an Information Technology department during this audit period. Several of these exceptions noted were within this department. Procedures were established to train card holders of the use of these purchase cards and the purchasing policies of the City.

Prior Year Findings Implemented

None

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

Current Year Findings

None Noted

Prior Year Findings Implemented

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