



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

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

**For the Year Ended June 30, 2016**

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**

**For the Fiscal Year Ended June 30, 2016**

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
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**For the Fiscal Year Ended June 30, 2016**

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

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

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**SCHOOL BOARD MEMBERS**

Randy Alvis  
Tyrone Foster  
Steve Fletcher  
Randall J. White  
Ronald Cameron

Chair  
Vice-Chair

**SCHOOL OFFICIALS**

Gary Ritchie  
Tammy M. Jones, CPA  
Stephanie Austin

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

**SECTION II**  
**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the 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, 2016, 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; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016, 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 schedule of changes in the school board's net pension liability and related ratios, schedule of employer's share of net pension liability for the VRS teacher retirement plan, schedule of employer contributions, and other post-employment benefits on pages 60-64 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, combining and individual nonmajor fund financial statements, and statistical section, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 30, 2016, 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 30, 2016

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2016**

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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, 2016.

**Financial Highlights**

- The liabilities and deferred inflows of the School Board exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$5,493,591 (net position). Of this amount, (\$21,742,069) 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 buildup of fund balances to accommodate liabilities that will not be paid with current resources.
- The School Board's total net position increased by \$650,012. This increase is attributable in part to an increased focus on reducing expenditures as well as to the implementation of the Community Eligibility Provision, which allows school systems to offer meals at no cost to eligible schools. Five of our six schools are eligible and thus receive funding to support this program.
- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$1,659,479 an increase of \$48,300 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, 2016**

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**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 position 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. Three 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, textbook fund, local capital projects 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 non-recurring lottery fund and special revenue school construction capital projects 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, 2016**

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**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 - 20 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 21 - 59 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, liabilities and deferred inflows of the School Board exceeded its assets and deferred outflows by \$5,493,591 at the close of the most recent fiscal year.

The largest portion of the School Board's net position 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

	2016	2015
Current and Other Assets	\$ 3,310,362	\$ 3,456,425
Capital Assets	17,921,011	18,090,833
Total Assets	21,231,373	21,547,258
Deferred Outflows of Resources	1,889,983	2,016,652
Long-Term Liabilities	24,021,028	24,640,879
Other Liabilities	2,084,896	1,845,246
Total Liabilities	26,105,924	26,486,125
Deferred Inflows of Resources	2,509,023	3,221,388
Net Position		
Invested in Capital Assets	14,922,499	14,908,370
Restricted	1,325,979	1,301,138
Unrestricted	(21,742,069)	(22,353,111)
Total Net Position	\$ (5,493,591)	\$ (6,143,603)

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2016**

**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 increased by \$650,012, or 10.6%, during the current fiscal year. The key element of this increase is program revenues as seen below:

The School Board's Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for Services	\$ 208,057	\$ 335,124
Operating Grants and Contributions	10,141,236	9,514,037
Capital Grants and Contributions	125,820	125,145
General Revenues	-	
Intergovernmental Revenue	15,990,658	15,745,424
Unrestricted Investment Earnings	7,540	2,832
Other	242,298	193,814
Gain (Loss) on Sale of Assets	9,075	1,771
Total Revenues	<u>26,724,684</u>	<u>25,918,147</u>
Expenses		
Administration	1,069,124	1,002,633
Instructional Costs	19,886,621	19,699,740
Attendance and Health Services	618,392	616,919
Transportation	708,600	709,552
Food Services	1,318,040	1,230,290
Operations and Maintenance	2,250,564	2,274,392
Interest on Long-term Debt	223,331	274,202
Total Expenses	<u>26,074,672</u>	<u>25,807,728</u>
Increase in Net Position	650,012	110,419
Prior Period Adjustment; Adopting GASB 68 & 71 (see footnotes)	-	(22,372,339)
Beginning Net Position	(6,143,603)	16,118,317
Ending Net Position	<u>\$ (5,493,591)</u>	<u>\$ (6,143,603)</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, 2016**

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### **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 \$1,659,479, an increase of \$48,300 in comparison with the prior year. The entire fund balance is not available for new spending because \$48,919 is considered nonspendable for inventories, \$1,114,984 is restricted for capital outlay use only, including the purchase of textbooks, \$210,995 is restricted for specific grant purposes and \$284,581 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 \$210,995 restricted fund balance is to be utilized for specific grant purposes only.

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 \$438,860. The fund balance decreased, \$20,238, due to allocating funds toward the 1:1 Initiative for Virginia High School.

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 \$476,149, an increase of \$40,257. This increase is due to additional transfers from the General Fund in anticipation of tennis court and track resurfacing project for the next fiscal year.

The special revenue – cafeteria fund is used to report the School Board's food services transactions. At the end of the current fiscal year, assigned fund balance of the cafeteria fund was \$284,581 while total fund balance reached \$333,500. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Assigned fund balance represents 22% of total cafeteria fund expenditures, while total fund balance represents 26% of that same amount.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2016**

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**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 \$0. The fund balance decreased \$168,252. The decrease relates to spending out and closing this fund.

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 \$199,975. The fund balance decreased, \$2,551, 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	\$ 24,246,525	25,150,347	24,833,873
Charges for Services	23,250	14,817	13,257
Other	254,047	336,289	395,035
Total Revenues	<u>24,523,822</u>	<u>25,501,453</u>	<u>25,242,165</u>
Expenditures			
Expenditures	<u>24,631,292</u>	<u>25,611,513</u>	<u>24,669,614</u>
Other Financing Sources (Uses)	<u>(211,031)</u>	<u>(206,689)</u>	<u>(396,926)</u>
Change in Fund Balance	<u>\$ (318,501)</u>	<u>(316,749)</u>	<u>175,625</u>

The final amended budget revenues and appropriations exceeded the original budget by \$977,631. 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 \$259,288 or 1.0%, while actual expenditures were \$941,899, or 3.7% less than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2016, 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, 2016**

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**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 less than appropriations primarily due to federal and state grants and awards that were not expended during the current fiscal year. These grants and awards carry-over to be used in the next fiscal year.

During the year, actual expenditures and other financing sources were less than actual revenues, resulting in a net increase in fund balance of \$175,625. The \$175,625 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, 2016, amounts to \$17,921,011 (net of accumulated depreciation). The investment in capital assets includes land, buildings and system improvements, vehicles, buses, furniture, books and equipment. The total decrease in the School Board’s investment in capital assets for the current fiscal year was 0.9%. School Capital Assets financed with debt incurred by the City have been reported in the City’s financial statements.

Major capital asset events during the current fiscal year included computer and technology updates.

The School Board's Capital Assets

	<u>2016</u>	<u>2015</u>
Land	\$ 273,242	\$ 273,242
Buildings and Improvements	28,955,140	28,650,406
Vehicles and Buses	2,065,921	2,255,197
Furniture, Books and Equipment	10,766,495	10,126,339
Construction in Progress	-	-
Less Accumulated Depreciation	<u>(24,139,787)</u>	<u>(23,214,351)</u>
Total	<u><u>\$ 17,921,011</u></u>	<u><u>\$ 18,090,833</u></u>

Additional information on the School Board’s capital assets can be found in Note 7 on pages 31 and 32 of 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, 2016**

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

In setting the budgets for FY 2017, 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 2017 fiscal year.
- The fiscal year 16-17 board adopted budget is \$26,151,586.64. This budget reflects a required salary increase for Board employees, which is offset by an increase in the employee-paid retirement deduction and an additional 2% compensation increase that may be partially funded by the Commonwealth of Virginia. 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 Local Capital Projects 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, 2016**

	Primary Government	Component Unit
	Governmental Activities	BVPS Education Foundation
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 933,362	248,501
Investments	114,877	429,507
Receivables	645	-
Due from Other Governmental Units	1,150,439	-
Due from Others	131,601	-
Inventories	48,919	-
Restricted Assets		
Cash and Cash Equivalents	659,901	-
Investments	270,618	-
Capital Assets, Net	17,921,011	4,350,940
<b>TOTAL ASSETS</b>	<b>21,231,373</b>	<b>5,028,948</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Outflows	1,889,983	-
<b>LIABILITIES</b>		
Accounts Payable	396,402	7,842
Accrued Payroll and Related Liabilities	1,242,543	-
Unearned Revenue	11,938	-
Due to Primary Government	-	327,644
Net Pension Liability	20,812,374	-
Long-Term Liabilities		
Due Within One Year	250,063	187,500
Due in More Than One Year	3,392,604	187,500
<b>TOTAL LIABILITIES</b>	<b>26,105,924</b>	<b>710,486</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Deferrals	2,509,023	-
<b>NET POSITION</b>		
Invested in Capital Assets	14,922,499	-
Restricted for		
Capital Projects	1,114,984	5,279
Grants	210,995	-
Unrestricted	(21,742,069)	4,313,183
<b>TOTAL NET POSITION</b>	<b>\$ (5,493,591)</b>	<b>4,318,462</b>

See Accompanying Notes to the Financial Statements.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	BVPS Education Foundation
Governmental Activities						
Administration	\$ 1,069,124	-	-	125,820	(943,304)	-
Instructional Costs	19,886,621	33,397	8,996,054	-	(10,857,170)	-
Attendance and Health Services	618,392	-	-	-	(618,392)	-
Transportation	708,600	-	-	-	(708,600)	-
Food Services	1,318,040	170,800	1,145,182	-	(2,058)	-
Operations and Maintenance	2,250,564	3,860	-	-	(2,246,704)	-
Interest on Long-Term Debt	223,331	-	-	-	(223,331)	-
Total Governmental Activities	<u>\$ 26,074,672</u>	<u>208,057</u>	<u>10,141,236</u>	<u>125,820</u>	<u>(15,599,559)</u>	<u>0</u>
Component Unit						
BVPS Education Foundation	\$ 206,870	225,420	2,964	3,020	-	24,534
Total Component Unit	<u>\$ 206,870</u>	<u>225,420</u>	<u>2,964</u>	<u>3,020</u>	<u>0</u>	<u>24,534</u>
General Revenues						
Payments from City of Bristol					9,795,876	-
State Aid					6,194,782	-
Unrestricted Investment Earnings (Loss)					7,543	(8,998)
Other					234,032	-
Insurance Recoveries					8,263	-
Gain on Disposal of Assets					9,075	-
Total General Revenues					<u>16,249,571</u>	<u>(8,998)</u>
Change in Net Position					650,012	15,536
Net Position, Beginning					<u>(6,143,603)</u>	<u>4,302,926</u>
Net Position, Ending					<u>\$ (5,493,591)</u>	<u>4,318,462</u>

See Accompanying Notes to the Financial Statements.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**BALANCE SHEET**  
**June 30, 2016**

	Operating Fund	Textbook Fund	Local Capital Projects Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 859,785	-	-	73,577	933,362
Investments	-	-	-	114,877	114,877
Receivables	645	-	-	-	645
Due from Other Governmental Units	1,118,742	-	-	31,697	1,150,439
Due from Others	131,601	-	-	-	131,601
Inventories	-	-	-	48,919	48,919
<b>Restricted Assets</b>					
Cash and Cash Equivalents	-	204,458	235,354	220,089	659,901
Investments	-	-	-	270,618	270,618
Due from Other Funds	275,628	234,402	240,795	82,090	832,915
<b>TOTAL ASSETS</b>	<b>\$ 2,386,401</b>	<b>438,860</b>	<b>476,149</b>	<b>841,867</b>	<b>4,143,277</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 384,680	-	-	11,722	396,402
Accrued Payroll and Related Liabilities	1,242,543	-	-	-	1,242,543
Unearned Revenue	-	-	-	11,938	11,938
Due to Primary Government	-	-	-	-	-
Due to Other Funds	548,183	-	-	284,732	832,915
<b>TOTAL LIABILITIES</b>	<b>2,175,406</b>	<b>0</b>	<b>0</b>	<b>308,392</b>	<b>2,483,798</b>
<b>FUND BALANCES</b>					
Nonspendable - Inventories	-	-	-	48,919	48,919
Restricted for Capital Outlay	-	438,860	476,149	199,975	1,114,984
Restricted for Grants	210,995	-	-	-	210,995
Assigned for Food Service	-	-	-	284,581	284,581
<b>TOTAL FUND BALANCES</b>	<b>210,995</b>	<b>438,860</b>	<b>476,149</b>	<b>533,475</b>	<b>1,659,479</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,386,401</b>	<b>438,860</b>	<b>476,149</b>	<b>841,867</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.	17,921,011
Long-term liabilities, including net pension liability and other post-employment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(25,074,081)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ (5,493,591)</u></b>

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, 2016**

	Operating Fund	Textbook Fund	Local Capital Projects Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Intergovernmental Revenues					
City of Bristol, Virginia	\$ 9,637,476	-	-	-	9,637,476
Commonwealth of Virginia	12,672,080	-	-	22,617	12,694,697
Federal Government	2,524,317	-	-	1,112,115	3,636,432
Investment Earnings	-	1,021	588	5,934	7,543
Charges for Services	13,257	-	-	170,800	184,057
Other	395,035	-	-	10,450	405,485
<b>TOTAL REVENUES</b>	<b>25,242,165</b>	<b>1,021</b>	<b>588</b>	<b>1,321,916</b>	<b>26,565,690</b>
<b>EXPENDITURES</b>					
Current					
Administration	814,512	-	-	-	814,512
Instructional Costs	19,764,561	-	-	-	19,764,561
Attendance and Health Services	642,936	-	-	-	642,936
Transportation	597,436	-	-	-	597,436
Food Services	-	-	-	1,287,709	1,287,709
Operations and Maintenance	2,260,036	-	-	-	2,260,036
Capital Projects	182,851	232,290	154,489	181,551	751,181
Debt Service					
Interest and Fiscal Charges	407,282	-	-	-	407,282
<b>TOTAL EXPENDITURES</b>	<b>24,669,614</b>	<b>232,290</b>	<b>154,489</b>	<b>1,469,260</b>	<b>26,525,653</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	572,551	(231,269)	(153,901)	(147,344)	40,037
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from Operating Fund	-	211,031	194,158	-	405,189
Transfer to School Textbook Fund	(211,031)	-	-	-	(211,031)
Transfer to Local Capital Projects Fund	(194,158)	-	-	-	(194,158)
Insurance Adjustments	8,263	-	-	-	8,263
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(396,926)</b>	<b>211,031</b>	<b>194,158</b>	<b>0</b>	<b>8,263</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>175,625</b>	<b>(20,238)</b>	<b>40,257</b>	<b>(147,344)</b>	<b>48,300</b>
FUND BALANCE, JULY 1, 2015	35,370	459,098	435,892	680,819	1,611,179
FUND BALANCE, JUNE 30, 2016	\$ 210,995	438,860	476,149	533,475	1,659,479

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, 2016**

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Net Change in Fund Balances - Total Governmental Funds \$ 48,300

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 \$1,259,564 was exceeded by depreciation of \$1,580,117 in the current period. (320,553)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (7,669)

Recognition of allocation of asset equal to debt service payment, net of accumulated depreciation. 158,400

Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds. Compensated absences increased by this amount during the fiscal year. 8,688

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. 146,051

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. 616,795

Change in Net Position of Governmental Activities \$ 650,012

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues				
City of Bristol, Virginia	\$ 9,320,200	9,320,200	9,637,476	317,276
Commonwealth of Virginia	12,152,586	12,835,307	12,672,080	(163,227)
Federal Government	2,773,739	2,994,840	2,524,317	(470,523)
Charges for Services	23,250	14,817	13,257	(1,560)
Other	254,047	336,289	395,035	58,746
<b>TOTAL REVENUES</b>	<b>24,523,822</b>	<b>25,501,453</b>	<b>25,242,165</b>	<b>(259,288)</b>
<b>EXPENDITURES</b>				
Current				
Administration	822,937	848,631	814,512	34,119
Instructional Costs	19,689,580	20,498,989	19,764,561	734,428
Attendance and Health Services	553,064	648,075	642,936	5,139
Transportation	771,725	734,169	597,436	136,733
Operations and Maintenance	2,386,704	2,310,867	2,260,036	50,831
Capital Projects	-	163,500	182,851	(19,351)
Debt Service				
Interest and Fiscal Charges	407,282	407,282	407,282	-
<b>TOTAL EXPENDITURES</b>	<b>24,631,292</b>	<b>25,611,513</b>	<b>24,669,614</b>	<b>941,899</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,470)	(110,060)	572,551	682,611
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to School Textbook Fund	(211,031)	(211,031)	(211,031)	-
Transfer to Local Capital Projects Fund	-	-	(194,158)	(194,158)
Insurance Adjustments	-	4,342	8,263	3,921
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(211,031)</b>	<b>(206,689)</b>	<b>(396,926)</b>	<b>(190,237)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(318,501)</b>	<b>(316,749)</b>	<b>175,625</b>	<b>492,374</b>
FUND BALANCE, JULY 1, 2015	35,370	35,370	35,370	-
FUND BALANCE, JUNE 30, 2016	<u>\$ (283,131)</u>	<u>(281,379)</u>	<u>210,995</u>	<u>492,374</u>

See Accompanying Notes to the Financial Statements.



**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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 500	500	1,021	521
TOTAL REVENUES	500	500	1,021	521
EXPENDITURES				
Capital Projects	250,000	250,000	232,290	17,710
TOTAL EXPENDITURES	250,000	250,000	232,290	17,710
Excess (Deficiency) of Revenues Over (Under) Expenditures	(249,500)	(249,500)	(231,269)	18,231
OTHER FINANCING SOURCES (USES)				
Transfer from Operating Fund	211,031	211,031	211,031	-
TOTAL OTHER FINANCING SOURCES (USES)	211,031	211,031	211,031	0
NET CHANGE IN FUND BALANCE	(38,469)	(38,469)	(20,238)	18,231
FUND BALANCE, JULY 1, 2015	459,098	459,098	459,098	-
FUND BALANCE, JUNE 30, 2016	\$ 420,629	420,629	438,860	18,231

See Accompanying Notes to the Financial Statements.

**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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 100	100	588	488
TOTAL REVENUES	100	100	588	488
EXPENDITURES				
Capital Projects	356,044	356,044	154,489	201,555
TOTAL EXPENDITURES	356,044	356,044	154,489	201,555
Excess (Deficiency) of Revenues Over (Under) Expenditures	(355,944)	(355,944)	(153,901)	202,043
OTHER FINANCING SOURCES (USES)				
Transfer from Operating Fund	-	-	194,158	194,158
TOTAL OTHER FINANCING SOURCES (USES)	0	0	194,158	194,158
NET CHANGE IN FUND BALANCE	(355,944)	(355,944)	40,257	396,201
FUND BALANCE, JULY 1, 2015	435,892	435,892	435,892	-
FUND BALANCE, JUNE 30, 2016	\$ 79,948	79,948	476,149	396,201

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, 2016**

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**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. The City Council approves the School Board's operational and capital budgets and must approve the issuance of bonded debt. The 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, 2016**

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**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. 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, 2016**

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**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.
- *Textbook Fund* - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fund consists of unexpended revenue restricted by the Code of Virginia at June 30 of each year. Revenue received and expended in the same year is accounted for in the Operating fund.
- *Local Capital Projects Fund* – was established by a resolution of the School Board and Bristol, Virginia City Council. The fund serves as a reserve fund to pay for major capital expenditures and to cover expected material costs. The School Board is allowed to retain unexpended local school funds up \$200,000 annually.

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, 2016, 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.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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

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

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

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.

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.

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

**Budgets and Budgetary Accounting (Continued)**

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

The School Board, with the concurrence of the City Council, may from time to time amend the budget to provide for additional expenditures and the means of financing them. The School Board approved additional appropriations totaling \$1,010,910 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.

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.

**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.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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

**Capital Assets**

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

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

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

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

**Capital Asset and Related Debt Reporting**

Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one fiscal year. The primary government reports this debt in its financial statements. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the outstanding financial obligation. As principal is repaid, capital assets equal to the 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.



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

**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.

**Pensions**

The Virginia Retirement System (VRS) School Board Retirement Plan is a multi-employer, agent plan. The VRS Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the School Board's Retirement Plan and the additions to/deductions from the School Board's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). Additionally, information about the fiduciary net position of the VRS Teacher Retirement Plan and the additions to/deductions from the VRS Teacher Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 2015. Therefore, the Foundation incurred no federal or state income taxes for the fiscal year 2015.

**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.

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

**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.

The above items are reflected in the statements as follows:

Deposits and Investments	
Cash on Hand	\$ 275
Deposits	1,978,483
	\$ 1,978,758
Statement of Net Position	
Cash and Cash Equivalents	\$ 933,362
Investments	114,877
Restricted Cash and Cash Equivalents	659,901
Restricted Investments	270,618
	\$ 1,978,758

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

The composition of interfund balances as of June 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cafeteria Fund	Operating Fund	\$ 82,090
Local Capital Projects Fund	Operating Fund	231,691
Operating Fund	Non-Recurring Lottery Fund	174,435
Local Capital Projects Fund	Non-Recurring Lottery Fund	9,104
Operating Fund	School Construction Projects Fund	101,193
School Textbook Fund	Operating Fund	<u>234,402</u>
Total		<u><u>\$ 832,915</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.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
School Textbook Fund	Operating Fund	\$ 211,031
Local Capital Projects Fund	Operating Fund	<u>194,158</u>
Total		<u><u>\$ 405,189</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.

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**NOTE 4 - FOUNDATION INVESTMENTS (CONTINUED)**

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.

	Cost	Fair Value
Common Stocks and Mutual Funds	\$ 396,967	413,320
Cash Equivalents	16,187	16,187
Total Investments	\$ 413,154	429,507

**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	\$ 433,156	-	433,156
Commonwealth of Virginia	685,586	31,697	717,283
Total Due from Other Governmental Units	\$ 1,118,742	31,697	1,150,439

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**NOTE 6 - DUE TO PRIMARY GOVERNMENT**

The School Board advanced funds to the Foundation and related companies related to the renovation of the Central Office building. The amount of \$327,644 is shown as due to primary government on the Foundation's combined financial statements at December 31, 2015.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the School Board for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Capital Assets, Not Being Depreciated					
Land	\$ 273,242	-	-	-	273,242
Total Capital Assets, Not Being Depreciated	<u>273,242</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>273,242</u>
Capital Assets, Being Depreciated					
Building and Improvements	28,650,406	64,734	-	240,000	28,955,140
Furniture, Books and Equipment	10,126,339	1,026,929	(408,111)	21,338	10,766,495
Vehicles and Buses	2,255,197	146,563	(335,839)	-	2,065,921
Total Capital Assets, Being Depreciated	<u>41,031,942</u>	<u>1,238,226</u>	<u>(743,950)</u>	<u>261,338</u>	<u>41,787,556</u>
Less Accumulated Depreciation for					
Building and Improvements	(14,201,737)	(629,038)	-	(81,600)	(14,912,375)
Furniture, Books and Equipment	(7,190,312)	(809,043)	400,442	(247)	(7,599,160)
Vehicles and Buses	(1,822,302)	(141,789)	335,839	-	(1,628,252)
Total Accumulated Depreciation	<u>(23,214,351)</u>	<u>(1,579,870)</u>	<u>736,281</u>	<u>(81,847)</u>	<u>(24,139,787)</u>
Total Capital Assets, Being Depreciated, Net	<u>17,817,591</u>	<u>(341,644)</u>	<u>(7,669)</u>	<u>179,491</u>	<u>17,647,769</u>
Governmental Activities Capital Assets, Net	<u>\$18,090,833</u>	<u>(341,644)</u>	<u>(7,669)</u>	<u>179,491</u>	<u>17,921,011</u>

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

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

Administration	\$ 276,073
Instructional Costs	1,131,592
Transportation	111,743
Food Services	58,840
Operations and Maintenance	<u>1,869</u>
 Total Depreciation	 <u><u>\$ 1,580,117</u></u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	\$ 720,000	-	(240,000)	480,000
Accumulated Depreciation	<u>(244,800)</u>	<u>(9,600)</u>	<u>81,600</u>	<u>(172,800)</u>
Total Assets Allocated	<u><u>\$ 475,200</u></u>	<u><u>(9,600)</u></u>	<u><u>(158,400)</u></u>	<u><u>307,200</u></u>

Capital asset activity of the Foundation for fiscal year ended December 31, 2015, 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	<u>297,912</u>	<u>-</u>	<u>-</u>	<u>297,912</u>
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	(301,778)	(116,914)	-	(418,692)
Furniture, Books and Equipment	<u>(167,630)</u>	<u>(37,209)</u>	<u>-</u>	<u>(204,839)</u>
Total Accumulated Depreciation	<u>(469,408)</u>	<u>(154,123)</u>	<u>0</u>	<u>(623,531)</u>
Foundation Capital Assets, Net	<u><u>\$ 4,505,063</u></u>	<u><u>(154,123)</u></u>	<u><u>0</u></u>	<u><u>4,350,940</u></u>

Total depreciation expense on the Foundation for the fiscal year ended December 31, 2015 was \$154,123.

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**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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Compensated Absences	\$ 372,443	112,829	121,517	363,755	60,838
Other Post-Employment Benefits Obligation	242,500	37,900	-	280,400	-
Energy Performance Lease	3,182,463	-	183,951	2,998,512	189,225
<b>Total Long-Term Liabilities</b>	<b>\$ 3,797,406</b>	<b>150,729</b>	<b>305,468</b>	<b>3,642,667</b>	<b>250,063</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 \$375,000 at December 31, 2015.

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, 2016, the School Board received \$240,000 from the City which is netted with the debt payment of \$240,000.

**NOTE 9 - CAPITAL LEASE**

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 quarterly principal and interest payments which began in October 2014. As of June 30, 2016, the outstanding balance was \$2,998,512.

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

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Fiscal Year Ended June 30	
2017	\$ 272,282
2018	272,282
2019	272,282
2020	272,282
2021	272,282
2022-2026	1,361,410
2027-2030	<u>884,916</u>
Total Minimum Lease Payments	3,607,736
Less: Interest	<u>(609,224)</u>
Present Value of Payments	<u><u>\$ 2,998,512</u></u>

The buildings and equipment category includes assets recorded under the capital lease with a cost of \$3,247,472 and accumulated amortization of \$103,919. Amortization expense is included in depreciation expense.

**NOTE 10 - 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, 2015 is \$14,820.

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, 2016 is \$210,600. Future minimum payments are \$210,600 annually until May 2022 for a total of \$1,263,600.



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**NOTE 11 - PENSION PLAN**

**Plan Description**

All full-time, salaried permanent employees of the School Board are automatically covered by VRS Retirement Plan upon employment. All full-time, salaried permanent (professional) employees of the public school divisions are automatically covered by VRS Teacher Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in both the standard VRS Retirement Plan and the Teachers Retirement Plan and – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are 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>            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 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>            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 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p>

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**NOTE 11 - 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 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 Plan 1 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b>          Employees are in 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>          Eligible 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>• School division employees</li> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or 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>

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**NOTE 11 - 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>The Hybrid Retirement Plan's effective date for eligible 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 Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as 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>• 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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. 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>

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p>VRS invests both member and employer contributions to provide funding for the future benefit payment.</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 Plan 1.</p>	<p><b>Creditable Service</b>  <b><u>Defined Benefit Component:</u></b>          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.</p> <p><b><u>Defined Contribution Component:</u></b>          Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

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**NOTE 11 - 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 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. Plan 1 or 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 Contribution 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>
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**NOTE 11 - 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 Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>          See definition under 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>

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**NOTE 11 - 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 Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  <b>VRS:</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 1.70%.</p>	<p><b>Service Retirement Multiplier</b>  Same as Plan 1 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>  <b>Defined Benefit Component: VRS:</b>  The retirement multiplier for the defined benefit component is 1.00%.   For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.   <b>Defined Contribution Component:</b>  Not applicable.</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>Defined Benefit Component:</b>  Same as VRS Plan 2.   <b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Defined Contribution Component:</b>          Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> 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>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Age 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>Defined Contribution Component:</b>          Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>



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**NOTE 11 - 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.</p> <p>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 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 Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u>          Not applicable.</p> <p><b>Eligibility:</b>          Same as Plan 1 and Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b>          Same as Plan 1 and Plan 2.</p>
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**NOTE 11 - 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>		
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**NOTE 11 - 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>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>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>          Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under 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. 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>	<p><b>Purchase of Prior Service</b>          Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u><b>Defined Contribution Component:</b></u>          Not applicable.</p>

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Employees Covered by Benefit Terms**

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the School Board's Retirement Plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	40
Inactive members:	
Vested inactive members	1
Non-vested inactive members	7
Inactive members active elsewhere in VRS	<u>1</u>
Total inactive members	9
Active members	<u>14</u>
Total Covered Employees	<u>63</u>

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions and political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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.

Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation for the VRS Teacher Retirement Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$1,804,522 and \$1,932,587 for the years ended June 30, 2016 and June 30, 2015, respectively.

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Contributions (Continued)**

The School Board Retirement Plan's contractually required contribution rate for the year ended June 30, 2016 was 14.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the School Board were \$33,870 and \$36,065 for the years ended June 30, 2016 and June 30, 2015, respectively.

**Net Pension Liability**

The School Board's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the School Board's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 14.00% of deaths are assumed to be service related.

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Actuarial Assumptions – General Employees (Continued)**

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Actuarial Assumptions - Teacher Retirement Plan**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

**Mortality rates:**

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Actuarial Assumptions – Teacher Retirement Plan (Continued)**

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%



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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Long-Term Expected Rate of Return (Continued)**

\*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the School Board's Retirement Plan and VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Changes in Net Pension Liability – General Employees**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at June 30, 2014</b>	\$ 2,605,940	2,451,467	154,473
<b>Changes for the Fiscal Year:</b>			
Service Cost	28,122	-	28,122
Interest	174,748	-	174,748
Difference Between Expected and Actuarial Experience	110,892	-	110,892
Contributions - Employer	-	35,509	(35,509)
Contributions - Employees	-	18,376	(18,376)
Net Investment Income	-	107,616	(107,616)
Benefit Payments, Including Refunds of Employee Contributions	(219,075)	(219,075)	-
Administrative Expense	-	(1,617)	1,617
Other Changes	-	(23)	23
<b>Net Changes</b>	<u>94,687</u>	<u>(59,214)</u>	<u>153,901</u>
<b>Balance at June 30, 2015</b>	<u>\$ 2,700,627</u>	<u>2,392,253</u>	<u>308,374</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate – General Employees**

The following presents the net pension liability (asset) of the School Board using the discount rate of 7.00%, as well as what the School Board's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School Board's Net Pension Liability	\$ 574,238	\$ 308,374	\$ 82,687

**Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Teacher Retirement Plan**

The following represents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

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**NOTE 11 - PENSION PLAN (CONTINUED)**

	<u>1.00% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1.00% Increase</u> <u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 30,006,000	\$ 20,504,000	\$ 12,682,000

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – General Employees**

For the year ended June 30, 2016, the School Board recognized pension expense of \$53,454. At June 30, 2016, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of</u> <u>Resources</u>	<u>Deferred Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 51,591	-
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	67,023
Employer contributions subsequent to the measurement date	33,870	-
<b>Total</b>	<u><u>\$ 85,461</u></u>	<u><u>67,023</u></u>

\$33,870 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2017	\$ 25,374
2018	(26,217)
2019	(26,217)
2020	11,628
2021	0

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Teacher Retirement Plan**

At June 30, 2016, the school division reported a liability of \$20,504,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.16291% as compared to 0.17120% at June 30, 2014.

For the fiscal year ended June 30, 2016, the school division recognized pension expense of \$1,299,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	282,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,256,000
Change in proportion and differences between employer contributions and proportionate share of contributions	37,000	941,000
Employer contributions subsequent to the measurement date	1,804,522	-
<b>Total</b>	<u><u>\$ 1,841,522</u></u>	<u><u>2,479,000</u></u>

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**NOTE 11 - PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Teacher Retirement Plan (Continued)**

\$1,804,522 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2017	\$ (759,000)
2018	(759,000)
2019	(759,000)
2020	(35,000)
2021	(130,000)

**Pension Plan Fiduciary Net Position – Teacher Retirement Plan**

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the Pension Plan**

At June 30, 2015, the School Board reported a payable of \$220,404 and \$4,906 for the June 2016 contributions to the Teacher Retirement Plan and the General Employee Plan, respectively.

**NOTE 12 - 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

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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)	\$ 246,200
Interest on Net OPEB Obligation	10,300
Adjustment to the ARC	<u>(10,500)</u>
Annual OPEB Cost	246,000
Annual Employer Contribution	<u>208,100</u>
Change in Net OPEB Obligation	37,900
Net OPEB Obligation - Beginning of the Year	<u>242,500</u>
Net OPEB Obligation - End of Year	<u><u>\$ 280,400</u></u>

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, 2016	\$ 246,000	85%	\$ 280,400
June 30, 2015	240,300	68%	242,500
June 30, 2014	259,600	84%	165,300

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

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**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Funded Status and Funding Progress**

As of June 30, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,227,500.

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, 2014 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 8.00%, 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, 2016**

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**NOTE 13 - 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 the Commonwealth of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

**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 14 - 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 15 - 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, 2016**

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**NOTE 16 - UNCERTAIN TAX POSITIONS**

The Foundation and related companies file income tax returns in the U.S. federal jurisdiction and the Virginia state jurisdictions. Management believes that all tax positions taken are in accordance with the Internal Revenue Code and regulations.

**NOTE 17 - ACCOUNTING CHANGES**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* were early implemented for the year ended June 30, 2016. GASB Statement No. 82 modified the definition of covered employee payroll to be the payroll on which contributions to a pension plan are based. As a result of implementing the provisions of GASB Statement No. 82, the School Board presented the employer’s covered payroll as the total pensionable payroll for employees covered under the pension plan. There was no effect on the financial statements.

**BRISTOL, VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE SCHOOL BOARD'S NET PENSION LIABILITY**  
**AND RELATED RATIOS**

	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 28,122	27,708
Interest	174,748	177,953
Changes in Benefit Terms	-	-
Differences between Expected and Actual Experience	110,892	-
Changes in Assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(219,075)</u>	<u>(283,803)</u>
<b>Net Change in Total Pension Liability</b>	<u>94,687</u>	<u>(78,142)</u>
<b>Total Pension Liability - Beginning</b>	<u>2,605,940</u>	<u>2,684,082</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 2,700,627</u></u>	<u><u>2,605,940</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 35,509	32,976
Contributions - Employee	18,376	17,626
Net Investment Income	107,616	344,926
Benefit Payments, including Refunds of Employee Contributions	(219,075)	(283,803)
Administrative Expense	(1,617)	(2,044)
Other Changes	<u>(23)</u>	<u>19</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(59,214)</u>	<u>109,700</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>2,451,467</u>	<u>2,341,767</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 2,392,253</u></u>	<u><u>2,451,467</u></u>
<b>School Board's Net Pension Liability - Ending (a) - (b)</b>	<u><u>\$ 308,374</u></u>	<u><u>154,473</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	88.58%	94.07%
<b>Covered Payroll</b>	\$ 374,688	352,512
<b>School Board's Net Pension Liability as a Percentage of Covered Payroll</b>	82.30%	43.82%

**BRISTOL, VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY FOR THE**  
**VRS TEACHER RETIREMENT PLAN**  
**For the Years Ended June 30, 2016 and 2015\***

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	<b>2016</b>	<b>2015</b>
Employer's Proportion of the Net Pension Liability	0.16291%	0.17120%
Employer's Proportionate Share of the Net Pension Liability	\$ 20,504,000	\$ 20,689,000
Employer's Covered Payroll	\$ 12,112,515	\$ 12,519,345
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169.28%	165.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one addition year of data is available. However, additional years will be included as they become available.

\* The amounts presented have a measurement date of the previous fiscal year end.

**BRISTOL, VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**For the Years Ended June 30, 2015 through 2016**

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<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
<i>School Board's Retirement Plan</i>					
2016	\$ 33,870	\$ 33,870	-	\$ 378,275	8.95%
2015	\$ 36,065	\$ 36,065	-	\$ 374,688	9.63%
<i>Teacher Retirement Plan</i>					
2016	\$ 1,804,522	\$ 1,804,522	-	\$ 12,230,645	14.75%
2015	\$ 1,932,587	\$ 1,932,587	-	\$ 12,112,515	15.96%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this Schedule in future years until 10 years of information is available.

**BRISTOL VIRGINIA SCHOOL BOARD  
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

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**Changes of Benefit Terms**

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact of the liabilities as of the measurement date of June 30, 2015 are not material.

**Changes of Assumptions – General Employees**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Changes of Assumptions – Teachers Retirement Plan**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

**BRISTOL VIRGINIA SCHOOL BOARD**  
**(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2016**

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**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, 2014	\$ -	\$ 3,227,500	\$ 3,227,500	0.00%	N/A	N/A
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, 2016**

	Special Revenue Funds			Nonmajor Governmental Funds
	Cafeteria Fund	Non-recurring Lottery Proceeds Fund	School Construction Capital Projects Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 73,577	-	-	73,577
Investments	114,877	-	-	114,877
Due from Other Governmental Units	31,697	-	-	31,697
Inventories	48,919	-	-	48,919
Restricted Assets				
Cash and Cash Equivalents	-	84,152	135,937	220,089
Investments	-	99,387	171,231	270,618
Due from Others	-			-
Due from Other Funds	82,090	-	-	82,090
<b>TOTAL ASSETS</b>	<b>\$ 351,160</b>	<b>183,539</b>	<b>307,168</b>	<b>841,867</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,722	-	6,000	11,722
Unearned Revenue	11,938	-	-	11,938
Due to Other Funds	-	183,539	101,193	284,732
<b>TOTAL LIABILITIES</b>	<b>17,660</b>	<b>183,539</b>	<b>107,193</b>	<b>308,392</b>
<b>FUND BALANCES</b>				
Nonspendable - Inventories	48,919	-	-	48,919
Restricted for Capital Outlay	-	-	199,975	199,975
Assigned for Food Service	284,581	-	-	284,581
<b>TOTAL FUND BALANCES</b>	<b>333,500</b>	<b>0</b>	<b>199,975</b>	<b>533,475</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 351,160</b>	<b>183,539</b>	<b>307,168</b>	<b>841,867</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, 2016**

	Special Revenue Funds			Nonmajor Governmental Funds
	Cafeteria Fund	Non-recurring Lottery Proceeds Fund	School Construction Capital Projects Fund	
<b>REVENUES</b>				
Intergovernmental Revenues				
Commonwealth of Virginia	\$ 22,617	-	-	22,617
Federal Government	1,112,115	-	-	1,112,115
Investment Earnings	505	1,980	3,449	5,934
Charges for Services	170,800	-	-	170,800
Other	10,450	-	-	10,450
<b>TOTAL REVENUES</b>	<b>1,316,487</b>	<b>1,980</b>	<b>3,449</b>	<b>1,321,916</b>
<b>EXPENDITURES</b>				
Current				
Food Services	1,287,709	-	-	1,287,709
Capital Projects	5,319	170,232	6,000	181,551
<b>TOTAL EXPENDITURES</b>	<b>1,293,028</b>	<b>170,232</b>	<b>6,000</b>	<b>1,469,260</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>23,459</b>	<b>(168,252)</b>	<b>(2,551)</b>	<b>(147,344)</b>
<b>FUND BALANCE, JULY 1, 2015</b>	<b>310,041</b>	<b>168,252</b>	<b>202,526</b>	<b>680,819</b>
<b>FUND BALANCE, JUNE 30, 2016</b>	<b>\$ 333,500</b>	<b>0</b>	<b>199,975</b>	<b>533,475</b>

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues				
Commonwealth of Virginia	\$ 25,000	25,000	22,617	(2,383)
Federal Government	1,060,000	1,060,000	1,112,115	52,115
Investment Earnings	525	525	505	(20)
Charges for Services	217,179	217,179	170,800	(46,379)
Other	-	-	10,450	10,450
<b>TOTAL REVENUES</b>	<b>1,302,704</b>	<b>1,302,704</b>	<b>1,316,487</b>	<b>13,783</b>
<b>EXPENDITURES</b>				
Current				
Food Services	1,279,816	1,279,816	1,287,709	(7,893)
Capital Projects	22,500	22,500	5,319	17,181
<b>TOTAL EXPENDITURES</b>	<b>1,302,316</b>	<b>1,302,316</b>	<b>1,293,028</b>	<b>9,288</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	388	388	23,459	23,071
FUND BALANCE, JULY 1, 2015	310,041	310,041	310,041	-
FUND BALANCE, JUNE 30, 2016	<b>\$ 310,429</b>	<b>310,429</b>	<b>333,500</b>	<b>23,071</b>

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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Earnings	\$ 500	500	1,980	1,480
TOTAL REVENUES	<u>500</u>	<u>500</u>	<u>1,980</u>	<u>1,480</u>
EXPENDITURES				
Capital Projects	<u>169,311</u>	<u>200,000</u>	<u>170,232</u>	<u>29,768</u>
TOTAL EXPENDITURES	<u>169,311</u>	<u>200,000</u>	<u>170,232</u>	<u>29,768</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(168,811)	(199,500)	(168,252)	31,248
FUND BALANCE, JULY 1, 2015	<u>168,252</u>	<u>168,252</u>	<u>168,252</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2016	<u>\$ (559)</u>	<u>(31,248)</u>	<u>-</u>	<u>31,248</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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	\$ 500	500	3,449	2,949
TOTAL REVENUES	500	500	3,449	2,949
EXPENDITURES				
Capital Projects	-	-	6,000	(6,000)
TOTAL EXPENDITURES	0	0	6,000	(6,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	500	500	(2,551)	(3,051)
FUND BALANCE, JULY 1, 2015	202,526	202,526	202,526	-
FUND BALANCE, JUNE 30, 2016	<u>\$ 203,026</u>	<u>203,026</u>	<u>199,975</u>	<u>(3,051)</u>

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, 2016**

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor (Commonwealth of Virginia)	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Food Distribution - Commodities	10.555	Department of Agriculture		\$ 71,105
National School Lunch Program	10.555	Department of Education	402540	708,979
School Breakfast Program	10.553	Department of Education	402530	303,024
Summer Food Service Program for Children	10.559	Department of Health	60100	56,711
Fresh Fruits and Vegetables Grant	10.582	Department of Education	402510, 402520, 405990	43,401
<b>U.S. Department of Education</b>				
Title I, Part A - Improving Basic Programs	84.010	Department of Education	429010	1,087,952
Title I, Part D (HDC)	84.013	Department of Education	430750	4,501
Title II, Part A - Improving Teacher Quality State Grants	84.367	Department of Education	614800	140,817
Title III English Proficiency	84.365	Department of Education	605120	4,571
Special Education - Preschool (IDEA, Preschool)	84.173	Department of Education	625210	15,317
Special Education - Grants to States (IDEA, Part B)	84.027	Department of Education	430710	574,429
21st Century Community Learning Centers	84.287	Department of Education	605650	249,925
Special Education - IDEA, Parent Resource Center	84.027	Department of Education	611100	278
Carl Perkins - Vocational Education	84.048	Department of Education	610950	61,923
SWD School Improvement	84.377	Department of Education	611350	9,088
<b>U.S. Department of Health and Human Services</b>				
Medicaid	93.000	N/A		<u>10,038</u>
Total Federal Award Expenditures				<u>\$ 3,342,059</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, 2016**

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**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Bristol Virginia School Board under programs of the federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School Board, it is not intended to and does not present the financial position or changes in net position of the School Board.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C: INDIRECT COST RATE**

The School Board has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE D: 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***

To the 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; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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, 2016, 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 30, 2016. 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, PLC  
Johnson City, Tennessee

November 30, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the 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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 year ended June 30, 2016.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 30, 2016

**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, 2016**

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**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 in 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 2 CFR section 200.516(a).
7. The programs tested as major programs were:

<u>Program</u>	<u>CFDA</u>
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559
21 <sup>st</sup> Century Community Learning Centers	84.287

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Bristol Virginia School Board was determined to be a low-risk auditee.

**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, 2016**

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**SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS**

**Prior Year Finding Implemented**

2015-001 - Significant Deficiency – Conflicts of Interest

**Current Year Finding**

None Noted

**SECTION III - MAJOR FEDERAL AWARD PROGRAMS AUDIT FINDINGS AND QUESTIONED COSTS**

None noted.