



**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 2014**

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
  
**For the Fiscal Year Ended June 30, 2014**

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**TABLE OF CONTENTS**  
**For the Fiscal Year Ended June 30, 2014**

---

	<u>Page Number</u>
<b>I. INTRODUCTORY SECTION</b>	
Directory of Principal Officials	1
<b>II. FINANCIAL SECTION</b>	
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Operating Fund	18
Notes to the Financial Statements	19
Required Supplementary Information	
Analysis of Funding Progress for Defined Benefit Pension Plan	49
Analysis of Funding Progress for Other Post-Employment Benefits	49
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	51
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Cafeteria Fund	52
School Textbook Fund	53
Local Capital Projects Fund	54
Non-recurring Lottery Proceeds Fund	55
School Construction Capital Projects Fund	56
Supplemental Information	
Schedule of Expenditures of Federal Awards	57

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**TABLE OF CONTENTS**  
**For the Fiscal Year Ended June 30, 2014**

---

	<u>Page Number</u>
<b>III. INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i>	59
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	61
Schedule of Findings and Questioned Costs	63

**SECTION I**  
**INTRODUCTORY SECTION**

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

---

**SCHOOL BOARD MEMBERS**

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

Chair  
Vice-Chair

**SCHOOL OFFICIALS**

Dr. Mark Lineburg  
Tammy M. Jones, CPA  
Stephanie Austin

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  
Bristol Virginia School Board  
Bristol, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the 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, 2014, and the related notes to the financial statements. We did not audit the financial statements of the discretely presented component unit. These financial statements collectively comprise the School Board's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the combined financial statements of the Bristol Virginia Public School Education Foundation (the Foundation), the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Bristol Virginia School Board, a component unit of the City of Bristol, Virginia as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the Operating Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 and the analysis of funding progress for defined benefit pension plan and other post-employment benefits on page 49 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bristol Virginia School Board's basic financial statements. 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 basic financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 26, 2014

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

---

As management of the 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, 2014.

**Financial Highlights**

- The assets of the School Board exceeded its liabilities at the close of the most recent fiscal year by \$16,118,317 (net position). Of this amount, (\$228,940) represents unrestricted net position. Unrestricted net position shows a negative balance due primarily to liabilities recorded in the statement of net position 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 position decreased by \$478,461. This decrease is attributable to the decrease in current year funding in basically of all areas of revenue for this fiscal year, including the reduction of federal and state funding and reduction in food service revenues which have been attributed to new federal school lunch guidelines.
- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$1,391,688, an increase of \$245,277 in comparison with the prior year. All fund balances are nonspendable, restricted or assigned for particular purposes.

**Overview of the Financial Statements**

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

Bristol Virginia Public Schools Education Foundation is reported as a discretely presented component unit in these financial statements. The information presented in this analysis does not include the Foundation financial data.

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

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

---

**Overview of the Financial Statements (Continued)**

The statement of activities presents information showing how the School Board's net position 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 13 and 14 of this report.

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the short-term view of the Board's operations with info on impending inflows and outflows of spendable resources. These statements also highlight the balances of spendable resources available at the end of the fiscal year.

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

The School Board maintains six individual governmental funds. 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 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 special revenue school construction fund) is provided in the form of combining statements elsewhere in this report.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

---

**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 15 - 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 - 48 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position 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 \$16,118,317 at the close of the most recent fiscal year.

The largest portion of the School Board's net position (95%) 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 position which may be used for expenditures specified by the grantor and unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.

The School Board's Net Position

	2014	2013
Current and Other Assets	\$ 3,873,926	3,108,350
Capital Assets	18,061,325	15,964,721
Total Assets	<u>21,935,251</u>	<u>19,073,071</u>
Long-Term Liabilities	3,272,761	391,454
Other Liabilities	2,544,173	2,084,839
Total Liabilities	<u>5,816,934</u>	<u>2,476,293</u>
Net Position		
Invested in Capital Assets	15,255,071	15,964,721
Restricted	1,092,186	864,855
Unrestricted	(228,940)	(232,798)
Total Net Position	<u>\$ 16,118,317</u>	<u>16,596,778</u>

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2014**

**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 position for the government as a whole.

The government's net position decreased by \$478,461, or 2.9%, during the current fiscal year. The key element of this decrease is general revenue as seen below:

The School Board's Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Services	\$ 356,370	423,462
Operating Grants and Contributions	10,211,471	10,487,886
Capital Grants and Contributions	125,280	129,128
General Revenues		
Intergovernmental Revenue	15,678,882	15,694,297
Unrestricted Investment Earnings	4,223	6,728
Other	136,347	710,304
Gain (Loss) on Sale of Assets	17,019	(36,434)
Total Revenues	<u>26,529,592</u>	<u>27,415,371</u>
Expenses		
Administration	1,050,686	1,078,676
Instructional Costs	20,823,921	20,683,430
Attendance and Health Services	578,422	596,525
Transportation	816,692	848,154
Food Services	1,311,116	1,361,158
Operations and Maintenance	2,292,216	2,296,468
Interest on Long-term Debt	135,000	135,000
Total Expenses	<u>27,008,053</u>	<u>26,999,411</u>
Increase (Decrease) in Net Position	(478,461)	415,960
Prior Period Adjustment - Capital Assets	-	(351,105)
Beginning Net Position	16,596,778	16,531,923
Ending Net Position	<u>\$ 16,118,317</u>	<u>16,596,778</u>

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

---

**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 \$1,391,688, an increase of \$245,277 in comparison with the prior year. The entire fund balance is not available for new spending because \$33,633 is considered nonspendable for inventories, \$1,092,186 is restricted for capital outlay use only, including the purchase of textbooks, \$15,851 is restricted for specific grant purposes and \$250,018 is assigned for use in food service. A net of \$0 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 \$0. Any unexpended funds which are not specifically restricted by state regulation must be returned to the primary government. Therefore, there is no buildup of fund balances. The \$15,851 restricted fund balance is to be utilized for specific grant purposes only.
- 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 \$250,018 while total fund balance reached \$283,651. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Assigned fund balance represents 20% of total cafeteria fund expenditures, while total fund balance represents 22% of that same amount.
- 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, or certain technology expenses allowed by the state. At the end of the current fiscal year, restricted fund balance was \$329,207. The fund balance increased, \$84,784, due to less textbook expenditures required this year.
- 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 \$335,780, an increase of \$196,828. This increase is due to additional transfers from the General Fund, including approximately \$95,000 that was carried over to fund a roofing project at Virginia High School that was in progress but not completed by June 30, 2014.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

---

**Financial Analysis of the Government's Funds (Continued)**

- 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 \$177,147. The fund balance decreased slightly, \$3,381. The decrease relates to limited interest earned during the year offset by a small expenditure.
- 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 \$250,052. The fund balance decreased, \$50,900, mainly due to funding being utilized for capital projects.

**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	\$ 24,519,804	25,236,966	24,796,742
Charges for Services	23,250	23,250	14,167
Other	318,548	359,221	281,835
Total Revenues	<u>24,861,602</u>	<u>25,619,437</u>	<u>25,092,744</u>
Expenditures			
Expenditures	<u>24,660,607</u>	<u>25,421,402</u>	<u>27,488,562</u>
Other Financing Sources (Uses)	<u>(200,995)</u>	<u>(198,035)</u>	<u>2,411,669</u>
Change in Fund Balance	<u>\$ 0</u>	<u>0</u>	<u>15,851</u>

The final amended budget revenues and appropriations exceeded the original budget by \$760,795. This variance is due primarily to an increase in instructional costs and capital costs from original projections, along with the offsetting grant revenue.

Actual revenues were less than final budget amounts by \$526,693, or 2.1%, while actual expenditures were \$2,067,160, or 8.1% more than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2014, include the following:

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

---

**Operating Fund Budgetary Highlights (Continued)**

- 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 more than appropriations due to the energy performance contract project that was on-going during the year. The lease proceeds for the contract were also not budgeted and offset the expenditures.

During the year, actual expenditures and other financing sources were less than actual revenues, resulting in a net increase in fund balance of \$15,851. The \$15,851 fund balance is restricted for specific grant purposes.

**Capital Asset Administration**

Capital Assets – The School Board’s investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$18,061,325 (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 13.13%, which relates to Construction in Progress for an energy performance contract that is underway. 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 and upgrades to energy systems of three schools as part of an energy performance contract.

The School Board's Capital Assets

	<u>2014</u>	<u>2013</u>
Land	\$ 273,242	273,242
Buildings and Improvements	24,945,456	24,677,295
Vehicles and Buses	2,240,157	2,187,196
Furniture, Books and Equipment	9,636,417	9,416,986
Construction in Progress	2,806,254	-
Less Accumulated Depreciation	<u>(21,840,201)</u>	<u>(20,589,998)</u>
Total	<u>\$ 18,061,325</u>	<u>15,964,721</u>

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

---

**Capital Asset Administration (Continued)**

Additional information on the School Board's capital assets can be found in Note 7 on pages 29 and 30 of this report.

**Economic Factors and Next Year's Budget**

In setting the budgets for FY 2015, 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 2015 fiscal year.
- The proposed fiscal year 14-15 budget is \$25,479,255. This budget reflects a required salary increase for Board employees, which is offset by an increase in the employee-paid retirement deduction. The budget further reduces employee take home pay by passing all health insurance increases to the employee. Student enrollment is expected to continue 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](mailto:tmjones@bvps.org).

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Primary Government <u>Governmental Activities</u>	Component Unit <u>BVPS Education Foundation</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,647,298	290,685
Investments	114,091	368,559
Receivables	298,040	-
Due from Other Governmental Units	1,048,249	-
Due from Others	37,920	-
Inventories	33,633	-
Restricted Assets		
Cash and Cash Equivalents	428,617	-
Investments	266,078	-
Capital Assets, Net	<u>18,061,325</u>	<u>4,674,090</u>
<b>TOTAL ASSETS</b>	<u>21,935,251</u>	<u>5,333,334</u>
<b>LIABILITIES</b>		
Accounts Payable	818,609	8,012
Accrued Payroll and Related Liabilities	1,574,585	-
Unearned Revenue	6,826	-
Due to Primary Government	82,218	327,643
Long-Term Liabilities		
Due Within One Year	61,935	187,500
Due in More Than One Year	<u>3,272,761</u>	<u>562,500</u>
<b>TOTAL LIABILITIES</b>	<u>5,816,934</u>	<u>1,085,655</u>
<b>NET POSITION</b>		
Invested in Capital Assets	15,255,071	-
Restricted for		
Capital Projects	1,092,186	4,080
Unrestricted	<u>(228,940)</u>	<u>4,243,599</u>
<b>TOTAL NET POSITION</b>	<u>\$ 16,118,317</u>	<u>4,247,679</u>

See Accompanying Notes to the Financial Statements.



**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**BALANCE SHEET**  
**June 30, 2014**

	Operating Fund	Other Governmental Funds	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,505,170	142,128	1,647,298
Investments	-	114,091	114,091
Receivables	298,040	-	298,040
Due from Other Governmental Units	1,037,143	11,106	1,048,249
Due from Others	37,920	-	37,920
Inventories	-	33,633	33,633
<b>Restricted Assets</b>			
Cash and Cash Equivalents	-	428,617	428,617
Investments	-	266,078	266,078
Due from Other Funds	57,196	455,421	512,617
<b>TOTAL ASSETS</b>	<b>\$ 2,935,469</b>	<b>1,451,074</b>	<b>4,386,543</b>
<b>LIABILITIES</b>			
Accounts Payable	812,969	5,640	818,609
Accrued Payroll and Related Liabilities	1,569,010	5,575	1,574,585
Unearned Revenue	-	6,826	6,826
Due to Primary Government	82,218	-	82,218
Due to Other Funds	455,421	57,196	512,617
<b>TOTAL LIABILITIES</b>	<b>2,919,618</b>	<b>75,237</b>	<b>2,994,855</b>
<b>FUND BALANCES</b>			
Nonspendable - Inventories	-	33,633	33,633
Restricted for Capital Outlay	-	1,092,186	1,092,186
Restricted for Grants	15,851	-	15,851
Assigned for Food Service	-	250,018	250,018
<b>TOTAL FUND BALANCES</b>	<b>15,851</b>	<b>1,375,837</b>	<b>1,391,688</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,935,469</b>	<b>1,451,074</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 18,061,325

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (3,334,696)

Net Position of Governmental Activities \$ 16,118,317

See Accompanying Notes to the Financial Statements.

**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, 2014**

	Operating Fund	Other Governmental Funds	Total
<b>REVENUES</b>			
Intergovernmental Revenues			
City of Bristol, Virginia	\$ 9,213,000	-	9,213,000
Commonwealth of Virginia	12,666,380	25,070	12,691,450
Federal Government	2,917,362	921,911	3,839,273
Investment Earnings	-	4,223	4,223
Charges for Services	14,167	318,202	332,369
Other	281,835	-	281,835
<b>TOTAL REVENUES</b>	<b>25,092,744</b>	<b>1,269,406</b>	<b>26,362,150</b>
<b>EXPENDITURES</b>			
Current			
Administration	872,953	-	872,953
Instructional Costs	19,958,785	-	19,958,785
Attendance and Health Services	578,422	-	578,422
Transportation	670,255	-	670,255
Food Services	-	1,255,983	1,255,983
Operations and Maintenance	2,291,068	-	2,291,068
Capital Projects	2,982,079	178,582	3,160,661
Debt Service			
Interest and Fiscal Charges	135,000	-	135,000
<b>TOTAL EXPENDITURES</b>	<b>27,488,562</b>	<b>1,434,565</b>	<b>28,923,127</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,395,818)	(165,159)	(2,560,977)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Operating Fund	-	394,585	394,585
Transfer to School Textbook Fund	(198,026)	-	(198,026)
Transfer to Local Capital Projects Fund	(196,559)	-	(196,559)
Proceeds from Lease Financing	2,806,254	-	2,806,254
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,411,669</b>	<b>394,585</b>	<b>2,806,254</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>15,851</b>	<b>229,426</b>	<b>245,277</b>
FUND BALANCE, JULY 1, 2013	-	1,146,411	1,146,411
FUND BALANCE, JUNE 30, 2014	\$ 15,851	1,375,837	1,391,688

See Accompanying Notes to the Financial Statements.

**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, 2014**

---

Net Change in Fund Balances - Total Governmental Funds \$ 245,277

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 \$3,451,699 exceeded depreciation of \$1,522,536 in the current period. 1,929,163

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (559)

Recognition of allocation of asset equal to debt service payment, net of accumulated depreciation. 168,000

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. 28,312

The issuance of long-term debt (e.g., leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items. (2,806,254)

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. (42,400)

Change in Net Position of Governmental Activities \$ (478,461)

See Accompanying Notes to the Financial Statements.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues				
City of Bristol, Virginia	\$ 9,213,000	9,213,000	9,213,000	-
Commonwealth of Virginia	12,464,710	12,990,427	12,666,380	(324,047)
Federal Government	2,842,094	3,033,539	2,917,362	(116,177)
Charges for Services	23,250	23,250	14,167	(9,083)
Other	318,548	359,221	281,835	(77,386)
<b>TOTAL REVENUES</b>	<b>24,861,602</b>	<b>25,619,437</b>	<b>25,092,744</b>	<b>(526,693)</b>
<b>EXPENDITURES</b>				
Current				
Administration	900,860	905,416	872,953	32,463
Instructional Costs	19,802,082	20,605,500	19,958,785	646,715
Attendance and Health Services	579,205	578,455	578,422	33
Transportation	713,020	677,121	670,255	6,866
Operations and Maintenance	2,530,440	2,436,410	2,291,068	145,342
Capital Projects	-	83,500	2,982,079	(2,898,579)
Debt Service				
Interest and Fiscal Charges	135,000	135,000	135,000	-
<b>TOTAL EXPENDITURES</b>	<b>24,660,607</b>	<b>25,421,402</b>	<b>27,488,562</b>	<b>(2,067,160)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	200,995	198,035	(2,395,818)	(2,593,853)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to School Textbook Fund	(200,995)	(198,035)	(198,026)	9
Transfer to Local Capital Projects Fund	-	-	(196,559)	(196,559)
Proceeds from Lease Financing	-	-	2,806,254	2,806,254
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(200,995)</b>	<b>(198,035)</b>	<b>2,411,669</b>	<b>2,609,704</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>15,851</b>	<b>15,851</b>
<b>FUND BALANCE, JULY 1, 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30, 2014</b>	<b>\$ 0</b>	<b>0</b>	<b>15,851</b>	<b>15,851</b>

See Accompanying Notes to the Financial Statements.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

***Primary Government***

The 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.

***Discretely Presented Component Unit***

Bristol Virginia Public Schools Education Foundation (the Foundation), a Virginia non-stock corporation, is an independent community-based organization, formed for charitable and educational purposes, as defined under 501(c)(3) of the Internal Revenue Code of 1986. The entity's expressed purpose is for improving the quality of education in the Bristol Public School System by implementing a public/private partnership to implement public school improvement projects approved by the School Board of the City of Bristol, Virginia. Based on the Foundation's relationship with the School Board, it is reported as a discretely presented component unit. The Foundation issues separate audited combined financial statements and may be obtained from the School Board's administrative office. The combined financial statements include the Foundation and six other entities that are related through common ownership and/or control. The Foundation's fiscal year end is December 31. However, the year end is treated consistently each year for reporting in the School Board's financial statements.

The Foundation follows the Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB recognition criteria and presentation features. Therefore, certain reclassifications have been made to the Foundation's financial information to conform to GASB presentation format. Net assets and changes in net assets are unchanged due to these reclassifications.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 position 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.

**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. Accordingly, all of the School Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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.

**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, 2014, 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, as applicable, within the Operating Fund.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances – Governmental Funds (Continued)**

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.

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 \$760,795 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 Funds' appropriations lapse on June 30 and School Textbook, Non-recurring Lottery Proceeds, School Construction Capital Projects and Local Capital Projects Funds' 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.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting (Continued)**

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

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations in the operating fund by \$2,067,160 due to the energy performance contract project that was not included in the budget. However, lease proceeds for the same project were also not budgeted, thus creating a net zero effect.

**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 fiscal year end do not constitute expenditures or liabilities and are not reflected in the financial statements.

**Cash and Cash Equivalents**

The School Board and Foundation consider 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.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

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

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 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.

**Contributions**

The Foundation accounts for contributions in accordance with FASB ASC guidance. In accordance with FASB ASC, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Income Taxes**

The Foundation, as a 501(c)(3) charitable organization, is exempt from income taxes with the exception of non-related business income. The Foundation did not have any non-related business income during the fiscal year 2013. Therefore, the Foundation incurred no federal or state income taxes for the fiscal year 2012.

**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.

**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.

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Restricted Cash and Cash Equivalents and Investments (Continued)**

The above items are reflected in the statements as follows:

Deposits and Investments		
Cash on Hand	\$	275
Deposits		<u>2,455,809</u>
		<u><u>\$ 2,456,084</u></u>
Statement of Net Position		
Cash and Cash Equivalents	\$	1,647,298
Investments		114,091
Restricted Cash and Cash Equivalents		428,617
Restricted Investments		<u>266,078</u>
		<u><u>\$ 2,456,084</u></u>

**NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
Operating Fund	Non-recurring Lottery Proceeds Fund	\$ 4,203
Operating Fund	School Construction Capital Projects Fund	52,993
Local Capital Projects Fund	Operating Fund	227,968
School Textbook Fund	Operating Fund	<u>227,453</u>
Total		<u><u>\$ 512,617</u></u>

The interfund balances represent cash received by the Operating Fund on behalf of the other funds or reimbursement to the Operating Fund for expenditure paid on behalf of the other funds. The interfund balances have been eliminated on the government-wide statements.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
School Textbook Fund	Operating Fund	\$ 198,026
Local Capital Projects Fund	Operating Fund	<u>196,559</u>
Total		<u><u>\$ 394,585</u></u>

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

**NOTE 4 - FOUNDATION INVESTMENTS**

The Foundation maintains short-term investments until such time as the funds are required for expenditures. The Foundation carries at fair value in the statement of financial position investments with readily determinable fair values. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

The Foundation does not have a formal investment policy establishing guidelines as to the type of investments. Investments in securities with readily determinable fair values are carried at fair value. Increases in market values are reported as unrealized gains on investments, decreases in market value are reported as unrealized losses on investments.

Equity securities are measured at fair value based on quoted market prices in an active market for identical assets, which is a level 1 measurement.

	<u>Cost</u>	<u>Fair Value</u>
Common Stocks and Mutual Funds	\$ 334,978	351,128
Cash Equivalents	<u>17,731</u>	<u>17,431</u>
Total Investments	<u><u>\$ 352,709</u></u>	<u><u>368,559</u></u>

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS**

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

	Operating Fund	Cafeteria Fund	Total
Federal Government	\$ 592,626	-	592,626
Commonwealth of Virginia	444,517	11,106	455,623
Total Due from Other Governmental Units	<u>\$ 1,037,143</u>	<u>11,106</u>	<u>1,048,249</u>

**NOTE 6 - DUE TO PRIMARY GOVERNMENT**

The School Board has a payable to the City at June 30, 2014 and consists of the following:

Net Due to Primary Government, June 30, 2013	\$ (100,118)
Other - Retiree Health Credits	<u>17,900</u>
Net Due to Primary Government, June 30, 2014	<u>\$ (82,218)</u>

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

The School Board advanced funds to the Foundation and related companies related to the renovation of the Central Office building. The amount of \$327,643 is shown as due to primary government on the Foundation's combined financial statements at December 31, 2013.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the School Board for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
<b>Capital Assets, Not Being Depreciated</b>					
Land	\$ 273,242	-	-	-	273,242
Construction in Progress	-	2,806,254	-	-	2,806,254
<b>Total Capital Assets, Not Being Depreciated</b>	<b>273,242</b>	<b>2,806,254</b>	<b>0</b>	<b>0</b>	<b>3,079,496</b>
<b>Capital Assets, Being Depreciated</b>					
Building and Improvements	24,677,295	28,161	-	240,000	24,945,456
Furniture, Books and Equipment	9,416,986	462,614	(243,183)	-	9,636,417
Vehicles and Buses	2,187,196	154,670	(101,709)	-	2,240,157
<b>Total Capital Assets, Being Depreciated</b>	<b>36,281,477</b>	<b>645,445</b>	<b>(344,892)</b>	<b>240,000</b>	<b>36,822,030</b>
<b>Less Accumulated Depreciation for</b>					
Building and Improvements	(12,906,440)	(568,962)	-	(52,800)	(13,528,202)
Furniture, Books and Equipment	(6,091,297)	(789,319)	242,624	-	(6,637,992)
Vehicles and Buses	(1,592,261)	(183,455)	101,709	-	(1,674,007)
<b>Total Accumulated Depreciation</b>	<b>(20,589,998)</b>	<b>(1,541,736)</b>	<b>344,333</b>	<b>(52,800)</b>	<b>(21,840,201)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>15,691,479</b>	<b>(896,291)</b>	<b>(559)</b>	<b>187,200</b>	<b>14,981,829</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 15,964,721</b>	<b>1,909,963</b>	<b>(559)</b>	<b>187,200</b>	<b>18,061,325</b>

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

Administration	\$ 177,733
Instructional Costs	1,161,286
Transportation	146,437
Food Services	55,132
Operations and Maintenance	<u>1,148</u>
<b>Total Depreciation</b>	<b><u>\$ 1,541,736</u></b>

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 7 - CAPITAL ASSETS (CONTINUED)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	\$ 1,200,000	-	(240,000)	960,000
Accumulated Depreciation	(360,001)	(19,200)	72,000	(307,201)
Total Assets Allocated	<u>\$ 839,999</u>	<u>(19,200)</u>	<u>(168,000)</u>	<u>652,799</u>

Capital asset activity of the Foundation for fiscal year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated				
Building and Improvements	\$ 4,676,559	-	-	4,676,559
Furniture, Books and Equipment	297,912	-	-	297,912
Total Capital Assets, Being Depreciated	<u>4,974,471</u>	<u>0</u>	<u>0</u>	<u>4,974,471</u>
Less Accumulated Depreciation for				
Building and Improvements	(64,952)	(119,912)	-	(184,864)
Furniture, Books and Equipment	(42,559)	(72,958)	-	(115,517)
Total Accumulated Depreciation	<u>(107,511)</u>	<u>(192,870)</u>	<u>0</u>	<u>(300,381)</u>
Foundation Capital Assets, Net	<u>\$ 4,866,960</u>	<u>(192,870)</u>	<u>0</u>	<u>4,674,090</u>

Total depreciation expense on the Foundation for the fiscal year ended December 31, 2013 was \$192,870.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 8 - LONG-TERM LIABILITIES**

The following is a summary of changes in the School Board's long-term liabilities for the fiscal year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Compensated Absences	\$ 391,454	66,827	95,139	363,142	61,935
Other Post-Employment Benefits Obligation	122,900	42,400	-	165,300	-
Energy Performance Lease	-	2,806,254	-	2,806,254	-
<b>Total Long-Term Liabilities</b>	<b>\$ 514,354</b>	<b>2,915,481</b>	<b>95,139</b>	<b>3,334,696</b>	<b>61,935</b>

The City issued a \$3,000,000 Qualified School Construction Bond (QSCB) in June 2011. The QSCB proceeds funded the \$2,940,000 Contribution Agreement to the Foundation in May 2012. The City has received a federal subsidy grant (expected to be close to 100%) for the interest portion of the bond. The Foundation agreed to manage the funds to assure compliance with all the terms of the City's obligations to the Virginia Public School Authority. In the initial tax credit period, the Foundation will make the principal payment of \$187,500 annually starting July 1, 2013 and will end when the related entities dissolve in 2017 (approximately five years) for a total of \$937,500. The Foundation's pledge payable is reported as long-term liabilities on the statement of net position and has a balance of \$750,000 at December 31, 2013.

The School Board budgets and receives an appropriation from the City each year to make the debt payment for the Literary Fund Loan. Since the debt is in the City's name, the debt is recorded by the City. For the fiscal year ended June 30, 2014, the School Board received \$240,000 from the City which is netted with the debt payment of \$240,000.

The School Board entered into an Energy Performance Lease Purchase Contract in October 2013 in the amount of \$3,247,472 for various energy savings capital improvements. The interest rate is 2.83% payable in 60 monthly principal and interest payments beginning after the project is completed. As of June 30, 2014, \$2,806,254 of the project was completed.

**NOTE 9 - LEASE OBLIGATIONS**

The School Board has a lease for the furniture and equipment in the Central Office building with Central Warehouse Manager, LLC (one of the companies in the Foundation's combined financial statements). The lease term is renewed annually on May 31 with an annual lease payment of \$14,820, payable monthly. The total rent expense for the fiscal year ended June 30, 2014 is \$12,350.

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 9 - LEASE OBLIGATIONS (CONTINUED)**

There is a sub-lease between the School Board and Bristol Tenant, LLC (one of the companies in the Foundation’s combined financial statements), where the School Board leases the Central office building for an annual lease payment of \$210,600. The lease terminates in May 2022. Total rent expense for the fiscal year ended June 30, 2014 is \$193,050. Future minimum payments are \$210,600 annually until May 2022 for a total of \$1,684,800.

**NOTE 10 - 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 VRS.

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has a different eligibility and benefit structure as set out in the table below:

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About VRS Plan 1</b>            VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About VRS Plan 2</b>            VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b>            The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p>

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

		<ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b>          Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>          VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b>          Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>          VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p><b>Eligible Members</b>          Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• State employees*</li> <li>• School division employees</li> <li>• Political subdivision employees*</li> <li>• Judges appointed or elected to an original term on or after January 1, 2014</li> <li>• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014</li> </ul>

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the State Police Officers' Retirement System (SPORS)</li> <li>• Members of the Virginia Law Officers' Retirement System (VaLORS)</li> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> Same as VRS Plan 1.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer.</p>

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p>Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>		<p>Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b>          Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b>          Same as VRS Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></u>          Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.  <u><b>Defined Contributions Component:</b></u>          Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p><b>Vesting</b>          Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>          Same as VRS Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>          Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contributions Component:</b></u>          Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>
---	--	--

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

		<p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b>  See definition under VRS Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>  See definition under VRS Plan 1.</p> <p><u><b>Defined Contribution Component:</b></u>  The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> The retirement multiplier is 1.0%.  For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p><b>Normal Retirement Age</b> Age 65.</p>	<p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> Same as VRS Plan 2.  <b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p><b>Earliest Unreduced Retirement Eligibility</b>          Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.          Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>          Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.          Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>          Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.   <u><b>Defined Contribution Component:</b></u>          Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>          Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>          Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>          Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.   <u><b>Defined Contribution Component:</b></u>          Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>          The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b>Eligibility:</b>          For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.          For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b>Exceptions to COLA Effective Dates:</b>          The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>          The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b>          Same as VRS Plan 1</p> <p><b>Exceptions to COLA Effective Dates:</b>          Same as VRS Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <u><b>Defined Benefit Component:</b></u>          Same as VRS Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u>          Not applicable.</p> <p><b>Eligibility:</b>          Same as VRS Plan 1 and VRS Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b>          Same as VRS Plan 1 and VRS Plan 2.</p>
--	--	--

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
---	--	--

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan.</p>	<p><b>Purchase of Prior Service</b> Same as VRS Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as VRS Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p>Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>		
---	--	--

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/Publications/2013-Annual-Report.pdf> or by writing to VRS'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. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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, 2014 was 14.38% (9.38% plus 5.00% member contribution) of annual covered payroll.

For the three fiscal years ended June 30, 2014, 2013, and 2012, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$2,097,325, \$2,042,206, and \$1,320,592, respectively and represented 16.66%, 16.66%, and 11.33%, of annual covered payroll, respectively, and 100% of required contributions for 2014, 2013 and 2012.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 10 - PENSION PLAN (CONTINUED)**

**Annual Pension Cost**

For the fiscal year ended June 30, 2014, the School Board's annual pension cost of \$50,691 for VRS was equal to the required and actual contributions.

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 50,691	100%	\$ -
June 30, 2013	50,489	100%	-
June 30, 2012	50,045	100%	-

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases of 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases 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 the 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 payrolls on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

**Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuation date, the plan was 82.95% funded. The actuarial accrued liability for benefits was \$2,684,082, and the actuarial value of assets was \$2,226,509, resulting in an unfunded actuarial accrued liability (UAAL) of \$457,573. The covered payroll (annual payroll of active employees covered by the plan) was \$348,975, and the ratio of the UAAL to the covered payroll was 131.12%.

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.

**BRISTOL VIRGINIA SCHOOL BOARD  
 (COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

---

**NOTE 11 - 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 313 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. 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 fiscal 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)	\$ 259,600
Interest on Net OPEB Obligation	5,300
Adjustment to the ARC	<u>(5,300)</u>
Annual OPEB Cost	259,600
Annual Employer Contribution	<u>217,200</u>
Change in Net OPEB Obligation	42,400
Net OPEB Obligation - Beginning of the Year	<u>122,900</u>
Net OPEB Obligation - End of Year	<u><u>\$ 165,300</u></u>

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 11 - 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 fiscal 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, 2014	\$ 259,600	84%	\$ 165,300
June 30, 2013	254,300	75%	122,900
June 30, 2012	194,100	98%	58,600

**Funded Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,407,500.

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.25% 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.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

---

**NOTE 12 - 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 The Local Choice. 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 fiscal year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

**NOTE 13 - 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 14 - 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.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

---

**NOTE 15 - UNCERTAIN TAX POSITIONS**

The Foundation and related companies file income tax returns in the U.S. federal jurisdiction and the Virginia state jurisdictions. The Foundation's federal income tax returns for the fiscal year 2013 are subject to examination by the Internal Revenue Services for three years after filing. State jurisdictions have statutes of limitations that generally range from three to five years. Management believes that all tax positions taken are in accordance with the Internal Revenue Code and regulations.

**NOTE 16 - ACCOUNTING CHANGES**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2014**

**Analysis of Funding Progress for Defined Benefit Pension Plan**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ 2,226,509	\$ 2,684,082	\$ 457,573	82.95%	\$ 348,975	131.12%
June 30, 2012	2,230,622	2,679,151	448,529	83.26%	367,833	121.94%
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**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	\$ -	\$ 3,407,500	\$ 3,407,500	0.00%	N/A	N/A
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

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2014**

	Special Revenue Funds					Nonmajor Governmental Funds
	Cafeteria Fund	School Textbook Fund	Local Capital Projects Fund	Non-recurring Lottery Proceeds Fund	School Construction Capital Projects Fund	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 142,128	-	-	-	-	142,128
Investments	114,091	-	-	-	-	114,091
Due from Other Governmental Units	11,106	-	-	-	-	11,106
Inventories	33,633	-	-	-	-	33,633
Restricted Assets						
Cash and Cash Equivalents	-	102,488	107,812	83,733	134,584	428,617
Investments	-	-	-	97,617	168,461	266,078
Due from Other Funds	-	227,453	227,968	-	-	455,421
<b>TOTAL ASSETS</b>	<b>\$ 300,958</b>	<b>329,941</b>	<b>335,780</b>	<b>181,350</b>	<b>303,045</b>	<b>1,451,074</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 4,906	734	-	-	-	5,640
Accrued Payroll and Related Liabilities	5,575	-	-	-	-	5,575
Unearned Revenue	6,826	-	-	-	-	6,826
Due to Other Funds	-	-	-	4,203	52,993	57,196
<b>TOTAL LIABILITIES</b>	<b>17,307</b>	<b>734</b>	<b>0</b>	<b>4,203</b>	<b>52,993</b>	<b>75,237</b>
<b>FUND BALANCES</b>						
Nonspendable - Inventories	33,633	-	-	-	-	33,633
Restricted for Capital Outlay	-	329,207	335,780	177,147	250,052	1,092,186
Assigned for Food Service	250,018	-	-	-	-	250,018
<b>TOTAL FUND BALANCES</b>	<b>283,651</b>	<b>329,207</b>	<b>335,780</b>	<b>177,147</b>	<b>250,052</b>	<b>1,375,837</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 300,958</b>	<b>329,941</b>	<b>335,780</b>	<b>181,350</b>	<b>303,045</b>	<b>1,451,074</b>

See Independent Auditors' Report.

**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, 2014**

	Special Revenue Funds					
		School	Local	Non-recurring	School	Nonmajor
	Cafeteria	Textbook	Capital	Lottery	Construction	
Fund	Fund	Projects	Proceeds	Capital Projects	Governmental	
	Fund	Fund	Fund	Fund	Fund	Funds
<b>REVENUES</b>						
Intergovernmental Revenues						
Commonwealth of Virginia	\$ 25,070	-	-	-	-	25,070
Federal Government	921,911	-	-	-	-	921,911
Investment Earnings	528	511	269	822	2,093	4,223
Charges for Services	318,048	154	-	-	-	318,202
<b>TOTAL REVENUES</b>	<b>1,265,557</b>	<b>665</b>	<b>269</b>	<b>822</b>	<b>2,093</b>	<b>1,269,406</b>
<b>EXPENDITURES</b>						
Current						
Food Services	1,255,983	-	-	-	-	1,255,983
Capital Projects	7,479	113,907	-	4,203	52,993	178,582
<b>TOTAL EXPENDITURES</b>	<b>1,263,462</b>	<b>113,907</b>	<b>0</b>	<b>4,203</b>	<b>52,993</b>	<b>1,434,565</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,095	(113,242)	269	(3,381)	(50,900)	(165,159)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer from Operating Fund	-	198,026	196,559	-	-	394,585
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>198,026</b>	<b>196,559</b>	<b>0</b>	<b>0</b>	<b>394,585</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,095</b>	<b>84,784</b>	<b>196,828</b>	<b>(3,381)</b>	<b>(50,900)</b>	<b>229,426</b>
FUND BALANCE, JULY 1, 2013	281,556	244,423	138,952	180,528	300,952	1,146,411
FUND BALANCE, JUNE 30, 2014	<u>\$ 283,651</u>	<u>329,207</u>	<u>335,780</u>	<u>177,147</u>	<u>250,052</u>	<u>1,375,837</u>

See Independent Auditors' Report.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues				
Commonwealth of Virginia	\$ 22,000	22,000	25,070	3,070
Federal Government	895,000	895,000	921,911	26,911
Investment Earnings	2,025	2,025	528	(1,497)
Charges for Services	500,000	500,000	318,048	(181,952)
<b>TOTAL REVENUES</b>	<b>1,419,025</b>	<b>1,419,025</b>	<b>1,265,557</b>	<b>(153,468)</b>
EXPENDITURES				
Current				
Food Services	1,384,537	1,384,537	1,255,983	128,554
Capital Projects	34,000	34,000	7,479	26,521
<b>TOTAL EXPENDITURES</b>	<b>1,418,537</b>	<b>1,418,537</b>	<b>1,263,462</b>	<b>155,075</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	488	488	2,095	1,607
FUND BALANCE, JULY 1, 2013	281,556	281,556	281,556	-
FUND BALANCE, JUNE 30, 2014	<u>\$ 282,044</u>	<u>282,044</u>	<u>283,651</u>	<u>1,607</u>

See Independent Auditors' Report.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 500	500	511	11
Charges for Services	-	-	154	154
<b>TOTAL REVENUES</b>	<b>500</b>	<b>500</b>	<b>665</b>	<b>165</b>
EXPENDITURES				
Capital Projects	150,000	200,000	113,907	86,093
<b>TOTAL EXPENDITURES</b>	<b>150,000</b>	<b>200,000</b>	<b>113,907</b>	<b>86,093</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,500)	(199,500)	(113,242)	86,258
OTHER FINANCING SOURCES (USES)				
Transfer from Operating Fund	199,201	199,201	198,026	(1,175)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>199,201</b>	<b>199,201</b>	<b>198,026</b>	<b>(1,175)</b>
NET CHANGE IN FUND BALANCE	49,701	(299)	84,784	85,083
FUND BALANCE, JULY 1, 2013	194,299	194,299	244,423	50,124
FUND BALANCE, JUNE 30, 2014	<u>\$ 244,000</u>	<u>194,000</u>	<u>329,207</u>	<u>135,207</u>

See Independent Auditors' Report.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 100	100	269	169
TOTAL REVENUES	100	100	269	169
TOTAL EXPENDITURES	50,000	50,000	-	50,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,900)	(49,900)	269	50,169
OTHER FINANCING SOURCES (USES)				
Transfer from Operating Fund	-	-	196,559	196,559
TOTAL OTHER FINANCING SOURCES (USES)	0	0	196,559	196,559
NET CHANGE IN FUND BALANCE	(49,900)	(49,900)	196,828	246,728
FUND BALANCE, JULY 1, 2013	107,400	107,400	138,952	31,552
FUND BALANCE, JUNE 30, 2014	\$ 57,500	57,500	335,780	278,280

See Independent Auditors' Report.

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Earnings	\$ 100	100	822	722
TOTAL REVENUES	<u>100</u>	<u>100</u>	<u>822</u>	<u>722</u>
EXPENDITURES				
Capital Projects	<u>75,000</u>	<u>75,000</u>	<u>4,203</u>	<u>70,797</u>
TOTAL EXPENDITURES	<u>75,000</u>	<u>75,000</u>	<u>4,203</u>	<u>70,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,900)	(74,900)	(3,381)	71,519
FUND BALANCE, JULY 1, 2013	<u>175,400</u>	<u>175,400</u>	<u>180,528</u>	<u>5,128</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 100,500</u>	<u>100,500</u>	<u>177,147</u>	<u>76,647</u>

See Independent Auditors' Report.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**SCHOOL CONSTRUCTION CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 500	500	2,093	1,593
TOTAL REVENUES	500	500	2,093	1,593
EXPENDITURES				
Capital Projects	100,000	100,000	52,993	47,007
TOTAL EXPENDITURES	100,000	100,000	52,993	47,007
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,500)	(99,500)	(50,900)	48,600
FUND BALANCE, JULY 1, 2013	264,500	264,500	300,952	36,452
FUND BALANCE, JUNE 30, 2014	\$ 165,000	165,000	250,052	85,052

See Independent Auditors' Report.

**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, 2014**

<u>Federal Grantor/Program Title</u>	<u>Pass Through Grantor (Commonwealth of Virginia)</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Food Distribution - Commodities	Department of Agriculture	10.555	\$ 81,439
National School Lunch Program	Department of Education	10.555	633,995
School Breakfast Program	Department of Education	10.553	257,809
Fresh Fruits and Vegetables Grant	Department of Education	10.582	30,107
<b>U.S. Department of Education</b>			
Title I, Part A - Improving Basic Programs	Department of Education	84.010	1,274,841
Title II, Part A - Improving Teacher Quality State Grants	Department of Education	84.367	185,231
Title III English Proficiency	Department of Education	84.365	3,561
Special Education - Preschool (IDEA, Preschool)	Department of Education	84.173	15,335
Special Education - Grants to States (IDEA, Part B)	Department of Education	84.027	621,135
21st Century Community Learning Centers	Department of Education	84.287	312,775
Special Education - IDEA, Parent Resource Center	Department of Education	84.027	20,835
Carl Perkins - Vocational Education	Department of Education	84.048	63,396
Immigrant and Youth	Department of Education	84.196	2,441
SWD School Improvement	Department of Education	84.377	4,683
<b>U.S. Department of Health and Human Services</b>			
Medicaid	N/A	93.000	<u>79,077</u>
Total Federal Award Expenditures			<u><u>\$ 3,586,660</u></u>

(Continued)

**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, 2014**

---

**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, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the 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, 2014, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated November 26, 2014. Our report includes a reference to other auditors who audited the combined financial statements of the Bristol Virginia Public School Education Foundation, as described in our report on the School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The combined financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Bristol Virginia School Board  
Independent Auditors' Report on  
Internal Control and Compliance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Board's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blackburn, Childers & Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 26, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Bristol Virginia School Board's (the School Board) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the fiscal year ended June 30, 2014. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Board's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Board's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the School Board, complied, in all material respects, with the types of 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, 2014.

### **Report on Internal Control Over Compliance**

Management of the School Board, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Blackburn, Childers & Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 26, 2014

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2014**

---

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

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Bristol Virginia School Board.
2. No significant deficiencies relating to the audit of the financial statements are reported this Schedule.
3. No instances of noncompliance material to the financial statements of the Bristol Virginia School Board were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in this Schedule.
5. The auditors' report on compliance for the major federal award programs for the Bristol Virginia School Board expresses an unmodified opinion on all major federal programs.
6. There were no audit findings 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
Food Distribution – Commodities	10.555
Special Education – Grants to States (IDEA, Part B)	84.027

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Bristol Virginia School Board was determined to be a low-risk auditee.

**Section II - Financial Statement Audit Findings**

None

**Section III - Major Federal Award Programs Audit Findings and Questioned Costs**

None