

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, 2012

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(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, each major fund, and the aggregate remaining fund information 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, 2012, which collectively comprise the School 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, each major fund, and the aggregate remaining fund information of the City of Bristol, Virginia School Board, a component unit of the City of Bristol, Virginia as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparisons for the Operating and Central Office Renovation funds for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, 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 36 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 and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied 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 19, 2012

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, 2012

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 School Board for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the School Board exceeded its liabilities at the close of the most recent fiscal year by \$16,531,923 (net assets). Of this amount, (\$572,236) 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 \$124,804. This increase is attributable to the increase in current year funding, primarily related major insurance recoveries received during the year.
- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$1,027,001, a decrease of \$693,768 in comparison with the prior year. All fund balances are nonspendable, restricted or assigned for particular purposes, with the exception of the Operating Fund and the Central Office Renovation Fund.

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, 2012

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 seven individual governmental funds. Five of these funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. 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, central office renovation fund, and non-major funds, all of which are combined into a single, aggregate presentation. Individual fund data for the non-major funds (special revenue cafeteria fund, special revenue school textbook fund, special revenue non-recurring lottery fund, special revenue local capital projects fund and school construction capital projects fund) is provided in the form of combining statements elsewhere in this report.

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, 2012

Overview of the Financial Statements (Continued)

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.

The basic governmental fund financial statements can be found on pages 14 - 18 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 19 - 35 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 \$16,531,923 at the close of the most recent fiscal year.

The largest portion of the School Board's net assets (97%) 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

	2012	2011
Current and Other Assets	\$ 3,384,177	4,141,806
Capital Assets	15,977,240	15,254,556
Total Assets	<u>19,361,417</u>	<u>19,396,362</u>
Long-Term Liabilities	413,743	385,106
Other Liabilities	2,415,751	2,502,337
Total Liabilities	<u>2,829,494</u>	<u>2,887,443</u>
Net Assets		
Invested in Capital Assets	15,977,240	15,254,556
Restricted	1,126,919	1,295,775
Unrestricted	(572,236)	(41,412)
Total Net Assets	<u>\$ 16,531,923</u>	<u>16,508,919</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, 2012

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 \$124,804, or 0.76%, 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

	2012	2011
Revenues		
Program Revenues		
Charges for Services	\$ 459,919	473,489
Operating Grants and Contributions	9,407,659	9,027,668
Capital Grants and Contributions	57,375	-
General Revenues		
Intergovernmental Revenue	15,376,725	15,054,117
Unrestricted Investment Earnings	11,675	12,668
Other	848,576	141,097
Gain (Loss) on Sale of Assets and Reclassifications	(14,534)	(14,267)
Total Revenues	<u>26,147,395</u>	<u>24,694,772</u>
Expenses		
Administration	959,844	1,048,673
Instructional Costs	20,206,572	18,352,217
Attendance and Health Services	539,096	502,171
Transportation	768,458	684,152
Food Services	1,317,446	1,159,369
Operations and Maintenance	2,173,800	1,983,171
Interest on Long-term Debt	57,375	9,634
Total Expenses	<u>26,022,591</u>	<u>23,739,387</u>
Increase in Net Assets	124,804	955,385
Prior Period Adjustment - Capital Assets	(101,800)	-
Beginning Net Assets	<u>16,508,919</u>	<u>15,553,534</u>
Ending Net Assets	<u>\$ 16,531,923</u>	<u>16,508,919</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, 2012

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 \$1,027,001, a decrease of \$693,768 in comparison with the prior year. The entire fund balance is not available for new spending because \$28,810 is considered nonspendable for inventories, \$1,126,919 is restricted for capital outlay use only, including the purchase of textbooks, and \$266,006 is assigned for use in food service. A net of (\$394,734) shows in the category of unassigned.

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 \$201,618. The fund balance results from state provided revenue that was allowed to be carried over for use in the next fiscal 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 \$266,006 while total fund balance reached \$294,816. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Assigned fund balance represents 19% of total cafeteria fund expenditures, while total fund balance represents 22% 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 \$184,152. The fund balance increased slightly, \$1,354. The increase relates to interest earned during the 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 \$374,911. The fund balance decreased slightly, \$8,100, mainly due to funding being utilized for capital project.

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 \$185,824. The fund balance decreased, \$255,738, due to the major adoption of a new reading series.

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, 2012

Financial Analysis of the Government's Funds (Continued)

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, unrestricted fund balance was \$(596,352). The fund balance decrease is due to expenditures paid relating to the historical tax credit portion of the project that will be recouped once the tax credits are received. The fund was established at the end of the previous school year and is expected to dissolve once the project is complete.

The special revenue – local capital projects fund is used to account for funds the City has allowed to be carried over for future capital projects. These funds must be used solely for capital related expenditures. At the end of the current fiscal year, restricted fund balance was \$107,437. This fund was established during this fiscal year.

Operating Fund Budgetary Highlights

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

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
Intergovernmental	\$ 23,297,026	24,515,600	23,625,651
Charges for Services	29,504	29,504	14,973
Other	292,431	332,909	225,401
Total Revenues	<u>23,618,961</u>	<u>24,878,013</u>	<u>23,866,025</u>
Expenditures			
Expenditures	<u>23,527,950</u>	<u>24,823,169</u>	<u>24,079,552</u>
Other Financing Sources (Uses)	<u>(91,011)</u>	<u>(54,844)</u>	<u>689,740</u>
Change in Fund Balance	<u>\$ 0</u>	<u>0</u>	<u>476,213</u>

The final amended budget revenues and appropriations exceeded the original budget by \$1,259,052. 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, 2012

Operating Fund Budgetary Highlights (Continued)

Actual revenues were less than final budget amounts by \$1,011,988 or 4.0%, while actual expenditures were \$743,617 or 3.0% less than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2012, 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 were less actual revenues, thus resulting in a net increase in fund balance of \$476,213.

Capital Asset Administration

Capital Assets – The School Board’s investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$15,977,240 (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 4.7%. 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 computer and technology updates, the purchase of one school bus, completion of the ADA ramp at Virginia High School and construction on a new School Board Office.

The School Board's Capital Assets

	2012	2011
Land	\$ 273,242	273,242
Buildings and Improvements	23,806,469	22,614,128
Vehicles and Buses	2,085,645	2,058,309
Furniture, Books and Equipment	9,006,140	8,329,027
Construction in Progress	118,897	-
Less Accumulated Depreciation	(19,313,153)	(18,020,150)
Total	\$ 15,977,240	15,254,556

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, 2012

Capital Asset Administration (Continued)

Additional information on the School Board's capital assets can be found in Note 6 on page 27 of this report.

Economic Factors and Next Year's Budget

In setting the budgets for FY 2013, 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 2013 fiscal year.
- The proposed fiscal year 12-13 budget is \$25,822,684. This budget reflects a modest 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.

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, 220 Lee 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, 2012

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 670,484
Investments	113,129
Due from Other Governmental Units	1,412,441
Due from Others	31,250
Inventories	28,810
Restricted Assets	
Cash and Cash Equivalents	866,817
Investments	261,246
Capital Assets, Net	15,977,240
TOTAL ASSETS	19,361,417
LIABILITIES	
Accounts Payable	1,135,481
Accrued Payroll and Related Liabilities	1,145,651
Unearned Revenue	6,826
Due to Primary Government	69,218
OPEB Liability	58,575
Long-Term Liabilities	
Due Within One Year	99,811
Due in More Than One Year	313,932
TOTAL LIABILITIES	2,829,494
NET ASSETS	
Invested in Capital Assets	15,977,240
Restricted for	
Capital Projects	1,126,919
Unrestricted	(572,236)
TOTAL NET ASSETS	\$ 16,531,923

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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Administration	\$ 959,844	-	-	57,375	(902,469)
Instructional Costs	20,206,572	38,038	8,488,137	-	(11,680,397)
Attendance and Health Services	539,096	-	-	-	(539,096)
Transportation	768,458	-	-	-	(768,458)
Food Services	1,317,446	416,284	919,522	-	18,360
Operations and Maintenance	2,173,800	5,597	-	-	(2,168,203)
Interest on Long-Term Debt	57,375	-	-	-	(57,375)
Total Governmental Activities	26,022,591	459,919	9,407,659	57,375	(16,097,638)
General Revenues					
					8,869,281
					6,507,444
					11,675
					106,109
					742,467
					(14,534)
					<u>16,222,442</u>
					Change in Net Assets
					<u>124,804</u>
					Net Assets, Beginning
					16,508,919
					PPA - Capital Assets
					(101,800)
					<u>Net Assets, Beginning - Restated</u>
					16,407,119
					Net Assets, Ending
					<u>\$ 16,531,923</u>

See Accompanying Notes to the Financial Statements.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 BALANCE SHEET
 June 30, 2012

	Operating Fund	Central Office Renovation Fund	Other Governmental Funds	Total
ASSETS				
Cash and Cash Equivalents	\$ 510,576	-	159,908	670,484
Investments	-	-	113,129	113,129
Due from Other Governmental Units	1,408,465	-	3,976	1,412,441
Due from Others	31,250	-	-	31,250
Inventories	-	-	28,810	28,810
Restricted Assets				
Cash and Cash Equivalents	-	346,781	520,036	866,817
Investments	-	-	261,246	261,246
Due from Other Funds	749,897	-	224,723	974,620
TOTAL ASSETS	\$ 2,700,188	346,781	1,311,828	4,358,797
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 786,705	194,370	154,406	1,135,481
Accrued Payroll and Related Liabilities	1,143,329	-	2,322	1,145,651
Deferred Revenue	-	-	6,826	6,826
Due to Primary Government	69,218	-	-	69,218
Due to Other Funds	224,723	748,763	1,134	974,620
TOTAL LIABILITIES	2,223,975	943,133	164,688	3,331,796
FUND BALANCES				
Nonspendable				
Inventories	-	-	28,810	28,810
Restricted for				
Capital Outlay	274,595	-	852,324	1,126,919
Assigned for				
Food Service	-	-	266,006	266,006
Unassigned	201,618	(596,352)	-	(394,734)
TOTAL FUND BALANCES	476,213	(596,352)	1,147,140	1,027,001
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,700,188	346,781	1,311,828	

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. 15,977,240

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. (472,318)

Net Assets of Governmental Activities \$ 16,531,923

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, 2012

	Operating Fund	Central Office Renovation Fund	Other Governmental Funds	Total
REVENUES				
Intergovernmental Revenues				
City of Bristol, Virginia	\$ 8,662,881	-	-	8,662,881
Commonwealth of Virginia	11,599,738	-	21,436	11,621,174
Federal Government	3,363,032	-	898,087	4,261,119
Investment Earnings	-	5,322	6,353	11,675
Charges for Services	14,973	-	417,214	432,187
Other	225,401	-	-	225,401
TOTAL REVENUES	23,866,025	5,322	1,343,090	25,214,437
EXPENDITURES				
Current				
Administration	790,057	-	-	790,057
Instructional Costs	18,866,290	-	-	18,866,290
Attendance and Health Services	539,096	-	-	539,096
Transportation	624,559	-	-	624,559
Food Services	-	-	1,272,343	1,272,343
Operations and Maintenance	2,170,919	-	-	2,170,919
Capital Projects	1,031,256	989,067	456,280	2,476,603
Debt Service				
Interest and Fiscal Charges	57,375	-	-	57,375
TOTAL EXPENDITURES	24,079,552	989,067	1,728,623	26,797,242
Excess (Deficiency) of Revenues Over (Under) Expenditures	(213,527)	(983,745)	(385,533)	(1,582,805)
OTHER FINANCING SOURCES (USES)				
Transfer from Operating Fund	-	-	199,297	199,297
Transfer to School Textbook Fund	(199,297)	-	-	(199,297)
Insurance Recoveries	889,037	-	-	889,037
TOTAL OTHER FINANCING SOURCES (USES)	689,740	0	199,297	889,037
NET CHANGE IN FUND BALANCE	476,213	(983,745)	(186,236)	(693,768)
FUND BALANCE, JULY 1, 2011	-	387,393	1,333,376	1,720,769
FUND BALANCE, JUNE 30, 2012	\$ 476,213	(596,352)	1,147,140	1,027,001

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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (693,768)

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 of \$2,161,965 exceeded depreciation of \$1,381,402 in the current period. 780,563

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets. (162,479)

Recognition of allocation of asset equal to debt service payment, net of accumulated depreciation. 206,400

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. (28,637)

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. 22,725

Change in Net Assets of Governmental Activities \$ 124,804

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues				
City of Bristol, Virginia	\$ 8,487,881	8,662,881	8,662,881	-
Commonwealth of Virginia	11,369,712	11,779,340	11,599,738	(179,602)
Federal Government	3,439,433	4,073,379	3,363,032	(710,347)
Charges for Services	29,504	29,504	14,973	(14,531)
Other	292,431	332,909	225,401	(107,508)
TOTAL REVENUES	23,618,961	24,878,013	23,866,025	(1,011,988)
EXPENDITURES				
Current				
Administration	791,832	801,497	790,057	11,440
Instructional Costs	19,193,252	19,910,682	18,866,290	1,044,392
Attendance and Health Services	451,953	533,965	539,096	(5,131)
Transportation	661,855	726,346	624,559	101,787
Operations and Maintenance	2,424,058	2,196,407	2,170,919	25,488
Capital Projects	5,000	529,397	1,031,256	(501,859)
Debt Service				
Interest and Fiscal Charges	-	124,875	57,375	67,500
TOTAL EXPENDITURES	23,527,950	24,823,169	24,079,552	743,617
Excess (Deficiency) of Revenues Over (Under) Expenditures	91,011	54,844	(213,527)	(268,371)
OTHER FINANCING SOURCES (USES)				
Transfer to School Textbook Fund	(91,261)	(91,860)	(199,297)	(107,437)
Insurance Recoveries	250	37,016	889,037	852,021
TOTAL OTHER FINANCING SOURCES (USES)	(91,011)	(54,844)	689,740	744,584
NET CHANGE IN FUND BALANCE	0	0	476,213	476,213
FUND BALANCE, JULY 1, 2011	-	-	-	-
FUND BALANCE, JUNE 30, 2012	\$ 0	0	476,213	476,213

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 BALANCE -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenues				
City of Bristol, Virginia	\$ -	136,619	-	(136,619)
Investment Earnings	-	2,500	5,322	2,822
TOTAL REVENUES	<u>0</u>	<u>139,119</u>	<u>5,322</u>	<u>(133,797)</u>
EXPENDITURES				
Capital Projects	-	500,000	989,067	(489,067)
TOTAL EXPENDITURES	<u>0</u>	<u>500,000</u>	<u>989,067</u>	<u>(489,067)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(360,881)	(983,745)	(622,864)
FUND BALANCE, JULY 1, 2011	<u>360,881</u>	<u>360,881</u>	<u>387,393</u>	<u>26,512</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 360,881</u>	<u>0</u>	<u>(596,352)</u>	<u>(596,352)</u>

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, 2012

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, 2012

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.
- *Central Office Renovation fund* – accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances – Governmental Funds

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 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.

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.

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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 \$223,260 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, Local Capital Projects 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, Local Capital Projects 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.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the Central Office Renovation fund by \$489,067. Historical tax credits for the renovation of the building are expected to be received to offset the cost of the renovations.

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, 2012

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 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 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, 2012

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, 2012

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	\$	500
Deposits		1,911,176
		<u>\$ 1,911,676</u>
Statement of Net Assets		
Cash and Cash Equivalents	\$	670,484
Investments		113,129
Restricted Cash and Cash Equivalents		866,817
Restricted Investments		261,246
		<u>\$ 1,911,676</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, 2012

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Fund	Cafeteria Fund	\$ 1,134
Operating Fund	Central Office Renovation Fund	748,763
Local Capital Projects Fund	Operating Fund	107,437
School Construction Capital Projects Fund	Operating Fund	24,976
School Textbook Fund	Operating Fund	92,310
		<u>\$ 974,620</u>

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	\$ 91,860
Local Capital Projects Fund	Operating Fund	107,437
Total Transfers		<u>\$ 199,297</u>

The purpose for the interfund transfers 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	\$ 861,313	-	861,313
Commonwealth of Virginia	547,152	3,976	551,128
Total Due from Other Governmental Units	<u>\$ 1,408,465</u>	<u>3,976</u>	<u>1,412,441</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, 2012

NOTE 5 - DUE TO PRIMARY GOVERNMENT

Net Due to Primary Government, June 30, 2011	\$	(111,687)
Repayment of Excess Cash		150,000
Excess Cash Flow over Current Year Appropriation		(112,119)
Other		4,588
		(69,218)
Net Due to Primary Government, June 30, 2012	\$	(69,218)

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.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Capital Assets, Not Being Depreciated					
Land	\$ 273,242	-	-	-	273,242
Construction in Progress	-	118,897	-	-	118,897
Total Capital Assets, Not Being Depreciated	273,242	118,897	0	0	392,139
Capital Assets, Being Depreciated					
Building and Improvements	22,614,128	911,121	(3,780)	285,000	23,806,469
Furniture, Books and Equipment	8,329,027	1,010,601	(333,488)	-	9,006,140
Vehicles and Buses	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					
Building and Improvements	(11,287,381)	(544,182)	800	(201,440)	(12,032,203)
Furniture, Books and Equipment	(5,361,992)	(697,850)	320,560	(90,416)	(5,829,698)
Vehicles and Buses	(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
Governmental Activities Capital Assets, Net	\$ 15,254,556	751,063	(15,908)	(12,471)	15,977,240

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, 2012

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

Administration	\$ 169,787
Instruction	1,049,232
Transportation	143,899
Food Services	45,103
Operations and Maintenance	<u>2,881</u>
 Total Depreciation	 <u>\$ 1,410,902</u>

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:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Buildings and Improvements	\$ 1,760,000	-	(285,000)	1,475,000
Accumulated Depreciation	<u>(465,601)</u>	<u>(29,500)</u>	<u>78,600</u>	<u>(416,501)</u>
 Total Assets Allocated	 <u>\$ 1,294,399</u>	 <u>(29,500)</u>	 <u>(206,400)</u>	 <u>1,058,499</u>

Insurance recoveries in the amount of \$889,037 were received in the Operating fund during the year as a result of building and equipment damages. This amount includes \$274,595 shown as restricted fund balance for repairs completed in the next fiscal year. Included in the capital projects function is an impairment loss of \$146,571 for buildings with hail damage and restoration costs of \$412,889.

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 385,106</u>	<u>197,940</u>	<u>169,303</u>	<u>413,743</u>	<u>99,811</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, 2012

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 (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.

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.

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, 2012

NOTE 8 - PENSION PLAN

Plan Description (Continued)

The VRS Basic Benefits 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 or 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 of those retiring with a reduced benefit.

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.

The System issues a publicly available comprehensive annual financial report (CAFR) 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/2011-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 compensation toward their retirement. All or part of the 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 *Code of Virginia* and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended June 30, 2012 was 14.21% (9.21% plus 5.00% member contribution) of annual covered payroll.

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 SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012

NOTE 8 - PENSION PLAN (CONTINUED)

Annual Pension Cost

For the fiscal year ended June 30, 2012, the School Board's annual pension cost of \$50,045 for VRS was equal to the School Board's required and actual contributions.

The FY 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. 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. The June 30, 2011 valuation increases the remaining amortization period 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

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

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the 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%.

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, 2012

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.

Funding Interest Rate	4.25%
Annual Required Contribution (ARC)	\$ 194,100
Interest on Net OPEB Obligation	4,000
Adjustment to the ARC	(3,500)
Annual OPEB Cost	<u>194,600</u>
Annual Employer Contribution	<u>217,325</u>
Change in Net OPEB Obligation	(22,725)
Net OPEB Obligation - Beginning of the Year	<u>81,300</u>
Net OPEB Obligation - End of Year	<u><u>\$ 58,575</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, 2012

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for current year and each of the two preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 194,100	112%	\$ 58,575
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.

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.

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, 2012

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.

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 - 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.

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, 2012

NOTE 13 - LEASE AGREEMENT

The renovated Central Office building is owned by the City and is leased to the School Board. Total lease payments of \$187,500 were paid for the year ended June 30, 2012. Tax credits related to the renovation of the building are being pursued.

NOTE 14 - PRIOD PERIOD ADJUSTMENT

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.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Fiscal Year Ended June 30, 2012

Analysis of Funding Progress for Defined Benefit Pension Plan

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 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%

Analysis of Funding Progress for Other Post-Employment Benefits

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 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)
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	Special Revenue Funds					
	Cafeteria	School	School	Local	Non-recurring	Nonmajor
	Fund	Textbook Fund	Construction Capital Projects Fund	Capital Projects Fund	Lottery Proceeds Fund	Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 159,908	-	-	-	-	159,908
Investments	113,129	-	-	-	-	113,129
Due from Other Governmental Units	3,976	-	-	-	-	3,976
Inventories	28,810	-	-	-	-	28,810
Restricted Assets						
Cash and Cash Equivalents	-	247,195	184,643	-	88,198	520,036
Investments	-	-	165,292	-	95,954	261,246
Due from Other Funds	-	92,310	24,976	107,437	-	224,723
TOTAL ASSETS	\$ 305,823	339,505	374,911	107,437	184,152	1,311,828
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 725	153,681	-	-	-	154,406
Accrued Payroll and Related Liabilities	2,322	-	-	-	-	2,322
Deferred Revenue	6,826	-	-	-	-	6,826
Due to Other Funds	1,134	-	-	-	-	1,134
TOTAL LIABILITIES	11,007	153,681	0	0	0	164,688
FUND BALANCES						
Nonspendable						
Inventories	28,810	-	-	-	-	28,810
Restricted for						
Capital Outlay	-	185,824	374,911	107,437	184,152	852,324
Assigned for						
Food Service	266,006	-	-	-	-	266,006
TOTAL FUND BALANCES	294,816	185,824	374,911	107,437	184,152	1,147,140
TOTAL LIABILITIES AND FUND BALANCES	\$ 305,823	339,505	374,911	107,437	184,152	1,311,828

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds					
	Cafeteria Fund	School Textbook Fund	School Construction Capital Projects Fund	Local Capital Projects Fund	Non-recurring Lottery Proceeds Fund	Nonmajor Governmental Total
REVENUES						
Intergovernmental Revenues						
Commonwealth of Virginia	\$ 21,436	-	-	-	-	21,436
Federal Government	898,087	-	-	-	-	898,087
Investment Earnings	1,498	127	3,374	-	1,354	6,353
Charges for Services	416,284	930	-	-	-	417,214
TOTAL REVENUES	1,337,305	1,057	3,374	0	1,354	1,343,090
EXPENDITURES						
Current						
Food Services	1,272,343	-	-	-	-	1,272,343
Capital Projects	96,151	348,655	11,474	-	-	456,280
TOTAL EXPENDITURES	1,368,494	348,655	11,474	0	-	1,728,623
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,189)	(347,598)	(8,100)	-	1,354	(385,533)
OTHER FINANCING SOURCES (USES)						
Transfer from Operating Fund	-	91,860	-	107,437	-	199,297
TOTAL OTHER FINANCING SOURCES (USES)	0	91,860	0	107,437	0	199,297
NET CHANGE IN FUND BALANCE	(31,189)	(255,738)	(8,100)	107,437	1,354	(186,236)
FUND BALANCE, JULY 1, 2011	326,005	441,562	383,011	-	182,798	1,333,376
FUND BALANCE, JUNE 30, 2012	\$ 294,816	185,824	374,911	107,437	184,152	1,147,140

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 CAFETERIA FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues				
Commonwealth of Virginia	\$ 16,140	16,140	21,436	5,296
Federal Government	816,285	833,535	898,087	64,552
Investment Earnings	4,025	4,025	1,498	(2,527)
Charges for Services	525,000	525,000	416,284	(108,716)
TOTAL REVENUES	1,361,450	1,378,700	1,337,305	(41,395)
EXPENDITURES				
Current				
Food Services	1,302,628	1,302,628	1,272,343	30,285
Capital Projects	55,000	72,250	96,151	(23,901)
TOTAL EXPENDITURES	1,357,628	1,374,878	1,368,494	6,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,822	3,822	(31,189)	(35,011)
FUND BALANCE, JULY 1, 2011	326,005	326,005	326,005	-
FUND BALANCE, JUNE 30, 2012	<u>\$ 329,827</u>	<u>329,827</u>	<u>294,816</u>	<u>(35,011)</u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 SCHOOL TEXTBOOK FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ -	600	127	(473)
Charges for Services	-	-	930	930
TOTAL REVENUES	<u>0</u>	<u>600</u>	<u>1,057</u>	<u>457</u>
EXPENDITURES				
Capital Projects	-	400,000	348,655	51,345
TOTAL EXPENDITURES	<u>0</u>	<u>400,000</u>	<u>348,655</u>	<u>51,345</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>(399,400)</u>	<u>(347,598)</u>	<u>51,802</u>
OTHER FINANCING SOURCES				
Operating Transfers - Operating Fund	-	91,261	91,860	599
TOTAL OTHER FINANCING SOURCES	<u>0</u>	<u>91,261</u>	<u>91,860</u>	<u>599</u>
NET CHANGE IN FUND BALANCE	0	(308,139)	(255,738)	52,401
FUND BALANCE, JULY 1, 2011	<u>441,562</u>	<u>441,562</u>	<u>441,562</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 441,562</u>	<u>133,423</u>	<u>185,824</u>	<u>52,401</u>

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 SCHOOL CONSTRUCTION CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ -	4,000	3,374	(626)
TOTAL REVENUES	0	4,000	3,374	(626)
EXPENDITURES				
Capital Projects	-	185,000	11,474	173,526
TOTAL EXPENDITURES	0	185,000	11,474	173,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(181,000)	(8,100)	172,900
FUND BALANCE, JULY 1, 2011	383,011	383,011	383,011	-
FUND BALANCE, JUNE 30, 2012	\$ 383,011	202,011	374,911	172,900

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 LOCAL CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES	\$ 0	0	0	0
EXPENDITURES	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
OTHER FINANCING SOURCES				
Operating Transfers - Operating Fund	-	-	107,437	107,437
TOTAL OTHER FINANCING SOURCES	0	0	107,437	107,437
NET CHANGE IN FUND BALANCE	0	0	107,437	107,437
FUND BALANCE, JULY 1, 2011	-	-	-	-
FUND BALANCE, JUNE 30, 2012	\$ 0	0	107,437	107,437

See Independent Auditors' Report.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
 NON-RECURRING LOTTERY PROCEEDS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ -	500	1,354	854
TOTAL REVENUES	0	500	1,354	854
EXPENDITURES				
Capital Projects	-	90,000	-	90,000
TOTAL EXPENDITURES	0	90,000	0	90,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(89,500)	1,354	90,854
FUND BALANCE, JULY 1, 2011	182,798	182,798	182,798	-
FUND BALANCE, JUNE 30, 2012	\$ 182,798	93,298	184,152	90,854

See Independent Auditors' Report.

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, 2012

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	\$ 61,693
National School Lunch Program	Department of Education	10.555	606,609
National School Breakfast Program	Department of Education	10.553	250,585
ARRA Equipment Assistance Grants for School Nutrition Programs	Department of Education	10.579	17,250
Fresh Fruits and Vegetables Grant	Department of Education	10.582	23,643
<u>Department of Education</u>			
Title I, Part A - Improving Basic Programs	Department of Education	84.010	1,798,912
Title I, Part A - Improving Basic Programs, Stimulus	Department of Education	84.389	17,887
Title II, Part A - Improving Teacher Quality State Grants	Department of Education	84.367	165,503
Title II, Part D - Enhancing Education Through Technology	Department of Education	84.318	2,577
Title II, Part D - Enhancing Education Through Technology, Stimulus	Department of Education	84.386	17,331
Title III English Proficiency	Department of Education	84.365	2,238
Special Education - Preschool (IDEA, Preschool)	Department of Education	84.173	16,752
Special Education - Preschool (IDEA, Preschool), Stimulus	Department of Education	84.392	10,691
Special Education - Grants to States (IDEA, Part B)	Department of Education	84.027	588,406
Special Education - Grants to States (IDEA, Part B), Stimulus	Department of Education	84.391	39,573
Special Education - IDEA, Parent Resource Center	Department of Education	84.027	1,793
Safe and Drug Free Schools and Communities	Department of Education	84.186	1,115
Carl Perkins - Vocational Education	Department of Education	84.048	64,357
Education Jobs Fund	Department of Education	84.410	109,514
ARRA - Longitudinal Data Systems	Department of Education	84.384	45,000
State Academic Achievement	Department of Education	84.xxx	11,382
<u>Department of Health and Human Services</u>			
Medicaid	N/A	93.000	29,231
Total Federal Award Expenditures			<u><u>\$3,882,042</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, 2012

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, each major fund, and the aggregate remaining fund information 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, 2012, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 19, 2012. 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

Management of the School Board, is responsible for establishing and maintaining effective 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*.

We noted certain matters that we reported to management of the School Board in a separate letter dated November 19, 2012.

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

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

November 19, 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

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, 2012. 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, 2012.

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

Page 2

Internal Control Over Compliance

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, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC

November 19, 2012

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

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
ARRA Equipment Assistance Grants for School Nutrition Programs	10.579
Special Education – Grants to States (IDEA, Part B)	84.027
Special Education – Grants to States (IDEA, Part B), Stimulus	84.391
ARRA Longitudinal Data Systems	84.384

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