

CITY OF BRISTOL, VIRGINIA
SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2011

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
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(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
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SECTION I
INTRODUCTORY SECTION

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
DIRECTORY OF PRINCIPAL OFFICIALS

SCHOOL BOARD MEMBERS

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

Chair
Vice-Chair

SCHOOL OFFICIALS

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

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

SECTION II

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Superintendent
and School Board Members
City of Bristol, Virginia School Board
Bristol, Virginia

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Bristol, Virginia School Board, (the Board), a component unit of the City of Bristol, Virginia, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bristol, Virginia School Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Bristol, Virginia School Board, a component unit of the City of Bristol, Virginia as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparisons for each fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12, the City of Bristol, Virginia School Board has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the City of Bristol, Virginia School Board'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.

Superintendent
and School Board Members
City of Bristol, Virginia School Board

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11 and the analysis of funding progress for defined benefit pension plan and other post-employment benefits on page 39 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 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 of Bristol, Virginia School Board's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied 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, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

November 21, 2011

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

As management of the City of Bristol, Virginia School Board (the "School Board"), we offer readers of the School Board's financial statements this overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the School Board exceeded its liabilities at the close of the most recent fiscal year by \$16,508,919 (net assets). Of this amount, (\$41,412) represents unrestricted net assets. Unrestricted net assets show a negative balance due primarily to liabilities recorded in the Statement of Net Assets that will not be paid with immediate funds. Additionally, any unexpended funds which are not specifically restricted by state regulation must be returned to the primary government. Therefore, there is no build up of fund balances to accommodate liabilities that will not be paid with current resources.
- The School Board's total net assets increased by \$955,385. This increase is attributable to the increase in current year funding, primarily related to stimulus funding.
- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$1,720,769, a decrease of \$187,240 in comparison with the prior year. All fund balances are nonspendable, restricted or assigned for particular purposes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School Board's basic financial statements, which are the government-wide financial statements, the fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the School Board's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School Board's assets and liabilities, with the difference between the two as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School Board is improving or deteriorating.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Overview of the Financial Statements (Continued)

The statement of activities presents information showing how the School Board'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 only result in cash flows in future fiscal periods.

The School Board does not have any business-type activities and reports only governmental activities. Governmental activities include the School Board's basic services including instruction, administration, attendance and health, transportation, operations and maintenance, and food services. City appropriations and state aid finance the majority of these activities.

The government-wide financial statements can be found on pages 12 and 13 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 Board, 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 Board are governmental funds.

Governmental Funds - 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 the short-term view of the Board's operations with info on impending inflows and outflows of spendable resources. These statements also highlight the balances of spendable resources available at the end of the fiscal year.

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 the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School Board maintains six 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 operating fund, special revenue cafeteria fund, special revenue school textbook fund, special revenue non-recurring lottery fund, special revenue central office renovation fund and school construction capital projects fund, which are considered to be major funds.

The Board adopts an annual appropriated budget for its operating and special revenue funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Overview of the Financial Statements (Continued)

The basic governmental fund financial statements can be found on pages 14 - 22 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 23 - 38 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 School Board, assets exceeded liabilities by \$16,508,919 at the close of the most recent fiscal year.

The largest portion of the School Board's net assets (92%) reflects its investment in capital assets (e.g., land, buildings, vehicles, buses, furniture, books, and equipment). The School Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The remaining balance consists of restricted net assets which may be used for expenditures specified by the grantor and unrestricted net assets which may be used to meet the government's ongoing obligations to citizens and creditors.

The School Board's Net Assets

	2011	2010
Current and Other Assets	\$ 4,141,806	3,877,517
Capital Assets	15,254,556	14,489,774
Total Assets	<u>19,396,362</u>	<u>18,367,291</u>
Long-Term Liabilities	385,106	728,749
Other Liabilities	2,502,337	2,085,008
Total Liabilities	<u>2,887,443</u>	<u>2,813,757</u>
Net Assets		
Invested in Capital Assets	15,254,556	14,489,774
Restricted	1,295,775	1,565,063
Unrestricted	(41,412)	(501,303)
Total Net Assets	<u>\$ 16,508,919</u>	<u>15,553,534</u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Government-Wide Financial Analysis (Continued)

At the end of the current fiscal year, the School Board is able to report positive balances in two categories of net assets for the government as a whole.

The government's net assets increased by \$955,385, or 6.1%, during the current fiscal year. The key element of this increase is general revenue as seen below:

The School Board's Changes in Net Assets

	2011	2010
Revenues		
Program Revenues		
Charges for Services	\$ 473,489	464,315
Operating Grants and Contributions	9,027,668	8,656,581
Capital Grants and Contributions	-	164,149
General Revenues		
Intergovernmental Revenue	15,054,117	15,669,542
Unrestricted Investment Earnings	12,668	16,064
Other	141,097	129,559
Gain (Loss) on Sale of Assets and Reclassifications	(14,267)	5,642
Total Revenues	<u>24,694,772</u>	<u>25,105,852</u>
Expenses		
Administration	1,048,673	953,781
Instructional Costs	18,352,217	19,464,302
Attendance and Health Services	502,171	399,903
Transportation	684,152	711,939
Food Services	1,159,369	1,175,261
Operations and Maintenance	1,983,171	1,896,938
Interest on Long-term Debt	9,634	23,976
Total Expenses	<u>23,739,387</u>	<u>24,626,100</u>
Increase in Net Assets	955,385	479,752
Beginning Net Assets	15,553,534	15,073,782
Ending Net Assets	<u>\$ 16,508,919</u>	<u>15,553,534</u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Financial Analysis of the Government's Funds

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

Governmental Funds - The focus of the School Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School Board'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.

At the end of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$1,720,769, a decrease of \$187,240 in comparison with the prior year. The entire fund balance is not available for new spending because \$37,586 is considered nonspendable for inventories, \$1,394,764 is restricted for capital outlay use only, including the purchase of textbooks, and \$288,419 is assigned for use in food service.

The operating fund is the chief operating fund of the School Board. At the end of the current fiscal year, the unassigned fund balance of the operating fund was \$0. The zero unassigned fund balance results from the fact that any unexpended funds which are not specifically restricted by state regulation must be returned to the primary government. The fund balance of the School Board's operating fund did not change from the prior year.

The special revenue – cafeteria fund is used to report the School Board's food services transactions. At the end of the current fiscal year, assigned fund balance of the cafeteria fund was \$288,419 while total fund balance reached \$326,005. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Assigned fund balance represents 23% of total cafeteria fund expenditures, while total fund balance represents 26% of that same amount.

The special revenue – non-recurring lottery fund is used to capture non-recurring lottery proceeds unexpended at June 30 of each year. These funds must be used solely for capital related expenditures as set forth by the Code of Virginia. At the end of the current fiscal year, restricted fund balance of the non-recurring lottery fund was \$182,798. The fund balance decreased mainly due to more of funding being utilized for capital expenditures than in the prior year.

The special revenue – school construction capital projects fund is used to capture unexpended school construction grant proceeds. These funds must be used solely for capital related expenditures as set forth by the Code of Virginia. At the end of the current fiscal year, restricted fund balance was \$383,011. The fund balance increased mainly due to less of funding being utilized for capital projects resulting than in the past year.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Financial Analysis of the Government's Funds (Continued)

The special revenue – school textbook fund is used to account for textbook revenue and purchases for all schools in the division. These funds must be used solely for textbook related expenditures. At the end of the current fiscal year, restricted fund balance was \$441,562. The fund balance decreased as textbooks were purchased during the school year, with no additional textbook revenue being provided by the State this year.

The special revenue – Central Office Renovation fund is used to account for money preserved to assist the School Board in its relocation of central office. These funds must be used solely for the central office relocation project. At the end of the current fiscal year, restricted fund balance was \$387,393. The fund balance decrease is due to expenditures paid relating to the historical tax credit portion of the project. The fund was established at the end of the previous school year and is expected to dissolve once the project is complete.

Operating Fund Budgetary Highlights

The following table provides a comparison of original budget, final budget and actual revenues and expenditures in the operating fund:

	Original	Final	Actual
Revenues			
Intergovernmental	\$ 23,157,848	24,551,811	22,947,696
Charges for Services	29,504	29,504	27,250
Other	266,619	315,820	275,832
Total Revenues	<u>23,453,971</u>	<u>24,897,135</u>	<u>23,250,778</u>
Expenditures			
Expenditures	<u>23,337,070</u>	<u>24,777,344</u>	<u>23,131,192</u>
Other Financing Sources (Uses)	<u>(116,901)</u>	<u>(119,791)</u>	<u>(119,586)</u>
Change in Fund Balance	<u>\$ 0</u>	<u>0</u>	<u>0</u>

The final amended budget revenues and appropriations exceeded the original budget by \$1,443,164. This variance is due primarily to an increase in instructional costs and capital costs from original projections.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Operating Fund Budgetary Highlights (Continued)

Actual revenues were less than final budget amounts by \$1,646,357 or 6.6%, while actual expenditures were \$1,646,152 or 6.6% less than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2011, include the following:

- Actual intergovernmental revenues were less than budgeted amounts primarily due to federal and state grant and program revenues that were not utilized in the current fiscal year. These grant and program revenues will carry-over to be used in the next fiscal year.
- Actual expenditures were less than appropriations primarily due to federal and state grants and awards that were not expended during the current fiscal year. These grants and awards carry-over to be used in the next fiscal year.

During the year, actual expenditures and other financing sources equaled actual revenues, thus resulting in no change in fund balance.

Capital Asset Administration

Capital Assets – The School Board's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$15,254,556 (net of accumulated depreciation). The investment in capital assets includes land, buildings and system improvements, vehicles, buses, furniture, books and equipment. The total increase in the School Board's investment in capital assets for the current fiscal year was 5.3%. School Capital Assets financed with debt incurred by the City have been reported in the City's financial statements.

Major capital asset events during the current fiscal year included painting of two schools, computer and technology updates, the purchase of two school buses and construction on a new School Board Office.

	Original	Final	Actual
Revenues			
Intergovernmental	\$ 23,157,848	24,551,811	22,947,696
Charges for Services	29,504	29,504	27,250
Other	266,619	315,820	275,832
Total Revenues	<u>23,453,971</u>	<u>24,897,135</u>	<u>23,250,778</u>
Expenditures			
Expenditures	<u>23,337,070</u>	<u>24,777,344</u>	<u>23,131,192</u>
Other Financing Sources (Uses)	<u>(116,901)</u>	<u>(119,791)</u>	<u>(119,586)</u>
Change in Fund Balance	<u>\$ 0</u>	<u>0</u>	<u>0</u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Capital Asset Administration (Continued)

Additional information on the School Board's capital assets can be found in Note 6 on page 31 of this report.

Economic Factors and Next Year's Budget

In setting the budgets for FY 2012, the Board considered a number of issues with Board wide impact, among them:

- Regional cost of living increases, projected student enrollment and other related economic factors were considered in preparing the School Board's budget for the 2012 fiscal year.
- The proposed fiscal year 11-12 budget is \$24,162,032. This budget reflects a step-only salary increase for Board employees. Student enrollment is expected to decrease slightly. Most capital project improvements and deferred maintenance is expected to be funded out of escrowed lottery and construction proceeds. Additionally, the Board intends to maintain a balance of approximately \$300,000 total in the Non-recurring Lottery and School Construction Capital Projects funds to fund unanticipated capital or deferred maintenance items. However, due to the current economic conditions of the economy, all areas of instruction and services have been evaluated for possible reduction. The 2012 budget reflects many of these permanent reductions.

Request for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finance. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Director of Finance, Bristol Virginia Public Schools, 222 Oak Street, Bristol, Virginia 24201 or via email at tmjones@bvps.org.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 STATEMENT OF NET ASSETS
 June 30, 2011

	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 863,086
Investments	112,051
Due from Other Governmental Units	1,588,142
Due from Primary Government	26,512
Inventories	37,586
Restricted Assets	
Cash and Cash Equivalents	1,256,193
Investments	258,236
Capital Assets, Net	<u>15,254,556</u>
 TOTAL ASSETS	 <u>19,396,362</u>
 LIABILITIES	
Accounts Payable	1,046,388
Accrued Payroll and Related Liabilities	1,230,184
Unearned Revenue	6,266
Due to Primary Government	138,199
OPEB Liability	81,300
Long-Term Liabilities	
Due Within One Year	70,661
Due in More Than One Year	<u>314,445</u>
 TOTAL LIABILITIES	 <u>2,887,443</u>
 NET ASSETS	
Invested in Capital Assets	15,254,556
Restricted for	
Capital Projects	1,295,775
Unrestricted	<u>(41,412)</u>
 TOTAL NET ASSETS	 <u><u>\$ 16,508,919</u></u>

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 1,048,673	-	-	-	(1,048,673)
Instructional Costs	18,352,217	46,689	8,198,726	-	(10,106,802)
Attendance and Health Services	502,171	-	-	-	(502,171)
Transportation	684,152	-	-	-	(684,152)
Food Services	1,159,369	413,240	828,942	-	82,813
Operations and Maintenance	1,983,171	13,560	-	-	(1,969,611)
Interest on Long-Term Debt	9,634	-	-	-	(9,634)
Total Governmental Activities	<u>23,739,387</u>	<u>473,489</u>	<u>9,027,668</u>	<u>0</u>	<u>(14,238,230)</u>
General Revenues					
					8,475,366
					6,578,751
					12,668
					141,097
					(14,267)
					<u>15,193,615</u>
					955,385
					<u>15,553,534</u>
					<u>\$ 16,508,919</u>

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
BALANCE SHEET
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds						Total
	Operating Fund	Cafeteria Fund	School Textbook Fund	School Construction Capital Projects Fund	Non-recurring Lottery Proceeds Fund	Central Office Renovation Fund	
ASSETS							
Cash and Cash Equivalents	\$ 679,388	183,698	-	-	-	-	863,086
Investments	-	112,051	-	-	-	-	112,051
Due from Other Governmental Units	1,586,898	1,244	-	-	-	-	1,588,142
Inventories	-	37,586	-	-	-	-	37,586
Restricted Assets							
Cash and Cash Equivalents	-	-	440,795	219,595	87,978	507,825	1,256,193
Investments	-	-	-	163,416	94,820	-	258,236
Due from Primary Government	-	-	-	-	-	26,512	26,512
Due from Other Funds	35,900	5,113	767	-	-	-	41,780
TOTAL ASSETS	<u>\$2,302,186</u>	<u>339,692</u>	<u>441,562</u>	<u>383,011</u>	<u>182,798</u>	<u>534,337</u>	<u>4,183,586</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 935,344	-	-	-	-	111,044	1,046,388
Accrued Payroll and Related Liabilities	1,222,763	7,421	-	-	-	-	1,230,184
Deferred Revenue	-	6,266	-	-	-	-	6,266
Due to Primary Government	138,199	-	-	-	-	-	138,199
Due to Other Funds	5,880	-	-	-	-	35,900	41,780
TOTAL LIABILITIES	<u>2,302,186</u>	<u>13,687</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>146,944</u>	<u>2,462,817</u>
FUND BALANCES							
Nonspendable							
Inventories	-	37,586	-	-	-	-	37,586
Restricted for							
Capital Outlay	-	-	441,562	383,011	182,798	387,393	1,394,764
Assigned for							
Food Service	-	288,419	-	-	-	-	288,419
TOTAL FUND BALANCES	<u>0</u>	<u>326,005</u>	<u>441,562</u>	<u>383,011</u>	<u>182,798</u>	<u>387,393</u>	<u>1,720,769</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,302,186</u>	<u>339,692</u>	<u>441,562</u>	<u>383,011</u>	<u>182,798</u>	<u>534,337</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

15,254,556

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of compensated absences and other postemployment benefits.

(466,406)

Net Assets of Governmental Activities

\$ 16,508,919

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds						Total
	Operating Fund	Cafeteria Fund	School Textbook Fund	School Construction Capital Projects Fund	Non-recurring Lottery Proceeds Fund	Central Office Renovation Fund	
REVENUES							
Intergovernmental Revenues							
City of Bristol, Virginia	\$ 8,259,966	-	-	-	-	-	8,259,966
Commonwealth of Virginia	11,323,825	19,965	-	-	-	-	11,343,790
Federal Government	3,363,905	808,976	-	-	-	-	4,172,881
Investment Earnings	-	2,009	586	4,724	608	4,741	12,668
Charges for Services	27,250	413,240	953	-	-	-	441,443
Other	275,832	-	-	-	-	-	275,832
TOTAL REVENUES	23,250,778	1,244,190	1,539	4,724	608	4,741	24,506,580
EXPENDITURES							
Current							
Administration	913,463	-	-	-	-	6	913,469
Instructional Costs	18,307,037	-	-	-	-	-	18,307,037
Attendance and Health Services	502,171	-	-	-	-	-	502,171
Transportation	562,994	-	-	-	-	-	562,994
Food Services	-	1,130,208	-	-	-	-	1,130,208
Operations and Maintenance	1,980,870	-	-	-	-	-	1,980,870
Capital Projects	531,338	130,923	160,726	1,275	22,148	117,342	963,752
Debt Service							
Principal Retirement	323,687	-	-	-	-	-	323,687
Interest and Fiscal Charges	9,632	-	-	-	-	-	9,632
TOTAL EXPENDITURES	23,131,192	1,261,131	160,726	1,275	22,148	117,348	24,693,820
Excess (Deficiency) of Revenues Over (Under) Expenditures	119,586	(16,941)	(159,187)	3,449	(21,540)	(112,607)	(187,240)
OTHER FINANCING SOURCES (USES)							
Transfer from Operating Fund	-	-	119,586	-	-	-	119,586
Transfer to School Textbook Fund	(119,586)	-	-	-	-	-	(119,586)
TOTAL OTHER FINANCING SOURCES (USES)	(119,586)	0	119,586	0	0	0	0
NET CHANGE IN FUND BALANCE	0	(16,941)	(39,601)	3,449	(21,540)	(112,607)	(187,240)
FUND BALANCE, JULY 1, 2010	-	342,946	481,163	379,562	204,338	500,000	1,908,009
FUND BALANCE, JUNE 30, 2011	\$ 0	326,005	441,562	383,011	182,798	387,393	1,720,769

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (187,240)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which acquisition of new capital assets was exceeded by depreciation in the current period. 576,590

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets. (27,208)

Recognition of allocation of asset equal to debt service payment, net of accumulated depreciation. 215,400

Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds. Compensated absences decreased by this amount during the fiscal year. 19,958

The repayment of principal of long-term liabilities consumes the current financial resources of governmental funds. The transaction, however, has no effect on net assets. 323,685

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. 34,200

Change in Net Assets of Governmental Activities \$ 955,385

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Intergovernmental Revenues				
City of Bristol, Virginia	\$ 8,457,881	8,452,346	8,259,966	(192,380)
Commonwealth of Virginia	11,032,107	11,744,299	11,323,825	(420,474)
Federal Government	3,667,860	4,355,166	3,363,905	(991,261)
Charges for Services	29,504	29,504	27,250	(2,254)
Other	266,619	315,820	275,832	(39,988)
TOTAL REVENUES	23,453,971	24,897,135	23,250,778	(1,646,357)
EXPENDITURES				
Current				
Administration	864,060	930,834	913,463	17,371
Instructional Costs	18,976,412	19,893,055	18,307,037	1,586,018
Attendance and Health Services	378,309	440,119	502,171	(62,052)
Transportation	649,605	623,434	562,994	60,440
Operations and Maintenance	2,197,883	2,051,253	1,980,870	70,383
Capital Projects	5,000	505,330	531,338	(26,008)
Debt Service				
Principal Retirement	253,170	323,687	323,687	-
Interest and Fiscal Charges	12,631	9,632	9,632	-
TOTAL EXPENDITURES	23,337,070	24,777,344	23,131,192	1,646,152
Excess (Deficiency) of Revenues Over (Under) Expenditures	116,901	119,791	119,586	(205)
OTHER FINANCING SOURCES (USES)				
Transfer to School Textbook Fund	(116,901)	(119,791)	(119,586)	205
TOTAL OTHER FINANCING SOURCES (USES)	(116,901)	(119,791)	(119,586)	205
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCE, JULY 1, 2010	-	-	-	-
FUND BALANCE, JUNE 30, 2011	\$ 0	0	0	0

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 CAFETERIA FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental Revenues				
Commonwealth of Virginia	\$ 16,140	16,140	19,965	3,825
Federal Government	755,785	755,785	808,976	53,191
Investment Earnings	4,025	4,025	2,009	(2,016)
Charges for Services	525,000	525,000	413,240	(111,760)
TOTAL REVENUES	1,300,950	1,300,950	1,244,190	(56,760)
EXPENDITURES				
Current				
Food Services	1,236,589	1,236,589	1,130,208	106,381
Capital Projects	61,000	61,000	130,923	(69,923)
TOTAL EXPENDITURES	1,297,589	1,297,589	1,261,131	36,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,361	3,361	(16,941)	(20,302)
FUND BALANCE, JULY 1, 2010	289,794	268,696	342,946	74,250
FUND BALANCE, JUNE 30, 2011	\$ 293,155	272,057	326,005	53,948

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 SCHOOL TEXTBOOK FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Investment Earnings	\$ -	5,000	586	(4,414)
Charges for Services	-	-	953	953
TOTAL REVENUES	0	5,000	1,539	(3,461)
EXPENDITURES				
Capital Projects	-	400,000	160,726	239,274
TOTAL EXPENDITURES	0	400,000	160,726	239,274
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(395,000)	(159,187)	235,813
OTHER FINANCING SOURCES				
Operating Transfers - Operating Fund	-	116,901	119,586	2,685
TOTAL OTHER FINANCING SOURCES	0	116,901	119,586	2,685
NET CHANGE IN FUND BALANCE	0	(278,099)	(39,601)	238,498
FUND BALANCE, JULY 1, 2010	-	(437,616)	481,163	918,779
FUND BALANCE, JUNE 30, 2011	\$ 0	(715,715)	441,562	1,157,277

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 SCHOOL CONSTRUCTION CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Investment Earnings	\$ -	4,000	4,724	724
TOTAL REVENUES	0	4,000	4,724	724
EXPENDITURES				
Capital Projects	-	185,000	1,275	183,725
TOTAL EXPENDITURES	0	185,000	1,275	183,725
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(181,000)	3,449	184,449
FUND BALANCE, JULY 1, 2010	-	17,496	379,562	362,066
FUND BALANCE, JUNE 30, 2011	\$ 0	(163,504)	383,011	546,515

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 NON-RECURRING LOTTERY PROCEEDS FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Investment Earnings	\$ -	2,000	608	(1,392)
TOTAL REVENUES	0	2,000	608	(1,392)
EXPENDITURES				
Capital Projects	-	90,000	22,148	67,852
TOTAL EXPENDITURES	0	90,000	22,148	67,852
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(88,000)	(21,540)	66,460
FUND BALANCE, JULY 1, 2010	-	(131,008)	204,338	335,346
FUND BALANCE, JUNE 30, 2011	\$ 0	(219,008)	182,798	401,806

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 CENTRAL OFFICE RENOVATION FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Investment Earnings	\$ -	1,000	4,741	3,741
TOTAL REVENUES	0	1,000	4,741	3,741
EXPENDITURES				
Administration	-	-	6	(6)
Capital Projects	-	500,000	117,342	382,658
TOTAL EXPENDITURES	0	500,000	117,348	382,652
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(499,000)	(112,607)	386,393
FUND BALANCE, JULY 1, 2010	-	-	500,000	500,000
FUND BALANCE, JUNE 30, 2011	\$ 0	(499,000)	387,393	886,393

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Bristol, Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia (the City), is a legally separate entity from the City, which operates four elementary schools, one middle school, and one high school for students residing in the City. The School Board consists of five elected members. City Council approves the School Board's operational and capital budgets and must approve the issuance of bonded debt. City Council also provides fiscal guidance because it levies taxes for the School Board's operations and issues debt for its school construction capital projects. Based on these facts, the City reports the School Board as a discretely presented component unit. The financial statements of the School Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School Board's accounting policies are described below.

Related Organizations

School Board members are occasionally appointed to various committees as provided under state and local laws and ordinances. However, the committees are advisory in nature and the School Board is not financially accountable for these committees and, therefore, they are not included in the School Board financial statements.

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 government. Governmental activities are normally supported by intergovernmental revenues.

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. Items not properly included among program revenues are reported instead as general revenues.

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Board considers revenues to be available if they are collected within twelve months of the end of the current fiscal period or when expenditures are incurred under a reimbursable-type grant. Expenditures, other than interest on long-term debt, generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only if the leave is expected to be paid with currently available financial resources. Interest on long-term debt is recognized when due except for interest due on July 1, which is accrued.

The School Board reports the following major governmental funds:

- *Operating Fund* - the School Board's primary operating fund that accounts for all general revenues and other receipts that are not allocated by law or contractual agreement to another fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the Operating Fund.
- *Cafeteria, School Textbook, Non-recurring Lottery Proceeds, School Construction Capital Projects, and Central Office Renovation funds* – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The School Textbook, Non-recurring Lottery Proceeds and School Construction Capital Projects funds consist of unexpended revenue restricted by the Code of Virginia at June 30 of each year. Revenue received and expended in the same year is accounted for in the Operating fund.

Amounts reported as program revenues include 1) charges to students or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances – Governmental Funds

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

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

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

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

Assigned – includes amounts that the School Board intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School Board's adopted policy, amounts may be assigned by the Superintendent of Schools, or his designee.

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

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The following procedures are used by the School Board in establishing the budgetary data reflected in the financial statements:

The funds available to the School Board for the establishment, support and maintenance of schools consist of state funds appropriated for school purposes and apportioned to the School Board, federal funds appropriated for educational purposes and apportioned to the School Board, local funds appropriated to the School Board by the City, and other funds that may be set apart for public school purposes.

The School Board manages and controls the funds made available by the City. The school superintendent prepares, with the approval of the School Board, and submits to the City prior to April 1, the proposed operating budget for the next fiscal year. Before the School Board gives final approval to its budget for submission to the City Council, the School Board holds at least one public hearing to receive the view of citizens.

City Council has adopted the policy of appropriating the school budget in total rather than by categories. Accordingly, the legal restrictions on expenditures for the School Board are at the fund level. The School Board is authorized to transfer budgeted amounts within the fund at its discretion.

The School Board, with the concurrence of the City Council, may from time to time amend the budget to provide for additional expenditures and the means of financing them. The School Board approved additional appropriations totaling \$1,443,164 during the current fiscal year primarily for classroom instructional costs and capital costs.

The school budget is adopted on a basis consistent with generally accepted accounting principles. Operating and Cafeteria appropriations lapse on June 30 and School Textbook, Non-recurring Lottery Proceeds, School Construction Capital Project, and Central Office Renovation appropriations carry unexpended balances into the following year on a continuing basis. The budget data presented in the accompanying financial statements are revised as of June 30 and include all appropriations approved by the City Council.

All expenditures from the School Textbook Fund, Non-recurring Lottery Proceeds Fund, School Construction Capital Projects Fund, and Central Office Renovation Fund are appropriated by the School Board on an as-needed basis.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year end do not constitute expenditures or liabilities and are not reflected in the financial statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The School Board considers all highly liquid investments (including certificates of deposit, repurchase agreements, treasury bills and restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories

All inventories are valued at the lower of cost using the first-in/first-out (FIFO) method or market, except for commodities received from the federal government which are valued at market. Inventories consist of food and supplies. Inventories are offset by nonspendable fund balance which indicates that they do not constitute available expendable resources.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School Board as assets with an initial, individual cost of more than \$1,000, with the exception of textbooks, library books and certain technological equipment which are considered a capital asset regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Building and Structural Improvements	50 years
Non-Structural Improvements	15 – 26 years
Furniture, Books and Equipment	5 – 15 years
Vehicles and Buses	8 years

Capital Asset and Related Debt Reporting

Local governments in Virginia 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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Asset and Related Debt Reporting (Continued)

amount of principal debt reduction are 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.

Compensated Absences

The School Board has 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 statements. A liability for these amounts is reported in governmental funds only if the leave is expected to be paid with currently available financial resources.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

All cash and certificates of deposit of the School Board 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.

Investments

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions 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).

All deposits and investments are under the control and management of the City Treasurer.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments in the Non-recurring Lottery Proceeds and School Construction Capital Projects funds are state grant proceeds awarded but not yet spent. These funds can only be spent for nonrecurring costs to include school construction, additions, infrastructure, site acquisition, renovations, technology and other expenditures related to modernizing classroom equipment, and debt service payments on school projects completed during the last ten years. The School Textbook fund's restricted cash and cash equivalents can only be spent on new and replacement textbooks. The restricted cash in the Central Office Renovation fund is for the renovation of the new Central Office warehouse building.

The above items are reflected in the statements as follows:

Deposits and Investments	
Cash on Hand	\$ 400
Deposits	2,489,166
	<u>\$ 2,489,566</u>
Statement of Net Assets	
Cash and Cash Equivalents	\$ 863,086
Investments	112,051
Restricted Cash and Cash Equivalents	1,256,193
Restricted Investments	258,236
	<u>\$ 2,489,566</u>

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011, is as follows:

Receivable Fund	Payable Fund	Amount
Cafeteria Fund	Operating Fund	\$ 5,113
School Textbook Fund	Operating Fund	767
Operating Fund	Central Office Renovation Fund	35,900
		<u>\$ 41,780</u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The interfund balances represent cash received by the Operating Fund on behalf of the other funds. The interfund balances have been eliminated on the government-wide statements.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
School Textbook Fund	Operating Fund	<u>\$ 119,586</u>

The purpose for the interfund transfer noted above was to transfer unexpended restricted funds.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

A summary of funds due from other governmental units is as follows:

	<u>Operating Fund</u>	<u>Cafeteria Fund</u>	<u>Total</u>
Federal Government	\$ 783,033	-	783,033
Commonwealth of Virginia	<u>803,865</u>	<u>1,244</u>	<u>805,109</u>
Total Due from Other Governmental Units	<u>\$ 1,586,898</u>	<u>1,244</u>	<u>1,588,142</u>

NOTE 5 - DUE FROM PRIMARY GOVERNMENT

Due from Primary Government, June 30, 2010	\$ 68,034
Remaining Appropriation	654
Excess Appropriation Over Local Expenditure	(189,247)
Other	<u>8,872</u>
Net Due to Primary Government, June 30, 2011	<u>\$ (111,687)</u>

This balance constantly fluctuates throughout the fiscal year due to ongoing transactions with the primary government, and therefore it is not likely to be paid within one year.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the School Board as follows:

Administration	\$ 135,204
Instruction	896,078
Transportation	121,158
Food Services	29,161
Operations and Maintenance	<u>2,301</u>

Total Depreciation	<u><u>\$ 1,183,902</u></u>
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As discussed in Note 1, school capital assets financed with debt incurred by the City have been reported in the City's financial statements. The activity above for buildings and improvements is net of those amounts. Activity for those assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	\$ 2,050,000	-	(290,000)	1,760,000
Accumulated Depreciation	<u>(505,001)</u>	<u>(35,200)</u>	<u>74,600</u>	<u>(465,601)</u>
Total Assets Allocated	<u><u>\$ 1,544,999</u></u>	<u><u>(35,200)</u></u>	<u><u>(215,400)</u></u>	<u><u>1,294,399</u></u>

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Retirement Incentive Liability	\$ 323,685	-	323,685	-	-
Compensated Absences	<u>405,064</u>	<u>116,943</u>	<u>136,901</u>	<u>385,106</u>	<u>70,661</u>
	<u><u>\$ 728,749</u></u>	<u><u>116,943</u></u>	<u><u>460,586</u></u>	<u><u>385,106</u></u>	<u><u>70,661</u></u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 8 - PENSION PLAN

Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service or at age 50 with 30 years of service if elected by the employer, payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/Publications/2010-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual reported compensation to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended June 30, 2011 was 9.21% of annual covered payroll.

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 8 - PENSION PLAN (CONTINUED)

Annual Pension Cost

For the fiscal year ended June 30, 2011, the School Board's annual pension cost of \$43,787 for non-professional employees was equal to the School Board's required and actual contributions. The 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, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases also include an inflation component of 2.50%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2009 actuarial valuation was 20 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 43,787	100%	\$ -
June 30, 2010	37,317	100%	-
June 30, 2009	38,520	100%	-

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 80.64% funded. The actuarial accrued liability for benefits was \$2,936,997, and the actuarial value of assets was \$2,368,412, resulting in an unfunded actuarial accrued liability (UAAL) of \$568,585. The covered payroll (annual payroll of active employees covered by the plan) was \$361,980, and the ratio of the UAAL to the covered payroll was 157.08%.

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multi-year 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.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

The School Board provides other post-employment health care benefits. 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. The medical coverage for retirees is as follows: (1) the retiree pays 100% of the employee premium if retired with less than 25 years of service, (2) the retiree pays the employee premium less \$100 monthly credit if retired with 25 or more years of service but less than 30 years of service, (3) the retiree pays the employee premium less \$200 monthly credit if retired with 30 or more years of service but less than 35 years of service or (4) the retiree pays the employee premium less \$300 monthly credit if retired with 35 or more years of service. For all spouses, the retiree pays 100% of the employee's spousal premium. Coverage continues to age 65 for retirees and spouses. There are approximately 336 school employees participating in the post-employment health care benefit arrangements.

Funding Policy

The contribution requirements of plan members are based on pay-as-you go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

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

1. Funding Interest Rate	4.25%
2. Net OPEB Obligation (NOO) as of July 1, 2010	\$ 115,500
3. Annual Required Contribution (ARC)	194,000
4. Interest on NOO	-
5. Adjustment to the ARC	-
6. Annual OPEB Cost: (3)+(4)-(5)	194,000
7. Annual Employer Contribution	228,200
8. Change in Net OPEB Obligation: (6)-(7)	(34,200)
9. Net OPEB Obligation as of June 30, 2011: (2)+(8)	<u><u>\$ 81,300</u></u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 9 - OTHER POST-EMPLOYMENT 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 2010 and 2011 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 194,000	118%	\$ 81,300
June 30, 2010	\$ 170,300	32%	\$ 115,500

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 \$2,476,900.

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

Actuarial Methods and Assumptions

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

In the June 30, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 2.50% investment rate of return and an annual healthcare cost trend rate of 9.00% initially, decreasing at a rate of 0.50% per year until an ultimate rate of 5.00% is reached. The UAAL is being amortized as a level percentage over 30 years.

NOTE 10 - RISK MANAGEMENT

Risk Management

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees and natural disasters. The Risk Management Programs utilized by the School Board are as follows:

Workmen's Compensation

Workmen's Compensation Insurance is provided through the School Systems of Virginia Group Self Insurance Association. 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.

General Liability and Other

The School Board provides general liability and other insurance through policies with the Virginia Municipal Liability Pool. General liability and business automobile have a \$1,000,000 limit. Machinery is covered as per statement of values and is provided through the City's insurance policy with a portion of the premium being paid by the School Board.

Healthcare

Healthcare Insurance coverage is provided to School Board employees through a policy with United Health Care. Partial premiums are withheld from the employee's earnings and remaining premiums are paid by the School Board. Retired employees and dependents of employees of the School Board are also covered by the program provided they pay the premium.

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 SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - ACCOUNTING CHANGE

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

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

NOTE 13 - ECONOMIC DEPENDENCY

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

NOTE 14 - SUBSEQUENT EVENT

In July 2011, the School Board approved the by-laws of the Bristol Virginia Public Schools Education Foundation, an independent community-based organization, which was formed for charitable and educational purposes and the express purpose of improving the quality of education in the Bristol Virginia Public School System.

The School Board is in the process of renovating a new Central Office building and pursuing tax credits related to the construction. It is unknown if the project will be deemed eligible.

SUPPLEMENTAL INFORMATION

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2011

Analysis of Funding Progress for Defined Benefit 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, 2010	\$ 2,368,412	\$ 2,936,997	\$ 568,585	80.64%	\$ 361,980	157.08%
June 30, 2009	2,513,650	2,773,058	259,408	90.65%	383,828	67.58%
June 30, 2008	2,664,621	2,678,727	14,105	99.47%	383,642	3.68%
June 30, 2007	2,502,225	2,542,385	40,160	98.42%	387,291	10.37%
June 30, 2006	2,306,498	2,451,809	145,311	94.07%	386,165	37.63%

Analysis of Funding Progress for Other Post-Employment Benefits

	(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, 2010	\$ -	\$ 2,476,900	\$ 2,476,900	0.00%	N/A	N/A
June 30, 2008	-	2,099,200	2,099,200	0.00%	N/A	N/A

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
<u>Department of Agriculture</u>			
Food Distribution - Commodities	Department of Agriculture	10.555	\$ 83,836
National School Lunch Program	Department of Education	10.555	578,064
National School Breakfast Program	Department of Education	10.553	230,912
<u>Department of Education</u>			
Title I, Part A - Improving Basic Programs	Department of Education	84.010	1,048,502
Title I, Part A - Improving Basic Programs, Stimulus	Department of Education	84.389	276,695
Title II, Part A - Improving Teacher Quality State Grants	Department of Education	84.367	156,572
Title II, Part D - Enhancing Education Through Technology	Department of Education	84.318	13,482
Title II, Part D - Enhancing Education Through Technology, Stimulus	Department of Education	84.386	224
Special Education - Preschool (IDEA, Preschool)	Department of Education	84.173	16,617
Special Education - Preschool (IDEA, Preschool), Stimulus	Department of Education	84.392	2,267
Special Education - Grants to States (IDEA, Part B)	Department of Education	84.027	563,033
Special Education - Grants to States (IDEA, Part B), Stimulus	Department of Education	84.391	121,757
Safe and Drug Free Schools and Communities	Department of Education	84.186	16,173
Carl Perkins - Vocational Education	Department of Education	84.048	80,524
Education Jobs Fund	Department of Education	84.410	459,577
Federal Stimulus - State Stability Funds	Department of Education	84.394	537,404
State Academic Achievement	Department of Education	84.xxx	8,004
<u>Department of Health and Human Services</u>			
Medicaid	N/A	93.000	21,579
Total Federal Award Expenditures			<u><u>\$4,215,222</u></u>

(Continued)

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

NOTE A: BASIS OF PRESENTATION

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

NOTE B: FOOD DISTRIBUTION

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

See Independent Auditors' Report.

SECTION III

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*

Superintendent and
School Board Members
Bristol, Virginia School Board
Bristol, Virginia

We have audited the financial statements of the governmental activities and each major fund of the City of Bristol, Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia, as of and for the fiscal year ended June 30, 2011, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 21, 2011. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bristol, Virginia School Board'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*.

This report is intended solely for the information and use of the School Board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

November 21, 2011

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

Superintendent and
School Board Members
Bristol, Virginia School Board
Bristol, Virginia

Compliance

We have audited the compliance of the City of Bristol, Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia, 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 School Board's major federal programs for the fiscal year ended June 30, 2011. The School Board'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 School Board's management. Our responsibility is to express an opinion on the School Board's compliance based on our audit.

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

In our opinion, the City of Bristol, Virginia School Board 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 fiscal year ended June 30, 2011.

City of Bristol, Virginia School Board
Independent Auditors' Report on
Compliance with Requirements

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Internal Control Over Compliance

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

November 21, 2011

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Section I - Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements.
2. No significant deficiencies noted relating to the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Bristol, Virginia School Board were disclosed during the audit.
4. No significant deficiencies noted relating to the audit of major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City of Bristol, Virginia School Board expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs that are required to be reported in accordance with section 510 (a) of Circular A-133.
7. The programs tested as major programs were:

<u>Program</u>	<u>CFDA</u>
National School Lunch Program	10.555
National School Breakfast Program	10.553
Title I, Part A	84.010
Title I, Part A Stimulus	84.389
Federal Stimulus – State Stability Funds	84.394
Education Jobs Fund	84.410

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Bristol, Virginia School Board did qualify as a low-risk auditee.

Section II - Financial Statement Audit Findings

None

Section III - Federal Award Findings and Questioned Costs

None