

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2017

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 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD

SCHOOL BOARD MEMBERS

Tyrone Foster, Vice Chair
Steve Fletcher

Randy Alvis, Chair

Ronald Cameron
Randy White

SCHOOL OFFICIALS

Dr. Keith Perrigan, Ed.D.
Tammy Jones, CPA
Stephanie Austin

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the
Bristol City 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 City of Bristol, Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which 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), a 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; 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. 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 the 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 School Board, as of June 30, 2017, and the respective changes in financial position, thereof for the 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, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-11, 59-60, and 61-65 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, 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 fund financial statements and schedules 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 supporting schedules 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 24, 2017, 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.

Robison, Famer, Cox Associates

Blacksburg, Virginia
November 24, 2017

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

As management of the City of Bristol, Virginia School Board (the School Board), we offer readers of the School Board's financial statements this overview and analysis of the financial activities of the School Board for the fiscal year ended June 30, 2017.

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 \$5,669,743 (net position). Of this amount, (\$22,214,603) represents unrestricted net position. Unrestricted net position shows a negative balance due primarily to liabilities recorded in the statement of net position that will not be paid with immediate funds. Additionally, any unexpended funds which are not specifically restricted by state regulation must be returned to the primary government. Therefore, there is no build-up of fund balances to accommodate liabilities that will not be paid with current resources.
- The School Board's total net position decreased by \$630,964. Prior year beginning net position was restated to account for sales tax receivable. The decrease is attributable in part to the utilization of restricted fund balance for grants and capital projects. The School Board constructed two new tennis courts at Virginia High School and utilized Year Round School funding to expand summer programs.
- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$1,807,811 an increase of \$148,332 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.

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.

Overview of the Financial Statements (Continued)

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

The government-wide financial statements can be found on pages 12 and 13 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 14 - 17 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 18 - 58 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 \$5,669,743 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.

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.

Bristol, Virginia School Board's Net Position		
	2017	2016
Current and Other Assets	\$ 4,884,560	\$ 3,310,362
Capital Assets	17,576,436	17,921,011
Total Assets	<u>22,460,996</u>	<u>21,231,373</u>
Deferred Outflows of Resources	<u>3,222,483</u>	<u>1,889,983</u>
Long-Term Liabilities	26,524,871	24,021,028
Other Liabilities	3,093,351	2,084,896
Total Liabilities	<u>29,618,222</u>	<u>26,105,924</u>
Deferred Inflows of Resources	<u>1,735,000</u>	<u>2,509,023</u>
Net Position		
Invested in Capital Assets	14,767,149	14,922,499
Restricted	1,777,711	1,325,979
Unrestricted	<u>(22,214,603)</u>	<u>(21,742,069)</u>
Total Net Position	<u>\$ (5,669,743)</u>	<u>\$ (5,493,591)</u>

Government-Wide Financial Analysis (Continued)

The government's net position decreased by \$630,964, or 12.5%, during the current fiscal year. The key element of this decrease is utilization of restricted fund balance for capital and instructional expenditures as seen below:

Bristol, Virginia School Board's Changes in Net Position		
	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 186,347	\$ 208,057
Operating Grants and Contributions	19,294,737	10,141,236
Capital Grants and Contributions	-	125,820
General Revenues		
Intergovernmental Revenue	6,471,877	15,990,658
Unrestricted Investment Earnings	8,720	7,540
Other	471,417	242,298
Gain (Loss) on Sale of Assets	-	9,075
Total Revenues	<u>26,433,098</u>	<u>26,724,684</u>
Expenses		
Administration	938,851	1,069,124
Instructional Costs	20,342,179	19,886,621
Attendance and Health Services	673,167	618,392
Transportation	684,749	708,600
Food Services	1,479,110	1,318,040
Operations and Maintenance	2,864,067	2,250,564
Interest on Long-term Debt	81,939	223,331
Total Expenses	<u>27,064,062</u>	<u>26,074,672</u>
Increase in Net Position	(630,964)	650,012
Restatement of Net Position to Include Sales Tax Receivable	454,812	-
Beginning Net Position	<u>(5,493,591)</u>	<u>(6,143,603)</u>
Ending Net Position	<u>\$ (5,669,743)</u>	<u>\$ (5,493,591)</u>

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 \$1,807,811, an increase of \$148,332 in comparison with the prior year. The entire fund balance is not available for new spending because \$30,100 is considered nonspendable for inventories, \$1,261,825 is restricted for capital outlay use only, including the purchase of textbooks, \$178,395 is restricted for specific grant purposes and \$337,491 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 \$178,395 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 are intended to be used solely for textbook related expenditures, or certain technology expenses; however, other uses may be allowed by the state. At the end of the current fiscal year, restricted fund balance was \$566,644. The fund balance increased \$127,784 due to less allocation of funds needed this year for technology replacement. Technology replacement is on a scheduled cycle but the amount of replacements required vary from year to year.

The special revenue - local capital projects fund is used to account for funds the City has allowed to be carried over for future capital projects. These funds must be used solely for capital related expenditures. At the end of the current fiscal year, restricted fund balance was \$521,568, an increase of \$45,419. This increase is due to additional transfers from the General Fund in anticipation of funding required for construction of a new elementary school.

The special revenue - cafeteria fund is used to report the School Board's food services transactions. At the end of the current fiscal year, restricted fund balance of the cafeteria fund was \$337,491 while total fund balance reached \$367,591. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Restricted fund balance represents 21% of total cafeteria fund expenditures, while total fund balance represents 23% of that same amount.

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 \$173,613. The fund balance decreased \$26,362, 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:

Bristol, Virginia School Board's Budgetary Highlights			
	Original	Final	Actual
Revenues			
Intergovernmental	\$ 25,345,191	24,833,587	24,351,875
Charges for Services	8,650	8,650	9,052
Other	401,145	657,344	710,882
Total Revenues	<u>25,754,986</u>	<u>25,499,581</u>	<u>25,071,809</u>
Expenditures			
Expenditures	<u>25,516,706</u>	<u>25,472,202</u>	<u>25,252,699</u>
Other Financing Sources (Uses)	<u>(238,277)</u>	<u>(238,374)</u>	<u>(324,242)</u>
Change in Fund Balance	<u>\$ 3</u>	<u>(210,995)</u>	<u>(505,132)</u>

The original budget of revenues and appropriations exceeded the final amended budget by \$255,405. This variance is due primarily to a decrease in instructional costs from original projections, along with the offsetting grant revenue.

Actual revenues were less than final budget amounts by \$427,772 or 2.0%, while actual expenditures were \$219,503, or 1% less than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2017, include the following:

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

During the year, actual expenditures and other financing sources were greater than actual revenues, resulting in a net decrease in fund balance of \$505,132. The \$178,395 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, 2017, amounts to \$17,576,436 (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 2%. 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.

Bristol, Virginia School Board's Capital Assets		
	2017	2016
Land	\$ 273,242	\$ 273,242
Construction in Progress	201,193	-
Buildings and Improvements	29,307,461	28,955,141
Furniture, Books and Equipment	5,024,911	6,047,739
Technology	4,628,621	4,697,417
Vehicles and Buses	2,171,914	2,087,259
Less Accumulated Depreciation	<u>(24,030,906)</u>	<u>(24,139,787)</u>
Total	<u>\$ 17,576,436</u>	<u>\$ 17,921,011</u>

Additional information on the School Board's capital assets can be found in Note 9 on page 52 of this report.

Economic Factors and Next Year's Budget

In setting the budgets for FY 2018, 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 2018 fiscal year.
- The fiscal year 17-18 board adopted budget is \$26,248,882. This budget reflects a step only salary increase for employees. Student enrollment is expected to continue to decrease slightly. Most capital project improvements and deferred maintenance is expected to be funded out of escrowed 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.

Basic Financial Statements

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Statement of Net Position
June 30, 2017

	Primary Government Governmental Activities	Component Unit BVPS Education Foundation
ASSETS		
Cash and cash equivalents	\$ 1,455,297	\$ 236,746
Investments	-	477,665
Accounts receivable	49,744	-
Due from other governmental units	1,717,471	-
Inventories	30,100	-
Restricted assets:		
Cash and cash equivalents	1,343,875	-
Investments	288,073	-
Capital assets (net of accumulated depreciation):		
Land	273,242	-
Construction in progress	201,193	-
Buildings and improvements	13,665,379	4,131,959
Furniture, books, and equipment	1,379,655	66,471
Vehicles and buses	498,765	-
Technology	1,558,202	-
Total assets	<u>\$ 22,460,996</u>	<u>\$ 4,912,841</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	\$ 1,834,396	\$ -
Items related to measurement of net pension liability	1,388,087	-
Total deferred outflows of resources	<u>\$ 3,222,483</u>	<u>\$ -</u>
LIABILITIES		
Accounts payable	\$ 1,146,979	\$ 7,843
Wages payable	1,346,861	-
Advances from BVPS - Affiliated Entity	-	327,643
Pledge payable to BVPS - Affiliated Entity	-	187,500
Accrued interest payable	16,602	-
Due to primary government (City of Bristol, Virginia)	577,582	-
Unearned revenue	5,327	-
Long-term liabilities:		
Due within one year	228,722	-
Due in more than one year	26,296,149	-
Total liabilities	<u>\$ 29,618,222</u>	<u>\$ 522,986</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	\$ 1,735,000	\$ -
Total deferred inflows of resources	<u>\$ 1,735,000</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 14,767,149	\$ 4,198,430
Restricted		
Capital projects	1,261,825	-
Cafeteria services	337,491	-
Grants	178,395	-
Unrestricted	(22,214,603)	191,425
Total net position	<u>\$ (5,669,743)</u>	<u>\$ 4,389,855</u>

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit BVPs Education Foundation
PRIMARY GOVERNMENT:						
Governmental activities:						
Administration	\$ 938,851	\$ -	\$ -	\$ -	(938,851)	\$ -
Instructional Costs	20,342,179	9,052	17,879,998	-	(2,453,129)	-
Attendance and Health Services	673,167	-	-	-	(673,167)	-
Transportation	684,749	-	-	-	(684,749)	-
Food Services	1,479,110	177,295	1,414,739	-	112,924	-
Operations and Maintenance	2,864,067	-	-	-	(2,864,067)	-
Interest on long-term debt	81,939	-	-	-	(81,939)	-
Total governmental activities	\$ 27,064,062	\$ 186,347	\$ 19,294,737	\$ -	(7,582,978)	\$ -
COMPONENT UNIT:						
BVPs Education Foundation	\$ 303,801	\$ -	\$ -	\$ -	\$ -	(303,801)
General revenues:						
Unrestricted revenues from the use of money and property					\$ 8,720	\$ 145,964
Miscellaneous					471,417	3,810
Rental payments from the City of Bristol, Virginia School Board					-	225,420
Contributions from the City of Bristol, Virginia					6,471,877	-
Total general revenues					6,952,014	71,393
Change in net position					(630,964)	71,393
Net position - beginning, as restated					(5,038,779)	4,318,462
Net position - ending					(5,669,743)	4,389,855

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Balance Sheet
Governmental Funds
June 30, 2017

	Operating Fund	Textbook Fund	Local Capital Projects Fund	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,455,297	\$ -	\$ -	\$ -	\$ 1,455,297
Accounts receivable	48,307	-	-	1,437	49,744
Due from other funds	-	39,699	85,869	438	126,006
Due from other governmental units	1,679,612	-	-	37,859	1,717,471
Inventories	-	-	-	30,100	30,100
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	-	643,387	440,657	259,831	1,343,875
Investments	-	-	-	288,073	288,073
Total assets	<u>\$ 3,183,216</u>	<u>\$ 683,086</u>	<u>\$ 526,526</u>	<u>\$ 617,738</u>	<u>\$ 5,010,566</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 954,372	\$ 116,442	\$ 4,958	\$ 71,207	\$ 1,146,979
Wages payable	1,346,861	-	-	-	1,346,861
Due to other funds	126,006	-	-	-	126,006
Due to primary government	577,582	-	-	-	577,582
Unearned revenue	-	-	-	5,327	5,327
Total liabilities	<u>\$ 3,004,821</u>	<u>\$ 116,442</u>	<u>\$ 4,958</u>	<u>\$ 76,534</u>	<u>\$ 3,202,755</u>
Fund balances:					
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 30,100	\$ 30,100
Restricted:					
Capital projects	-	566,644	521,568	173,613	1,261,825
Grants	178,395	-	-	-	178,395
Food service	-	-	-	337,491	337,491
Total fund balances	<u>\$ 178,395</u>	<u>\$ 566,644</u>	<u>\$ 521,568</u>	<u>\$ 541,204</u>	<u>\$ 1,807,811</u>
Total liabilities and fund balances	<u>\$ 3,183,216</u>	<u>\$ 683,086</u>	<u>\$ 526,526</u>	<u>\$ 617,738</u>	<u>\$ 5,010,566</u>

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 1,807,811
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 273,242	
Construction in progress	201,193	
Buildings and improvements	13,665,379	
Furniture, books, and equipment	1,379,655	
Vehicles and buses	498,765	
Technology	<u>1,558,202</u>	17,576,436
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Deferred inflows related to measurement of net pension liability		\$ (1,735,000)
Pension contributions subsequent to the measurement date will be an increase in/reduction to the net pension asset/liability in the next fiscal year and, therefore, are not reported in the funds.		
		1,834,396
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$ (386,429)	
Net OPEB obligation	(381,400)	
Net pension liability	(22,947,755)	
Accrued interest payable	(16,602)	
Capital lease	(2,809,287)	
Deferred outflows related to measurement of net pension liability	<u>1,388,087</u>	(25,153,386)
Net position of governmental activities		<u>\$ (5,669,743)</u>

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Operating Fund	Textbook Fund	Local Capital Projects Fund	Other Governmental Funds	Total
REVENUES					
Revenue from the use of money and property	\$ 4,072	\$ 1,261	\$ 605	\$ 2,782	\$ 8,720
Charges for services	9,052	-	-	177,295	186,347
Miscellaneous	457,937	-	-	13,480	471,417
Recovered costs	248,873	-	-	-	248,873
Intergovernmental	24,351,875	-	-	1,414,739	25,766,614
Total revenues	<u>\$ 25,071,809</u>	<u>\$ 1,261</u>	<u>\$ 605</u>	<u>\$ 1,608,296</u>	<u>\$ 26,681,971</u>
EXPENDITURES					
Current:					
Administration	\$ 790,084	\$ -	\$ -	\$ -	\$ 790,084
Instructional Costs	19,849,680	-	-	-	19,849,680
Attendance and Health Services	673,220	-	-	-	673,220
Transportation	649,413	-	-	-	649,413
Food Services	-	-	-	1,500,896	1,500,896
Operations and Maintenance	2,455,302	-	-	-	2,455,302
Capital Projects	562,718	111,850	41,055	99,671	815,294
Debt service	272,282	-	-	-	272,282
Total expenditures	<u>\$ 25,252,699</u>	<u>\$ 111,850</u>	<u>\$ 41,055</u>	<u>\$ 1,600,567</u>	<u>\$ 27,006,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (180,890)</u>	<u>\$ (110,589)</u>	<u>\$ (40,450)</u>	<u>\$ 7,729</u>	<u>\$ (324,200)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 238,373	\$ 85,869	\$ -	\$ 324,242
Transfers out	(324,242)	-	-	-	(324,242)
Total other financing sources (uses)	<u>\$ (324,242)</u>	<u>\$ 238,373</u>	<u>\$ 85,869</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (505,132)	\$ 127,784	\$ 45,419	\$ 7,729	\$ (324,200)
Fund balances - beginning, as restated	683,527	438,860	476,149	533,475	2,132,011
Fund balances - ending	<u>\$ 178,395</u>	<u>\$ 566,644</u>	<u>\$ 521,568</u>	<u>\$ 541,204</u>	<u>\$ 1,807,811</u>

The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$	(324,200)
<p>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 the capital outlays exceeded depreciation in the current period.</p>		
Capital outlays	\$	1,063,488
Transfer of asset from City, net		240,000
Transfer of depreciation from City		(81,600)
Depreciation expenses		<u>(1,528,974)</u>
		(307,086)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(37,489)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as in the funds.</p>		
Changes in deferred inflows related to measurement of net pension liability		774,023
<p>The issuance of long-term debt (e.g. leases) provides current financial resources to governmental 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments:		
Capital leases		189,225
<p>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.</p>		
Changes in compensated absences	\$	(22,674)
Changes in net OPEB obligation		(101,000)
Changes in accrued interest payable		1,118
Changes in net pension liability		(2,135,381)
Changes in deferred outflows related to pension payments subsequent to the measurement date		3,996
Changes in deferred outflows related to measurement of net pension liability		<u>1,328,504</u>
		(925,437)
Change in net position of governmental activities	<u>\$</u>	<u>(630,964)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies:

The financial statements of the City of Bristol, Virginia School Board (“the School Board”) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity:

The School Board (government) is a component unit of the City of Bristol, Virginia (“the City”), which operates four elementary schools, one middle school, and one high school for students residing in the City. The School Board consists of five elected members. City Council approves the Board’s operational and capital budgets and must approve the issuance of bonded debt. City Council also provides fiscal guidance because it levies taxes for the School Board’s operations and issues debt for its school capital projects. Based on these facts, the City reports the School Board as a discretely presented component unit.

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 Foundation’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. 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 difference from Government Accounting Standards Board (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.

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.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

B. 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 net position is designed to display financial position of the primary government and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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.

C. Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or when related to a grant reimbursed based on actual expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The School Board reports the following major governmental funds:

The Operating Fund is the School Board's primary operating fund. It accounts for all 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.

The School 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.

Special revenue funds account for and report the proceeds of specific revenue sources. Major special revenue funds consist of the School Textbook Fund.

The School Board reports the following nonmajor governmental funds:

Special revenue funds account for and report the proceeds of specific revenue sources. Nonmajor special revenue funds consist of the Cafeteria Fund.

The School Board reports the following major capital projects funds:

The Local Capital Projects Fund was established by a resolution of the School Board and the City. 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 to \$200,000 annually. The School Board also reports a nonmajor School Construction Capital Project Fund.

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

D. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School Board has two items that qualify for reporting in this category. One item is comprised of certain items related to the measurement of the net pension asset/liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions. The other item consists of contributions to the pension plan made during the current year and subsequent to the net pension asset/liability measurement date, which will be recognized as a reduction of the net pension asset/liability next fiscal year. For more detailed information on these items, reference the pension note.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

D. Deferred Outflows/Inflows of Resources: (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School Board has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset/liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on this item, reference the pension note.

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance:

1. Cash and Cash Equivalents

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

2. Inventories

Inventories are valued at the lower of cost (determined on a first-in, first-out basis) or market except for commodities received from the federal government which are valued at market. Inventories consist of food and supplies.

3. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the School Board as assets with an initial, individual cost of more than \$1,000 (amount not rounded), with exception of textbooks, library books, and certain technological equipment which are considered a capital asset regardless of cost, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

As of July 1, 2017, the School Board increased the capitalization threshold to an individual cost of more than \$5,000 for all of the above categories.

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
 (A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

3. Capital assets (continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Building and structural improvements	50
Non-structural improvements	15-26
Furniture, books, and equipment	5-15
Vehicles and buses	8

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.

4. Fund equity

The School Board follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

4. Fund equity (continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the School Board's policy to use unassigned funds first, if available, followed by the most restrictive, as eligible, in the following order: unassigned, restricted, committed, and assigned.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

5. 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.

6. Pensions

For purposes of measuring the net pension asset/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). 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.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

8. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

9. Net Position Flow Assumption

Sometimes the School Board will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School Board's policy to consider unrestricted - net position to have been depleted before restricted - net position is applied.

Note 2-Stewardship, Compliance, and Accountability:

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 the citizens.

City Council has adopted the policy of appropriating the school budget in total rather than by categories. Accordingly, the legal restrictions on expenditures for the School Board are at the fund level. The School Board is authorized to transfer budgeted amounts within each fund at its discretion. The School Board, with the concurrence of City Council, may from time to time amend the budget to provide for additional expenditures and the means of financing them.

The school budget is adopted on a basis consistent with generally accepted accounting principles. All funds' appropriations lapse on June 30.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 3-Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”), Section 2.2-4400 et. seq. of the Code of Virginia . Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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).

The investments, as reported in the financial statements as of June 30, 2017, consist of certificates of deposit with an original maturity date of twelve months and have a total balance of \$288,073 at year end.

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Operating Fund	Cafeteria Fund
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 502,582	\$ -
VPSA grant	464,000	-
School grants	337,217	-
<u>Federal Government:</u>		
School grants	375,813	-
School food program	-	37,859
Totals	\$ 1,679,612	\$ 37,859

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 5-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Operating Fund	\$ -	\$ (324,242)
School Textbook Fund	238,373	-
Local Capital Projects Fund	85,869	-
Total	<u>\$ 324,242</u>	<u>\$ (324,242)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in one fund to other fund(s) to finance various programs accounted for in other funds in accordance with budgeting authorization.

	<u>Due From</u>	<u>Due To</u>
Operating Fund	\$ -	\$ 126,006
Textbook Fund	39,699	-
Local Capital Projects Fund	85,869	-
Cafeteria Fund	438	-
Total	<u>\$ 126,006</u>	<u>\$ 126,006</u>

Interfund balances at year end represent amounts that have been transferred between funds in a lending or borrowing capacity and are expected to be repaid in the next fiscal year.

Note 6-Long-term Obligations:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 363,755	\$ 133,699	\$ (111,025)	\$ 386,429	\$ 34,072
Capital lease	2,998,512	-	(189,225)	2,809,287	194,650
Net OPEB obligation	280,400	194,100	(93,100)	381,400	-
Net pension liability	20,812,374	2,135,381	-	22,947,755	-
Total	<u>\$ 24,455,041</u>	<u>\$ 2,463,180</u>	<u>\$ (393,350)</u>	<u>\$ 26,524,871</u>	<u>\$ 228,722</u>

The School Board Operating Fund is normally used to liquidate the liabilities above.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
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Note 7-Capital Leases:

The School Board issued a lease purchase agreement to pay for capitalized equipment used to implement an energy savings plan. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments at the date of inception.

The assets acquired through the capital lease are as follows:

	Energy Saving Equipment
Machinery and equipment	\$ 3,247,472
Less: Accumulated depreciation	(168,869)
Net capital assets	\$ 3,078,603

The School Board entered into the capital lease in October 2013 for a total amount of \$3,247,742 with an interest rate of 2.83%, payable in 60 quarterly principal and interest payments which began in October 2014. The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017, were as follows:

Year Ending June 30,	Energy Savings Lease
2018	\$ 272,282
2019	272,282
2020	272,282
2021	272,282
2022	272,282
2023-2027	1,361,410
2028-2030	612,634
Subtotal	\$ 3,335,454
Less, amount representing interest	(526,167)
Present Value of Lease Agreement	\$ 2,809,287

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Note 8-Pension Plan:

Plan Description

All full-time, salaried permanent (nonprofessional) employees of public school divisions are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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 pay 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 - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has 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:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 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>About Plan 2 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>About the Hybrid Retirement Plan 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> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • 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.

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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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.
<p>Eligible Members 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>Hybrid Opt-In Election 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>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members 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>Hybrid Opt-In Election 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>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>Eligible Members 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"> • Political subdivision employees* • School division employees • 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) 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>Hybrid Opt-In Election (Cont.) 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>*Non-Eligible Members (Cont.) 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>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of 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. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service 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>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting 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>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</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>Defined Contributions Component:</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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) 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"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit 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>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) 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>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</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>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: 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>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: 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>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: 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>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: 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>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: 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>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: 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>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement 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><u>Eligibility:</u> 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>Cost-of-Living Adjustment (COLA) in Retirement 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><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> • 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. • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

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Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage 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>Disability Coverage 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>Disability Coverage Employees of political subdivisions and School divisions (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>Purchase of Prior Service 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>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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Note 8-Pension Plan: (continued)

Plan Description (continued)

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	41
Inactive members:	
Vested inactive members	1
Non-vested inactive members	6
Inactive members active elsewhere in VRS	-
Total inactive members	7
Active members	16
Total covered employees	64

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 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.

The School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 9.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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Note 8-Pension Plan: (continued)

Contributions (continued)

This 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. Contributions to the pension plan from the School Board's nonprofessional employees were \$40,914 and \$36,614 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The School Board's (nonprofessional) net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

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 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

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Note 8-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

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 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, 2015 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 8-Pension Plan: (continued)

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
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%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* 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%.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Pension Plan: (continued)

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 employer for the School Board (nonprofessional) Retirement Plans 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.

Changes in Net Pension Liability

	School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 2,700,627	\$ 2,392,253	\$ 308,374
Changes for the year:			
Service cost	\$ 32,602	\$ -	\$ 32,602
Interest	181,160	-	181,160
Differences between expected and actual experience	34,594	-	34,594
Contributions - employer	-	35,356	(35,356)
Contributions - employee	-	18,070	(18,070)
Net investment income	-	37,131	(37,131)
Benefit payments, including refunds of employee contributions	(225,257)	(225,257)	-
Administrative expenses	-	(1,565)	1,565
Other changes	-	(17)	17
Net changes	\$ 23,099	\$ (136,282)	\$ 159,381
Balances at June 30, 2016	\$ 2,723,726	\$ 2,255,971	\$ 467,755

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Pension Plan: (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School Board (nonprofessional) using the discount rate of 7.00%, as well as what the School Board's (nonprofessional) 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board (nonprofessional) Net Pension Liability (Asset)	\$ 733,073	\$ 467,755	\$ 242,310

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the School Board (nonprofessional) recognized pension expense of \$101,218.

At June 30, 2017, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,487	\$ -
Net difference between projected and actual earnings on pension plan investments	58,600	-
Employer contributions subsequent to the measurement date	40,914	-
Total	\$ 119,001	\$ -

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 8-Pension Plan: (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$40,914 reported as deferred outflows of resources related to pensions resulting from the School Board’s (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	School Board (nonprofessional)
2018	\$ 13,742
2019	3,015
2020	36,480
2021	24,850
Thereafter	-

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

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 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Contributions (continued)

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 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 16.32%. 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 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,793,482 and \$1,804,522 for the years ended June 30, 2017 and June 30, 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the school division reported a liability of \$22,480,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.16041% as compared to 0.16291% at June 30, 2016.

For the year ended June 30, 2017, the school division recognized pension expense of 1,662,000. 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.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 728,000
Net difference between projected and actual earnings on pension plan investments	1,284,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,000	1,007,000
Employer contributions subsequent to the measurement date	1,793,482	-
Total	\$ 3,103,482	\$ 1,735,000

\$1,793,482 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 ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Component Unit School Board (professional)
2018	\$ (421,000)
2019	(421,000)
2020	291,000
2021	199,000
Thereafter	(73,000)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% 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 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 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, 2015 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:

- 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

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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	30,168,211
Employers' Net Pension Liability (Asset)	\$ 14,014,115
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 8-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
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%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* 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%.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

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 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 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, school divisions 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.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 32,045,309	\$ 22,480,000	\$ 14,600,493

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers (1)	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 273,242	\$ -	\$ -	\$ -	\$ 273,242
Construction in progress	-	201,193	-	-	201,193
Total capital assets not being depreciated	<u>\$ 273,242</u>	<u>\$ 201,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,435</u>
Capital assets, being depreciated:					
Buildings and improvements	\$ 28,955,141	\$ 112,320	\$ -	\$ 240,000	\$ 29,307,461
Furniture, books, and equipment	6,047,739	214,255	(1,237,083)	-	5,024,911
Technology	4,697,417	388,171	(456,967)	-	4,628,621
Vehicles and buses	2,087,259	147,549	(62,894)	-	2,171,914
Total capital assets being depreciated	<u>\$ 41,787,556</u>	<u>\$ 862,295</u>	<u>\$ (1,756,944)</u>	<u>\$ 240,000</u>	<u>\$ 41,132,907</u>
Accumulated depreciation:					
Buildings and improvements	\$ (14,921,981)	\$ (638,501)	\$ -	\$ (81,600)	\$ (15,642,082)
Furniture, books, and equipment	(4,632,693)	(246,652)	1,234,089	-	(3,645,256)
Technology	(2,956,861)	(545,307)	431,749	-	(3,070,419)
Vehicles and buses	(1,628,252)	(98,514)	53,617	-	(1,673,149)
Total accumulated depreciation	<u>\$ (24,139,787)</u>	<u>\$ (1,528,974)</u>	<u>\$ 1,719,455</u>	<u>\$ (81,600)</u>	<u>\$ (24,030,906)</u>
Total capital assets being depreciated, net	<u>\$ 17,647,769</u>	<u>\$ (666,679)</u>	<u>\$ (37,489)</u>	<u>\$ 158,400</u>	<u>\$ 17,102,001</u>
Governmental activities capital assets, net	<u>\$ 17,921,011</u>	<u>\$ (465,486)</u>	<u>\$ (37,489)</u>	<u>\$ 158,400</u>	<u>\$ 17,576,436</u>

(1) Tenancy in Common

Tenancy in common consists of a building purchased via a literary loan issued by the City of Bristol, Virginia. Therefore, a portion of the asset is reported as the City's asset to match the debt. The debt is expected to be paid off in fiscal year 2018 and fully transferred back to the School Board.

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

Administration, attendance, and health	\$ 299,847
Instruction	1,011,593
Pupil transportation	88,440
Food service	62,886
Operation and maintenance	<u>66,208</u>
Total depreciation expense-governmental activities	<u>\$ 1,528,974</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 10-Risk Management:

The School Board participates with other school boards and municipalities in a public entity risk pool for their coverage of workers' compensation, health, general liability, property, crime, auto insurance and excess liability with the School Systems of Virginia, The Local Choice, and Virginia Municipal Liability pools. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, and depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Note 11-Other Postemployment Benefits - Health Insurance:

From an accrual accounting perspective, the cost of postemployment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. The School Board recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the School Board's future cash flows.

A. Plan Description

The School Board provides other postemployment health care benefits. A retired employee, who is participating in the employer's medical program is eligible to elect postemployment 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 retire with less than 35 years of service, (2) the retiree pays the employee premium less \$100 monthly credit if retired with 25 or more years of service but less than 30 years of service, (3) the retiree pays the employee premium less \$200 monthly credit if retired with 30 or more years of service but less than 35 years of service or (4) the retiree pays the employee premium less \$300 monthly credit if retired with 35 or more years of service. For all spouses, the retiree pays 100% of the employee's spousal premium. Coverage continues until Medicaid eligibility for retirees and spouses. There are approximately 278 school employees participating in the postemployment health care benefit arrangements.

B. Funding Policy

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 11-Other Postemployment Benefits - Health Insurance: (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's other postemployment benefit cost (expense) is calculation based on the annual required contribution (ARC) of the employer, 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.

Annual required contribution	\$	194,300
Interest on net OPEB obligation		11,900
Adjustment to annual required contribution		<u>(12,100)</u>
Annual OPEB cost (expense)	\$	<u>194,100</u>
Contributions made		<u>(93,100)</u>
Increase in net OPEB obligation	\$	101,000
Net OPEB obligation - beginning of year		<u>280,400</u>
Net OPEB obligation - end of year	\$	<u><u>381,400</u></u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 194,100	47.96%	\$ 381,400
6/30/2016	240,300	85.00%	280,400
6/30/2015	259,600	68.00%	165,300

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 11-Other Postemployment Benefits - Health Insurance: (continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the School Board as of July 1, 2016 (the most recent valuation), is as follows:

Actuarial accrued liability (AAL)	\$	2,534,600
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	2,534,600
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	12,608,920
UAAL as a percentage of covered payroll		20.10%

Actuarial valuation of an ongoing plan involves 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 revisions 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, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan 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.

In the July 1, 2016, the most recent actuarial valuation, the entry age normal actuarial cost method was used. Under this method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year. The actuarial assumptions included: inflation at 2.50 percent; investment rate of return at 4.25 percent; and a medical care trend rate of 7.0 percent graded to 5.0 percent over 4 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2017 was 30 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 12-Other Postemployment Benefits - VRS Health Insurance Credit:

Professional Employees:

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2017, 2016, and 2015 were \$136,888, \$129,647, and \$128,392, respectively, and equaled the required contributions.

Note 13-Commitments and Contingencies:

Commitments:

The School Board has obligated funds for the project described below as of June 30, 2017:

	Original Contract	Amount Paid As of 6/30/2017	Remaining Contract Amount
High school track renovations	\$ 438,844	\$ 170,948	\$ 267,896

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 School Board has a lease for the Central Office building with Bristol Tenant, LLC (one of the companies in the Foundation's combined financial statements). The lease consists of an annual lease payment of \$210,600, payable monthly, and terminates in May 2022.

Contingencies:

Federal programs in which the School Board participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 14-Restatement of Beginning Balances:

Operating Fund fund balance as of June 30, 2016, as previously reported	\$ 210,995
Restate receivables to include sales tax receivable	472,532
Operating Fund fund balance as of June 30, 2016, as restated	<u>\$ 683,527</u>
Governmental activities net position as of June 30, 2016, as previously reported	\$ (5,493,591)
Above restatement to the Operating Fund	472,532
Restate to correct interest payable	(17,720)
Governmental activities net position as of June 30, 2016, as restated	<u>\$ (5,038,779)</u>

Note 15-Litigation:

As of June 30, 2017, there were no matters of litigation involving the School Board which would materially affect the School Board's financial position should any court decisions on pending matters not be favorable.

Note 16-Upcoming Pronouncements:

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, Irrevocable Split-Interest Agreements, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 16-Upcoming Pronouncements: (continued)

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Operating Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 4,072	\$ (928)
Charges for services	8,650	8,650	9,052	402
Miscellaneous	312,620	421,901	457,937	36,036
Recovered costs	83,525	230,443	248,873	18,430
Intergovernmental	25,345,191	24,833,587	24,351,875	(481,712)
Total revenues	<u>\$ 25,754,986</u>	<u>\$ 25,499,581</u>	<u>\$ 25,071,809</u>	<u>\$ (427,772)</u>
EXPENDITURES				
Current:				
Administration	\$ 863,778	\$ 846,563	\$ 790,084	\$ 56,479
Instructional Costs	20,546,200	20,198,021	19,849,680	348,341
Attendance and Health Services	572,386	673,001	673,220	(219)
Transportation	798,292	746,775	649,413	97,362
Operations and Maintenance	2,421,958	2,458,907	2,455,302	3,605
Capital Projects	41,813	276,653	562,718	(286,065)
Debt service	272,282	272,282	272,282	-
Total expenditures	<u>\$ 25,516,709</u>	<u>\$ 25,472,202</u>	<u>\$ 25,252,699</u>	<u>\$ 219,503</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 238,277</u>	<u>\$ 27,379</u>	<u>\$ (180,890)</u>	<u>\$ (208,269)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (238,277)	\$ (238,374)	\$ (324,242)	\$ (85,868)
Total other financing sources and uses	<u>\$ (238,277)</u>	<u>\$ (238,374)</u>	<u>\$ (324,242)</u>	<u>\$ (85,868)</u>
Net change in fund balances	\$ -	\$ (210,995)	\$ (505,132)	\$ (294,137)
Fund balances - beginning, as restated	-	210,995	683,527	472,532
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,395</u>	<u>\$ 178,395</u>

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - School Textbook Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ 1,261	\$ 761
Total revenues	\$ 500	\$ 500	\$ 1,261	\$ 761
EXPENDITURES				
Capital Projects	\$ 250,000	\$ 250,000	\$ 111,850	\$ 138,150
Total expenditures	\$ 250,000	\$ 250,000	\$ 111,850	\$ 138,150
Excess (deficiency) of revenues over (under) expenditures	\$ (249,500)	\$ (249,500)	\$ (110,589)	\$ 138,911
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 238,277	\$ 238,374	\$ 238,373	\$ (1)
Total other financing sources and uses	\$ 238,277	\$ 238,374	\$ 238,373	\$ (1)
Net change in fund balances	\$ (11,223)	\$ (11,126)	\$ 127,784	\$ 138,910
Fund balances - beginning	11,223	11,126	438,860	427,734
Fund balances - ending	\$ -	\$ -	\$ 566,644	\$ 566,644

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2017

School Board: Other Postemployment Benefits

Actuarial Valuation as of <u>(1)</u>	Actuarial Value of Assets <u>(2)</u>	Actuarial Accrued Liability (AAL) <u>(3)</u>	Unfunded AAL (UAAL) (3) - (2) <u>(4)</u>	Funded Ratio of AAL (2)/(3) <u>(5)</u>	Covered Payroll <u>(6)</u>	UAAL as a % of Covered Payroll (4)/(6) <u>(7)</u>
July 1, 2016	\$ -	\$ 2,534,600	\$ 2,534,600	-	\$ 12,608,920	20.10%
July 1, 2014	-	3,227,500	3,227,500	-	12,987,000	24.85%
July 1, 2012	-	3,407,500	3,407,500	-	12,009,224	28.37%

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 32,602	\$ 28,122	\$ 27,708
Interest	181,160	174,748	177,953
Changes of benefit terms	-	-	-
Differences between expected and actual experience	34,594	110,892	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(225,257)	(219,075)	(283,803)
Net change in total pension liability	\$ 23,099	\$ 94,687	\$ (78,142)
Total pension liability - beginning	2,700,627	2,605,940	2,684,082
Total pension liability - ending (a)	\$ 2,723,726	\$ 2,700,627	\$ 2,605,940
Plan fiduciary net position			
Contributions - employer	\$ 35,356	\$ 35,509	\$ 32,976
Contributions - employee	18,070	18,376	17,626
Net investment income	37,131	107,616	344,926
Benefit payments, including refunds of employee contributions	(225,257)	(219,075)	(283,803)
Administrative expense	(1,565)	(1,617)	(2,044)
Other	(17)	(23)	19
Net change in plan fiduciary net position	\$ (136,282)	\$ (59,214)	\$ 109,700
Plan fiduciary net position - beginning	2,392,253	2,451,467	2,341,767
Plan fiduciary net position - ending (b)	\$ 2,255,971	\$ 2,392,253	\$ 2,451,467
School Division's net pension liability - ending (a) - (b)	\$ 467,755	\$ 308,374	\$ 154,473
Plan fiduciary net position as a percentage of the total pension liability	82.83%	88.58%	94.07%
Covered payroll	\$ 378,275	\$ 374,688	\$ 352,512
School Division's net pension liability as a percentage of covered payroll	123.65%	82.30%	43.82%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer's Share of Net Pension Liability (Asset) VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.16041%	0.16291%	0.17120%
Employer's Proportionate Share of the Net Pension Liability	\$ 22,480,000	\$ 20,504,000	\$ 20,689,000
Employer's Covered Payroll	12,230,645	12,112,515	12,634,488
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	183.80%	169.28%	163.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board (nonprofessional)					
2017	\$ 40,914	\$ 40,914	\$ -	\$ 411,610	9.94%
2016	36,314	36,314	-	378,275	9.60%
2015	35,970	35,970	-	374,688	9.60%
2014	33,066	47,237	(14,171)	352,512	13.40%
2013	33,124	47,320	(14,196)	353,136	13.40%
2012	32,559	32,559	-	353,513	9.21%
2011	32,268	32,268	-	350,356	9.21%
2010	18,744	18,744	-	366,804	5.11%
2009	19,469	19,469	-	381,005	5.11%
2008	29,195	29,195	-	391,880	7.45%
School Board (professional)					
2017	\$ 1,793,482	\$ 1,793,482	\$ -	\$ 12,233,847	14.66%
2016	1,804,522	1,804,522	-	12,230,645	14.75%
2015	1,932,587	1,932,587	-	12,112,515	15.96%
2014	1,473,181	1,473,181	-	12,634,488	11.66%
2013	1,429,299	1,429,299	-	12,258,139	11.66%
2012	737,806	737,806	-	11,655,711	6.33%
2011	458,943	458,943	-	11,677,928	3.93%
2010	939,646	939,646	-	10,665,675	8.81%
2009	1,102,688	1,102,688	-	12,516,322	8.81%
2008	1,243,199	1,243,199	-	12,069,895	10.30%

Current year contributions are from the School Board records and prior year contributions are from the VRS actuarial valuation performed each year.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

Changes of assumptions - 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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

School Board - Professional Employees

- 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 retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	<u>Special Revenue Fund</u>		
	<u>Cafeteria Fund</u>	<u>School Construction Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
ASSETS			
Accounts receivable	\$ 1,437	\$ -	\$ 1,437
Due from other funds	438	-	438
Due from other governmental units	37,859	-	37,859
Inventories	30,100	-	30,100
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	\$ 258,941	890	259,831
Investments	115,350	172,723	288,073
Total assets	<u>\$ 444,125</u>	<u>\$ 173,613</u>	<u>\$ 617,738</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 71,207	\$ -	\$ 71,207
Unearned revenue	5,327	-	5,327
Total liabilities	<u>\$ 76,534</u>	<u>\$ -</u>	<u>\$ 76,534</u>
Fund balances:			
Nonspendable			
Inventories	\$ 30,100	\$ -	\$ 30,100
Restricted			
School cafeterias	337,491	-	337,491
Capital projects	-	173,613	173,613
Total fund balances	<u>\$ 367,591</u>	<u>\$ 173,613</u>	<u>\$ 541,204</u>
Total liabilities and fund balances	<u>\$ 444,125</u>	<u>\$ 173,613</u>	<u>\$ 617,738</u>

City of Bristol, Virginia School Board
 (Component Unit of the City of Bristol, Virginia)
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	Cafeteria Fund	School Construction Capital Projects Fund	Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 608	\$ 2,174	\$ 2,782
Charges for services	177,295	-	177,295
Miscellaneous	13,480	-	13,480
Intergovernmental	1,414,739	-	1,414,739
Total revenues	<u>\$ 1,606,122</u>	<u>\$ 2,174</u>	<u>\$ 1,608,296</u>
EXPENDITURES			
Current:			
Food Services	\$ 1,500,896	-	\$ 1,500,896
Capital projects	71,135	28,536	99,671
Total expenditures	<u>\$ 1,572,031</u>	<u>\$ 28,536</u>	<u>\$ 1,600,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 34,091</u>	<u>\$ (26,362)</u>	<u>\$ 7,729</u>
Net change in fund balances	\$ 34,091	\$ (26,362)	\$ 7,729
Fund balances - beginning	333,500	199,975	533,475
Fund balances - ending	<u>\$ 367,591</u>	<u>\$ 173,613</u>	<u>\$ 541,204</u>

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Cafeteria Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 525	\$ 525	\$ 608	\$ 83
Charges for services	195,000	195,000	177,295	(17,705)
Miscellaneous	20,475	20,475	13,480	(6,995)
Intergovernmental	1,175,000	1,175,000	1,414,739	239,739
Total revenues	\$ 1,391,000	\$ 1,391,000	\$ 1,606,122	\$ 215,122
EXPENDITURES				
Current:				
Food services	\$ 1,390,023	\$ 1,390,023	\$ 1,500,896	\$ (110,873)
Capital projects	-	-	71,135	(71,135)
Total expenditures	\$ 1,390,023	\$ 1,390,023	\$ 1,572,031	\$ (182,008)
Excess (deficiency) of revenues over (under) expenditures	\$ 977	\$ 977	\$ 34,091	\$ 397,130
Net change in fund balances	\$ 977	\$ 977	\$ 34,091	\$ 33,114
Fund balances - beginning	(977)	(977)	333,500	334,477
Fund balances - ending	\$ -	\$ -	\$ 367,591	\$ 367,591

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund - Local Capital Projects Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 100	\$ 100	\$ 605	\$ 505
Total revenues	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 605</u>	<u>\$ 505</u>
EXPENDITURES				
Capital Projects	\$ 325,000	\$ 325,000	\$ 41,055	\$ 283,945
Total expenditures	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 41,055</u>	<u>\$ 283,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (324,900)</u>	<u>\$ (324,900)</u>	<u>\$ (40,450)</u>	<u>\$ 284,450</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 85,869	\$ 85,869
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,869</u>	<u>\$ 85,869</u>
Net change in fund balances	\$ (324,900)	\$ (324,900)	\$ 45,419	\$ 370,319
Fund balances - beginning	324,900	324,900	476,149	151,249
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 521,568</u></u>	<u><u>\$ 521,568</u></u>

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Construction Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ 2,174	\$ 1,674
Total revenues	\$ 500	\$ 500	\$ 2,174	\$ 1,674
EXPENDITURES				
Capital projects	\$ 225,000	\$ 225,000	\$ 28,536	\$ 196,464
Total expenditures	\$ 225,000	\$ 225,000	\$ 28,536	\$ 196,464
Excess (deficiency) of revenues over (under) expenditures	\$ (224,500)	\$ (224,500)	\$ (26,362)	\$ (194,790)
Net change in fund balances	\$ (224,500)	\$ (224,500)	\$ (26,362)	\$ 198,138
Fund balances - beginning	224,500	224,500	199,975	(24,525)
Fund balances - ending	\$ -	\$ -	\$ 173,613	\$ 173,613

Supporting Schedules

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 5,000	\$ 5,000	\$ 4,072	\$ (928)
Total revenue from use of money and property	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 4,072</u>	<u>\$ (928)</u>
Charges for services:				
Tuition	\$ 8,650	\$ 8,650	\$ 9,052	\$ 402
Total charges for services	<u>\$ 8,650</u>	<u>\$ 8,650</u>	<u>\$ 9,052</u>	<u>\$ 402</u>
Miscellaneous:				
Miscellaneous	\$ 312,620	\$ 421,901	\$ 457,937	\$ 36,036
Total miscellaneous revenue	<u>\$ 312,620</u>	<u>\$ 421,901</u>	<u>\$ 457,937</u>	<u>\$ 36,036</u>
Recovered costs:				
Sale of equipment	\$ 5,000	\$ 5,000	\$ 23,106	\$ 18,106
E-Rate savings	78,525	225,443	225,767	324
Total recovered costs	<u>\$ 83,525</u>	<u>\$ 230,443</u>	<u>\$ 248,873</u>	<u>\$ 18,430</u>
Total revenue from local sources	<u>\$ 409,795</u>	<u>\$ 665,994</u>	<u>\$ 719,934</u>	<u>\$ 53,940</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Bristol, Virginia	\$ 7,037,776	\$ 7,047,776	\$ 6,471,877	\$ (575,899)
Total revenues from local governments	<u>\$ 7,037,776</u>	<u>\$ 7,047,776</u>	<u>\$ 6,471,877</u>	<u>\$ (575,899)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	\$ 2,677,668	\$ 2,677,668	\$ 2,707,718	\$ 30,050
Basic school aid	6,343,991	6,396,441	6,396,400	(41)
Foster children	3,623	30,832	19,403	(11,429)
Remedial summer school	142,555	147,435	147,435	-
Gifted and talented	72,481	72,510	72,510	-
Remedial education	380,524	380,677	380,677	-
Special education	887,890	888,246	888,246	-
Vocational education	151,336	151,150	152,098	948
Social security	440,925	441,102	441,102	-
Retirement	910,540	910,905	910,905	-
Project Graduation	3,079	6,605	10,643	4,038
Early reading intervention	43,160	56,790	56,790	-
Homebound Instruction	7,589	24,666	26,428	1,762
Group Life Payments	30,200	30,212	30,212	-
GED prep programs	7,859	7,859	8,418	559
Vocational education - equipment	5,010	9,426	8,478	(948)
SOL algebra readiness	44,394	44,271	44,271	-
At risk payments	772,344	772,707	772,707	-
Primary class size payments	495,925	516,614	516,614	-
Mentor teacher program	1,355	1,053	1,053	-
English as a second language	24,295	21,596	21,596	-
Hospitals, clinics, and detention homes	960,161	737,619	997,275	259,656

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Salary supplement	\$ 106,386	\$ -	\$ -	\$ -
Alternative education	133,237	130,786	130,786	-
Textbook funds	165,770	165,837	165,836	(1)
Lottery funds	79,155	79,398	79,398	-
Vocational education - equipment	36,602	36,975	24,397	(12,578)
Technology mini grant	364,000	278,425	278,425	-
Year round programs	233,514	230,342	230,342	-
Other state funds	229,275	142,078	167,746	25,668
Total categorical aid	<u>\$ 15,754,843</u>	<u>\$ 15,390,225</u>	<u>\$ 15,687,909</u>	<u>\$ 297,684</u>
Total revenue from the Commonwealth	<u>\$ 15,754,843</u>	<u>\$ 15,390,225</u>	<u>\$ 15,687,909</u>	<u>\$ 297,684</u>
Revenue from the federal government:				
Categorical aid:				
Title I, Part A - Improving basic programs	\$ 1,496,274	\$ 1,502,613	\$ 1,321,830	\$ (180,783)
Title I, Part D - Neglected and delinquent children	6,144	4,581	2,542	(2,039)
Vocational education	61,923	58,322	58,322	-
Title II, Part A - Improving teacher quality	136,014	143,253	140,506	(2,747)
Title VI-B, Special education	578,809	601,673	584,887	(16,786)
Title VI-B, Special education - preschool	15,317	16,010	16,010	-
21st century learning grant	210,647	22,580	19,897	(2,683)
Title III-english proficiency	4,944	4,054	3,604	(450)
Other federal categorical aid	42,500	42,500	44,491	1,991
Total categorical aid	<u>\$ 2,552,572</u>	<u>\$ 2,395,586</u>	<u>\$ 2,192,089</u>	<u>\$ (203,497)</u>
Total revenue from the federal government	<u>\$ 2,552,572</u>	<u>\$ 2,395,586</u>	<u>\$ 2,192,089</u>	<u>\$ (203,497)</u>
Total Operating Fund	<u>\$ 25,754,986</u>	<u>\$ 25,499,581</u>	<u>\$ 25,071,809</u>	<u>\$ (427,772)</u>
Special Revenue Fund:				
Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 500	\$ 500	\$ 1,261	\$ 761
Total revenue from use of money and property	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,261</u>	<u>\$ 761</u>
Total revenue from local sources	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,261</u>	<u>\$ 761</u>
Total Textbook Fund	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,261</u>	<u>\$ 761</u>

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
Local Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 605	\$ 505
Total revenue from use of money and property	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 605</u>	<u>\$ 505</u>
Total revenue from local sources	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 605</u>	<u>\$ 505</u>
Total Local Capital Projects Fund	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 605</u>	<u>\$ 505</u>
Nonmajor Special Revenue Fund:				
Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 525	\$ 525	\$ 608	\$ 83
Total revenue from use of money and property	<u>\$ 525</u>	<u>\$ 525</u>	<u>\$ 608</u>	<u>\$ 83</u>
Charges for services:				
Cafeteria sales	\$ 195,000	\$ 195,000	\$ 177,295	\$ (17,705)
Total charges for services	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ 177,295</u>	<u>\$ (17,705)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 20,475	\$ 20,475	\$ 13,480	\$ (6,995)
Total miscellaneous revenue	<u>\$ 20,475</u>	<u>\$ 20,475</u>	<u>\$ 13,480</u>	<u>\$ (6,995)</u>
Total revenue from local sources	<u>\$ 216,000</u>	<u>\$ 216,000</u>	<u>\$ 191,383</u>	<u>\$ (24,617)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 25,000	\$ 25,000	\$ 30,716	\$ 5,716
Total categorical aid	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 30,716</u>	<u>\$ 5,716</u>
Total revenue from the Commonwealth	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 30,716</u>	<u>\$ 5,716</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,150,000	\$ 1,150,000	\$ 1,384,023	\$ 234,023
Total categorical aid	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>	<u>\$ 1,384,023</u>	<u>\$ 234,023</u>
Total revenue from the federal government	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>	<u>\$ 1,384,023</u>	<u>\$ 234,023</u>
Total School Cafeteria Fund	<u>\$ 1,391,000</u>	<u>\$ 1,391,000</u>	<u>\$ 1,606,122</u>	<u>\$ 215,122</u>

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Nonmajor Capital Projects Fund:				
School Construction Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 500	\$ 500	\$ 2,174	\$ 1,674
Total revenue from use of money and property	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 2,174</u>	<u>\$ 1,674</u>
Total revenue from local sources	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 2,174</u>	<u>\$ 1,674</u>
Total Nonmajor Capital Projects Fund	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 2,174</u>	<u>\$ 1,674</u>
Total School Board	<u>\$ 27,147,086</u>	<u>\$ 26,891,681</u>	<u>\$ 26,681,971</u>	<u>\$ (209,710)</u>

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Operating Fund:				
Administration	\$ 863,778	\$ 846,563	\$ 790,084	\$ 56,479
Instructional Costs	20,546,200	20,198,021	19,849,680	348,341
Attendance and Health Services	572,386	673,001	673,220	(219)
Transportation	798,292	746,775	649,413	97,362
Operations and Maintenance	2,421,958	2,458,907	2,455,302	3,605
Capital Projects	41,813	276,653	562,718	(286,065)
Debt Service	272,282	272,282	272,282	-
Total Operating Fund	<u>\$ 25,516,709</u>	<u>\$ 25,472,202</u>	<u>\$ 25,252,699</u>	<u>\$ 219,503</u>
Special Revenue Fund:				
Textbook Fund:				
Capital Projects	\$ 250,000	\$ 250,000	\$ 111,850	\$ 138,150
Total Textbook Fund	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 111,850</u>	<u>\$ 138,150</u>
Capital Projects Fund:				
Local Capital Projects Fund:				
Capital Projects	\$ 325,000	\$ 325,000	\$ 41,055	\$ 283,945
Total Local Capital Projects Fund	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 41,055</u>	<u>\$ 283,945</u>
Nonmajor Special Revenue Fund:				
Cafeteria Fund:				
Food Services	\$ 1,390,023	\$ 1,390,023	\$ 1,500,896	\$ (110,873)
Capital Projects	-	-	71,135	(71,135)
Total Cafeteria Fund	<u>\$ 1,390,023</u>	<u>\$ 1,390,023</u>	<u>\$ 1,572,031</u>	<u>\$ (182,008)</u>
Nonmajor Capital Projects Fund:				
School Construction Capital Projects Fund:				
Capital Projects	\$ 225,000	\$ 225,000	\$ 28,536	\$ 196,464
Total School Construction Capital Projects Fund	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ 28,536</u>	<u>\$ 196,464</u>
Total School Board	<u>\$ 27,706,732</u>	<u>\$ 27,662,225</u>	<u>\$ 27,006,171</u>	<u>\$ 656,054</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Honorable Members of the
Bristol City School Board
Bristol, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bristol, Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia, as of and for the year ended June 30, 2017, 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 24, 2017. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit - 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.

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.

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 one instance (2017-001) 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.

A handwritten signature in cursive script that reads "Robinson, James, Cox Associates".

Blacksburg, Virginia
November 24, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of the
Bristol City School Board
Bristol, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of 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 year ended June 30, 2017. 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, 2017.

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.



Blacksburg, Virginia
November 24, 2017

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number			Federal Expenditures
Department of Agriculture:					
Pass Through Payments from:					
<i>Child Nutrition Cluster:</i>					
State Department of Agriculture: Food Distribution (Note C)	10.555	Not available	\$	83,271	
State Department of Education: National School Lunch Program	10.555	APE40254	<u>719,088</u>	\$	802,359
State Department of Education: School Breakfast Program	10.553	APE40253		325,176	
Summer Food Service Program for Children	10.559	APE40251		<u>55,188</u>	
<i>Total Child Nutrition Cluster:</i>					\$ 1,182,723
Fresh Fruit and Vegetable Program	10.582	APE40252			71,734
Child Nutrition Discretionary Grants Limited Availability	10.579	Not available			21,320
Child and Adult Care Food Program	10.558	Not available			<u>108,246</u>
Total Department of Agriculture					<u>\$ 1,384,023</u>
Department of Health and Human Services:					
Pass Through Payments from:					
Virginia Department of Medical Assistance Services: Medicaid	93.000	Not available			\$ 44,225
Total Department of Health and Human Services					<u>\$ 44,225</u>
Department of Education:					
Pass Through Payments from:					
State Department of Education: Title I Grants to Local Educational Agencies	84.010	APE42901			\$ 1,321,830
<i>Special Education Cluster (IDEA):</i>					
Special Education - Grants to States	84.027	APE43071	\$	584,887	
Special Education - Preschool Grants	84.173	APE62521		<u>16,010</u>	
<i>Total Special Education Cluster (IDEA):</i>					600,897
Career and Technical Education - Basic Grants to States	84.048	APE61095			58,322
Supporting Effective Instruction State Grant	84.367	APE61480			140,506
Twenty-First Century Community Learning Centers	84.287	APE60565			19,897
Advanced Placement Program	84.330	APE60957			266
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	APE42948			2,542
English Language Acquisition State Grants	84.365	Not available			<u>3,604</u>
Total Department of Education					<u>\$ 2,147,864</u>
Total Expenditures of Federal Awards					<u>\$ 3,576,112</u>

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Notes to Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Bristol, Virginia School Board under programs of the federal government for the year ended June 30, 2017. The information in the 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 City of Bristol, Virginia School Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Bristol, Virginia School Board.

Note B -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D -- Indirect Cost Rate

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

Note E -- Subrecipients

The School Board did not have any subrecipients during the fiscal year.

Note F -- Relationship to the Financial Statements:

Federal expenditures and revenues are reported in the School Board's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund-Intergovernmental	\$ 24,351,875
Less: Contribution from the City of Bristol, Virginia	(6,471,877)
Less: Revenue from the Commonwealth	(15,687,909)
Cafeteria Fund-Intergovernmental	1,414,739
Less: Revenue from the Commonwealth	(30,716)
	\$ 3,576,112

Total School Board

\$ 3,576,112

City of Bristol, Virginia School Board

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010 84.027/84.173	Title I - Grants to Local Educational Agencies Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

City of Bristol, Virginia School Board

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings

2017-001

Criteria:	The <u>Code of Virginia</u> requires that an appropriation exist prior to the expenditure of funds.
Condition:	The budgeting process for the City of Bristol, Virginia Council did not include the School Board's state and federal revenue or expenditures so those funds were technically not appropriated.
Cause of Condition:	The School Board's state and federal revenue or expenditures were not appropriated as an oversight in the annual budgeting process.
Effect of Condition:	The School Board expended funds that were not appropriated.
Recommendation:	The City Council should appropriate the entire School Board budget and the School Board should implement procedures to monitor expenditures against that amount.
Management's Response:	The budgeting process for the City Council did not include the School Board's state and federal revenue or expenditures so those funds were technically not appropriated. This process has already been remedied for fiscal year 2018.

Section III - Federal Award Findings and Questioned Costs

There are no findings or questioned costs related to federal awards.

Section IV - Status of Prior Audit Findings

There were no prior findings.