City of Bristol, Virginia School Board
(A component unit of the City of Bristol, Virginia)

Annual Financial Report

For the Year Ended June 30, 2018

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD

SCHOOL BOARD MEMBERS

Randy Alvis, Chair

Tyrone Foster, Vice Chair	Ronald Cameron
Steve Fletcher	Randy White

SCHOOL OFFICIALS

Dr. Keith Perrigan, Ed.D.	Superintendent of Schools
Tammy Jones, CPA	Clerk of the School Board
Stephanie Austin	Deputy Clerk of the School Board

FINANCIAL SECTION

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2018, the School Board adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 16 to the financial statements, in 2018, the Board restated beginning balances to reflect the requirements of GASB Statement No. 75. In addition, the Board changed their capitalization policy for capital assets and the related restatement is also reported in Note 16. Our opinion is not modified with respect to this matter.

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 5-12, 84-86, and 87-100 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.

Supplementary and 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 and other supplementary information, 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* 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 other supplementary information 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 other supplementary information 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 16, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Bristol, Virginia School Board's 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 16, 2018

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, 2018.

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 $13,040,525 (net position). Of this amount, ($26,490,319) represents unrestricted net position. Unrestricted net position shows a negative balance due primarily to liabilities recorded in the statement of net position that will not be paid with immediate funds. Additionally, any unexpended funds which are not specifically restricted by state regulation must be returned to the primary government. Therefore, there is no buildup of fund balances to accommodate liabilities that will not be paid with current resources.

- The School Board's total net position increased by $836,131. The increase is attributable in part to an increase in state and federal funding.

- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of $1,760,241 a decrease of $47,570 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.

<u>Government-Wide Financial Statements</u> – 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.

Overview of the Financial Statements (Continued)

The statement of activities presents information showing how the School Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

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

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

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

The School Board maintains five individual governmental funds. One fund is classified as non-major 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, cafeteria, local capital projects fund, and non-major fund of School Construction Capital Projects Fund.

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

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Overview of the Financial Statements (Continued)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-83 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 $13,040,525 at the close of the most recent fiscal year.

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

The School Board's Net Position

	2018	2017
Current and Other Assets	$ 4,071,595	$ 4,884,560
Capital Assets	14,352,977	17,576,436
Total Assets	18,424,572	22,460,996
Deferred Outflows of Resources	2,658,111	3,222,483
Long-Term Liabilities	28,391,130	26,524,871
Other Liabilities	2,326,806	3,093,351
Total Liabilities	30,717,936	29,618,222
Deferred Inflows of Resources	3,405,272	1,735,000
Net Position		
Invested in Capital Assets	11,738,340	14,767,149
Restricted	1,711,454	1,777,711
Unrestricted	(26,490,319)	(22,214,603)
Total Net Position	$ (13,040,525)	$ (5,669,743)

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

The government's net position increased by $836,131, or 6%, during the current fiscal year. The key element of this increase is state and federal funding as seen below:

The School Board's Changes in Net Position

	2018	2017
Revenues		
Program Revenues		
Charges for Services	$ 161,244	$ 186,347
Operating Grants and Contributions**	10,814,646	19,294,737
General Revenues		
Intergovernmental Revenue**	15,685,015	6,471,877
Unrestricted Investment Earnings	10,337	8,720
Other	383,608	471,417
Total Revenues	27,054,850	26,433,098
Expenses		
Administration	937,049	938,851
Instructional Costs	19,322,617	20,342,179
Attendance and Health Services	685,729	673,167
Transportation	624,529	684,749
Food Services	1,551,577	1,479,110
Operations and Maintenance	3,020,736	2,864,067
Interest on Long-term Debt	76,482	81,939
Total Expenses	26,218,719	27,064,062
Increase in Net Position	836,131	(630,964)
Restatement of Net Position to Include Sales Tax Receivable	-	454,812
*Restatement of Net Position to Reflect Change in Capitalization Threshold	(3,091,253)	-
*Restatement of Net Position to Reflect Requirements of GASB 75	(5,115,660)	-
Beginning Net Position	(5,669,743)	(5,493,591)
Ending Net Position	$ (13,040,525)	$ (5,669,743)

*See Note 16
** See Note 17

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 $1,760,241, a decrease of $47,570 in comparison with the prior year. The entire fund balance is not available for new spending because $336,680 is considered nonspendable for inventories and prepaid items, $1,214,834 is restricted for capital outlay use only, including the purchase of textbooks, $141,026 is restricted for specific grant purposes and $355,594 is assigned for use in food service. A net of ($287,893) 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 ($287,893). 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 $141,026 restricted fund balance is to be utilized for specific grant purposes only and $287,956 is allocated to account for prepaid expenditures.

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 $490,244. The fund balance decreased $76,400 due to an additional 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 – 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 $355,594 while total fund balance reached $404,318. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Restricted fund balance represents 22.8% of total cafeteria fund expenditures, while total fund balance represents 25.9% of that same amount.

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 $592,944, an increase of $71,376. This increase is due to additional transfers from the General Fund in anticipation of funding required for construction of a new school, which was denied by City Council prior to the release of the audit report.

Financial Analysis of the Government's Funds (Continued)

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 $131,646. The fund balance decreased $41,967, 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:

	Original	Final	Actual
Revenues			
Intergovernmental	$ 25,179,006	25,392,854	25,058,082
Charges for Services	8,650	8,650	6,536
Other	453,606	504,020	598,425
Total Revenues	25,641,262	25,905,524	25,663,043
Expenditures			
Expenditures	25,401,942	25,845,697	25,264,279
Other Financing Sources (Uses)	(239,320)	(238,222)	(436,070)
Change in Fund Balance	$ -	(178,395)	(37,306)

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

Actual revenues were less than final budget amounts by $242,481 or 1.0%, while actual expenditures were $581,418, or 2% less than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2018, 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 $37,306.

Capital Asset Administration

Capital Assets – The School Board's investment in capital assets for its governmental activities as of June 30, 2018, amounts to $14,352,977 (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 18%. This decrease is attributed to a change in the capitalization threshold for 2018. 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; netted with the removal of assets that were below the updated threshold.

The School Board's Capital Assets

	2018	2017
Land	$ 267,711	$ 273,242
Construction in Progress	66,050	201,193
Buildings and Improvements	28,876,575	29,307,461
Furniture, Books and Equipment	1,011,714	5,024,911
Technology	927,448	4,628,621
Vehicles and Buses	2,135,576	2,171,914
Less Accumulated Depreciation	(18,932,097)	(24,030,906)
Total	$ 14,352,977	$ 17,576,436

Change in Capitalized Threshold for 2018. See Note 16.

Additional information on the School Board's capital assets can be found in Note 9 on page 53 of this report.

Economic Factors and Next Year's Budget

In setting the budgets for FY 2019, 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 2019 fiscal year.

Economic Factors and Next Year's Budget (Continued)

- The fiscal year 18-19 board adopted general fund budget is $26,954,256. This budget reflects a one-percent plus step salary increase for employees given in order to receive the compensation supplement provided by the State. Fiscal year 19-20 budget must include a minimum step increase to fulfil the Board's obligation under the compensation supplement requirements. 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. The Board will continue to support avenues that will allow for the building a new school for the City of Bristol, Virginia, without affecting the City's debt limit.

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 Chief Financial Officer, Bristol Virginia Public Schools, 220 Lee Street, Bristol, Virginia 24201 or via email at.

Basic Financial Statements

Exhibit 1

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Statement of Net Position
June 30, 2018

	Primary Government		Component Unit	
	Governmental Activities		BVPS Education Foundation	
ASSETS				
Cash and cash equivalents	$	1,057,657	$	176,087
Investments		-		539,103
Accounts receivable		173,337		-
Due from other governmental units		1,311,965		-
Prepaid expenses		287,956		-
Due from primary government (City of Bristol, Virginia)		18,300		-
Inventories		48,724		-
Restricted assets:				
Cash and cash equivalents		969,327		-
Investments		204,329		-
Capital assets (net of accumulated depreciation):				
Land		267,711		-
Construction in progress		66,050		-
Buildings and improvements		13,148,237		4,012,047
Furniture, books, and equipment		292,850		39,882
Vehicles and buses		475,359		-
Technology		102,770		-
Total assets	$	18,424,572	$	4,767,119
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$	2,346,286	$	-
OPEB related items		311,825		-
Total deferred outflows of resources	$	2,658,111	$	-
LIABILITIES				
Accounts payable	$	662,437	$	7,843
Wages payable		1,643,871		-
Advances from BVPS - Affiliated Entity		-		327,643
Accrued interest payable		15,452		-
Unearned revenue		5,046		-
Long-term liabilities:				
Due within one year		227,294		-
Due in more than one year		28,163,836		-
Total liabilities	$	30,717,936	$	335,486
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$	3,201,272	$	-
OPEB related items		204,000		-
Total deferred inflows of resources	$	3,405,272	$	-
NET POSITION				
Net invesment in capital assets	$	11,738,340	$	4,051,929
Restricted				
Capital projects		1,214,834		-
Cafeteria services		355,594		-
Grants		141,026		15,528
Unrestricted		(26,490,319)		364,176
Total net position	$	(13,040,525)	$	4,431,633

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

Exhibit 2

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
			Operating	Capital	Primary Government	Component Unit
Functions/Programs	**Expenses**	**Charges for Services**	**Grants and Contributions**	**Grants and Contributions**	**Governmental Activities**	**BVPS Education Foundation**
PRIMARY GOVERNMENT:						
Governmental activities:						
Administration	$ 937,049	$ -	$ -	$ -	$ (937,049)	$ -
Instruction	19,322,617	6,536	9,373,067	-	(9,943,014)	-
Attendance and Health Services	685,729	-	-	-	(685,729)	-
Transportation	624,529	-	-	-	(624,529)	-
Food Services	1,551,577	154,708	1,441,579	-	44,710	-
Operations and Maintenance	3,020,736	-	-	-	(3,020,736)	-
Interest on Long-Term Debt	76,482	-	-	-	(76,482)	-
Total governmental activities	$ 26,218,719	$ 161,244	$ 10,814,646	$ -	$ (15,242,829)	$ -
COMPONENT UNIT:						
BVPS Education Foundation	$ 290,490	$ -	$ -	$ -	$ -	$ (290,490)
General revenues:						
State basic aid					$ 6,243,337	$ -
State sales tax					2,651,739	-
Unrestricted revenues from the use of money and property					10,337	302,861
Miscellaneous					383,608	29,407
Contributions from the City of Bristol, Virginia					6,789,939	-
Total general revenues					$ 16,078,960	$ 332,268
Change in net position					$ 836,131	$ 41,778
Net position - beginning, as restated					(13,876,656)	4,389,855
Net position - ending					$ (13,040,525)	$ 4,431,633

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

Exhibit 3

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Balance Sheet
Governmental Funds
June 30, 2018

	Operating Fund	School Textbook Fund	Cafeteria Fund	Local Capital Projects Fund	Nonmajor Fund: School Construction Capital Projects Fund	Total
ASSETS						
Cash and cash equivalents	$ 1,057,657	$ -	$ -	$ -	$ -	$ 1,057,657
Accounts receivable	172,206	-	1,131	-	-	173,337
Due from other funds	-	153,527	-	371,635	-	525,162
Due from other governmental units	1,275,817	-	36,148	-	-	1,311,965
Prepaid expenses	287,956	-	-	-	-	287,956
Due from primary government	18,300	-	-	-	-	18,300
Inventories	-	-	48,724	-	-	48,724
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	410,672	267,575	221,309	69,771	969,327
Investments	-	-	116,263	-	88,066	204,329
Total assets	$ 2,811,936	$ 564,199	$ 469,841	$ 592,944	$ 157,837	$ 4,596,757
LIABILITIES						
Accounts payable	$ 541,543	$ 73,955	$ 20,748	$ -	$ 26,191	$ 662,437
Wages payable	1,610,576	-	33,295	-	-	1,643,871
Due to other funds	518,728	-	6,434	-	-	525,162
Unearned revenue	-	-	5,046	-	-	5,046
Total liabilities	$ 2,670,847	$ 73,955	$ 65,523	$ -	$ 26,191	$ 2,836,516
FUND BALANCES						
Nonspendable:						
Inventories	$ -	$ -	$ 48,724	$ -	$ -	$ 48,724
Prepaid items	287,956	-	-	-	-	287,956
Restricted:						
Capital projects	-	490,244	-	592,944	131,646	1,214,834
Grants	141,026	-	-	-	-	141,026
Food service	-	-	355,594	-	-	355,594
Unassigned	(287,893)	-	-	-		(287,893)
Total fund balances	$ 141,089	$ 490,244	$ 404,318	$ 592,944	$ 131,646	$ 1,760,241
Total liabilities and fund balances	$ 2,811,936	$ 564,199	$ 469,841	$ 592,944	$ 157,837	$ 4,596,757

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

Exhibit 4

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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 1,760,241
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 267,711	
Construction in progress	66,050	
Buildings and improvements	13,148,237	
Furniture, books, and equipment	292,850	
Vehicles and buses	475,359	
Technology	102,770	14,352,977
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 2,346,286	
OPEB related items	311,825	2,658,111
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	$ (445,240)	
Net OPEB liability	(5,643,600)	
Net pension liability	(19,687,653)	
Accrued interest payable	(15,452)	
Capital lease	(2,614,637)	(28,406,582)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (3,201,272)	
OPEB related items	(204,000)	(3,405,272)
Net position of governmental activities		$ (13,040,525)

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, 2018

	Operating Fund	School Textbook Fund	Cafeteria Fund	Local Capital Projects Fund	Nonmajor Fund: School Construction Capital Projects Fund	Total
REVENUES						
Revenue from the use of money and property	$ 3,814	$ 2,541	$ 1,094	$ 775	$ 2,113	$ 10,337
Charges for services	6,536	-	154,708	-	-	161,244
Miscellaneous	382,608	-	1,000	-	-	383,608
Recovered costs	212,003	-	-	-	-	212,003
Intergovernmental	25,058,082	-	1,441,579	-	-	26,499,661
Total revenues	$ 25,663,043	$ 2,541	$ 1,598,381	$ 775	$ 2,113	$ 27,266,853
EXPENDITURES						
Current:						
Administration	$ 789,917	$ -	$ -	$ -	$ -	$ 789,917
Instruction	19,861,956	-	-	-	-	19,861,956
Attendance and Health Services	687,394	-	-	-	-	687,394
Transportation	696,020	-	-	-	-	696,020
Food Services	-	-	1,514,081	-	-	1,514,081
Operations and Maintenance	2,421,702	-	-	-	-	2,421,702
Capital Projects	535,008	315,760	47,573	128,650	44,080	1,071,071
Debt service	272,282	-	-	-	-	272,282
Total expenditures	$ 25,264,279	$ 315,760	$ 1,561,654	$ 128,650	$ 44,080	$ 27,314,423
Excess (deficiency) of revenues over (under) expenditures	$ 398,764	$ (313,219)	$ 36,727	$ (127,875)	$ (41,967)	$ (47,570)
OTHER FINANCING SOURCES (USES)						
Transfers in	$ -	$ 236,819	$ -	$ 199,251	$ -	$ 436,070
Transfers out	(436,070)	-	-	-	-	(436,070)
Total other financing sources (uses)	$ (436,070)	$ 236,819	$ -	$ 199,251	$ -	$ -
Net change in fund balances	$ (37,306)	$ (76,400)	$ 36,727	$ 71,376	$ (41,967)	$ (47,570)
Fund balances - beginning	178,395	566,644	367,591	521,568	173,613	1,807,811
Fund balances - ending	$ 141,089	$ 490,244	$ 404,318	$ 592,944	$ 131,646	$ 1,760,241

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, 2018

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

Net change in fund balances - total governmental funds		$ (47,570)
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 depreciation exceeded capital outlays in the current period.		
Capital outlays	$ 486,310	
Transfer of asset from City, net	240,000	
Transfer of depreciation from City	(81,600)	
Depreciation expenses	(761,720)	(117,010)
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net position.		(15,196)
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.		
Principal payments:		
Capital leases		194,650
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.		
Changes in compensated absences	$ (58,811)	
OPEB expense	(38,715)	
Changes in accrued interest payable	1,150	
Pension expense	917,633	821,257
Change in net position of governmental activities		$ 836,131

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

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 different 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.

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.

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 recipes 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.

The Cafeteria Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for cafeteria operation. The fund consists of the student collections, grants, and miscellaneous revenue less operating and capital expenditures related to cafeteria.

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 one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB asset/liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liabilities measurement date. For more detailed information on these items, reference the related notes.

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 and net OPEB asset/liabilities are reported as deferred inflows of resources. For more detailed information on this item, reference the related notes.

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 $5,000 (amount not rounded) 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.

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.

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

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)

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.

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).

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

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

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 to use 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.

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 1-Summary of Significant Accounting Policies: (continued)

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

10. Other Postemployment Benefits (OPEB)

Health Insurance

The Board allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost until the retiree is Medicare eligible. This is discussed in detail in Note 11 of the financial statements.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program, and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. This is discussed in detail in Note 12 of the financial statements.

Group Life Insurance

In addition to the OPEB Group Life Insurance benefit, the Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. This is discussed in detail in Note 13 of the financial statements.

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. The School Board did not exceed City Council's appropriations.

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, 2018, consist of certificates of deposit with an original maturity date of twelve months and have a total balance of $204,329 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
Commonwealth of Virginia:		
Local sales tax	$ 340,188	$ -
VPSA grant	216,000	-
School grants	401,805	-
Federal Government:		
School grants	317,825	-
School food program	-	36,147
Totals	$ 1,275,818	$ 36,147

Note 5-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Operating Fund	$ -	$ (436,070)
School Textbook Fund	236,819	-
Local Capital Projects Fund	199,251	-
Total	$ 436,070	$ (436,070)

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.

	Due From	Due To
Operating Fund	$ -	$ 518,728
School Textbook Fund	153,527	-
Local Capital Projects Fund	371,635	-
Cafeteria Fund	-	6,434
Total	$ 525,162	$ 525,162

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:

	Beginning Balance, As Restated	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$ 386,429	$ 269,791	$ (210,980)	$ 445,240	$ 27,064
Capital lease	2,809,287	-	(194,650)	2,614,637	200,230
Net OPEB liability	5,793,400	348,300	(498,100)	5,643,600	-
Net pension liability	22,947,755	3,349,612	(6,609,714)	19,687,653	-
Total	$ 31,936,871	$ 3,967,703	$ (7,513,444)	$ 28,391,130	$ 227,294

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

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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		(233,818)
Net capital assets	$	3,013,654

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, 2018, were as follows:

Year Ending June 30,		Energy Savings Lease
2019	$	272,282
2020		272,282
2021		272,282
2022		272,282
2023		272,282
2024-2028		1,361,410
2029-2030		340,352
Subtotal	$	3,063,172
Less, amount representing interest		(448,535)
Present Value of Lease Agreement	$	2,614,637

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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 a 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**
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.	**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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • 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.

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • 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.
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, and they have not taken a refund. **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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**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. **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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • 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. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**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.	***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.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**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.

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** 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. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** 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. **Defined Contribution Component:** 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. Members are always 100% vested in the contributions that they make.

<u>Note 8-Pension Plan</u>: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **<u>Defined Contribution 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. • 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. Distribution is not required by law until age 70½.
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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1.

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** 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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
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%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **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.	**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. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

Note 8-Pension Plan: (continued)

Plan Description (continued)

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

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**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%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 8-Pension Plan: (continued)

Plan Description (continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)

<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:
• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
• The member retires on disability.
• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
• 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.</td><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)

<u>Exceptions to COLA Effective Dates:</u>
Same as Plan 1.</td><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)

<u>Exceptions to COLA Effective Dates:</u>
Same as Plan 1 and Plan 2.</td></tr>
</table>

Note 8-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**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.	**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. 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.
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. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 8-Pension Plan: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 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	40
Inactive members:	
Vested inactive members	2
Non-vested inactive members	7
Inactive members active elsewhere in VRS	-
Total inactive members	9
Active members	16
Total covered employees	65

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 employer contribution rate for nonprofessional employees for the year ended June 30, 2018 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.

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 $86,122 and $40,529 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 8-Pension Plan: (continued)

Net Pension Liability

The School Board's (nonprofessional) net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, 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:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compound from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 8-Pension Plan: (continued)

Actuarial Assumptions – General Employees (continued)

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% pf deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, 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, 2019 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.

Note 8-Pension Plan: (continued)

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, 2016	$ 2,723,726	$ 2,255,971	$ 467,755
Changes for the year:			
Service cost	$ 31,780	$ -	$ 31,780
Interest	182,965	-	182,965
Differences between expected and actual experience	(28,124)	-	(28,124)
Change in assumptions	14,988	-	14,988
Contributions - employer	-	40,529	(40,529)
Contributions - employee	-	19,781	(19,781)
Net investment income	-	264,280	(264,280)
Benefit payments, including refunds of employee contributions	(219,874)	(219,874)	-
Administrative expenses	-	(1,648)	1,648
Other changes	-	(231)	231
Net changes	$ (18,265)	$ 102,837	$ (121,102)
Balances at June 30, 2017	$ 2,705,461	$ 2,358,808	$ 346,653

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)	$ 604,683	$ 346,653	$ 126,878

Note 8-Pension Plan: (continued)

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

For the year ended June 30, 2018, the School Board (nonprofessional) recognized pension expense of $29,144.

At June 30, 2018, 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	$ 4,380	$ 13,627
Change in assumptions	7,262	-
Net difference between projected and actual earnings on pension plan investments	-	29,645
Employer contributions subsequent to the measurement date	86,122	-
Total	$ 97,764	$ 43,272

$86,122 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 ending June 30, 2019. 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)
2019	$ (25,753)
2020	14,077
2021	2,447
2022	(22,401)
Thereafter	-

Note 8-Pension Plan: (continued)

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 provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% 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 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. Contributions to the pension plan from the school division were $1,951,522 and $1,793,482 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of $19,341,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.15727% as compared to 0.16041% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of 1,086,000. 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.

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, 2018, 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	$ -	$ 1,369,000
Change in assumptions	282,000	-
Net difference between projected and actual earnings on pension plan investments	-	703,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,000	1,086,000
Employer contributions subsequent to the measurement date	1,951,522	-
Total	$ 2,248,522	$ 3,158,000

$1,951,522 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. 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)
2019	$ (1,100,000)
2020	(402,000)
2021	(491,000)
2022	(754,000)
Thereafter	(114,000)

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, 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-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP- 2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

Note 8-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability (Asset)	$ 12,297,975
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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.

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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, 2019, 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, 2019 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)	$ 28,883,000	$ 19,341,000	$ 11,448,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	(As Restated) Beginning Balance	Increases	Decreases	Adjustments/ Transfers (1)	Ending Balance
Capital assets, not being depreciated:					
Land	$ 267,711	$ -	$ -	$ -	$ 267,711
Construction in progress	201,193	156,878	(292,021)	-	66,050
Total capital assets not being depreciated	$ 468,904	$ 156,878	$ (292,021)	$ -	$ 333,761
Capital assets, being depreciated:					
Buildings and improvements	$ 28,217,912	$ 418,663	$ -	$ 240,000	$ 28,876,575
Furniture, books, and equipment	1,011,281	19,565	(19,132)	-	1,011,714
Technology	866,959	60,489	-	-	927,448
Vehicles and buses	2,103,601	122,736	(90,761)	-	2,135,576
Total capital assets being depreciated	$ 32,199,753	$ 621,453	$ (109,893)	$ 240,000	$ 32,951,313
Accumulated depreciation:					
Buildings and improvements	$ (15,045,631)	$ (601,107)	$ -	$ (81,600)	$ (15,728,338)
Furniture, books, and equipment	(683,048)	(39,752)	3,936	-	(718,864)
Technology	(793,089)	(31,589)	-	-	(824,678)
Vehicles and buses	(1,661,706)	(89,272)	90,761	-	(1,660,217)
Total accumulated depreciation	$ (18,183,474)	$ (761,720)	$ 94,697	$ (81,600)	$ (18,932,097)
Total capital assets being depreciated, net	$ 14,016,279	$ (140,267)	$ (15,196)	$ 158,400	$ 14,019,216
Governmental activities capital assets, net	$ 14,485,183	$ 16,611	$ (307,217)	$ 158,400	$ 14,352,977

(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 was 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	$ 124,721
Instruction	528,581
Pupil transportation	62,396
Food service	40,003
Operation and maintenance	6,019
Total depreciation expense-governmental activities	$ 761,720

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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:

Plan Description

In addition to the pension benefits described in Note 8, the School Board participates in a cost-sharing defined benefit healthcare plan, The Plan. The Plan is administered by the City of Bristol, Virginia. The School Board reports their proportionate information on the basis of a cost-sharing plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees to include health insurance. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. Employees are eligible for the program at age 50 and 10 years of service to the School Board.

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was $93,100.

Total OPEB Liability

The School Board's total OPEB liability was measured as of July 1, 2017. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

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

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.50%
Discount Rate	3.56%
Investment rate of return	N/A

Mortality rates was the RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that contributions from the Board will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current plan members.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following amounts present the net OPEB liability of the School Board, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
$ 2,890,271	$ 2,620,600	$ 2,377,007

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

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the School Board, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.28%) or one percentage point higher (6.28%) than the current healthcare cost trend rates:

1% Decrease (4.28%)	Healthcare Cost Trend Rates (5.28%)	1% Increase (6.28)
$ 2,340,461	$ 2,620,600	$ 2,953,978

Net OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the School Board reported a liability of $2,620,600 for its proportionate share of the Net OPEB Liability. The Net OPEB Liability was measured as of July 1, 2017 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. At June 30, 2018 and 2017, the School Board's proportion was 45.12% and 45.46%, respectively.

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of $182,300.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB Plan investments	-	-
Employer contributions after measurement date but prior to fiscal year end	93,100	-
Total	$ 93,100	$ -

$93,100 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 12- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
  - $4.00 per month, multiplied by twice the amount of service credit, or
  - $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 12- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Health Insurance Credit Program were $148,727 and $136,888 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of $1,982,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.15626% as compared to 0.16040% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $154,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

Note 12- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	4,000
Change in assumptions	-	20,000
Changes in proportionate share	-	46,000
Employer contributions subsequent to the measurement date	148,727	
Total	$ 148,727	$ 70,000

$148,727 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30	
2019	$ (11,000)
2020	(11,000)
2021	(11,000)
2022	(11,000)
2023	(10,000)
Thereafter	(16,000)

Note 12- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

Note 12- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	$	1,268,611
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 12- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Note 12- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB 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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 2,213,000	$ 1,982,000	$ 1,787,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Plan Description (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued)
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Program from the School Board (nonprofessional) were $4,872 and $2,224 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the School Board (professional) were $62,126 and $64,128 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the School Board (nonprofessional) reported a liability of $35,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the School Board (professional) reported a liability of $1,006,000 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2017, the School Board's (nonprofessional) proportion was 0.00232% as compared to 0.00211% at June 30, 2016.

At June 30, 2017, the School Board's (professional) proportion was 0.06686% as compared to 0.06806% at June 30, 2016.

For the year ended June 30, 2018, the School Board (nonprofessional) recognized GLI OPEB expense of $1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the School Board (professional) recognized GLI OPEB expense of $8,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	School Board (nonprofessional)		School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,000	$ -	$ 22,000
Change in assumptions	-	2,000	-	52,000
Changes in proportion	3,000	-	-	18,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000	-	38,000
Employer contributions subsequent to the measurement date	4,872	-	62,126	-
Total	$ 7,872	$ 4,000	$ 62,126	$ 130,000

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

$4,872 and $62,126 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board (nonprofessional) and School Board (professional), respectively, contributions subsequent to the measurement will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30	School Board (nonprofessional)	School Board (professional)
2019	$ (1,000)	$ (26,000)
2020	-	(26,000)
2021	-	(26,000)
2022	-	(26,000)
2023	-	(17,000)
Thereafter	-	(9,000)

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – VaLORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB 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 GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

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Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 13 - Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Discount Rate

The discount rate used to measure the total GLI OPEB 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 guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB 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:

		Rate	
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School Board (non-professional) proportionate share of the Group Life Insurance Program Net OPEB Liability:	$ 46,000	$ 35,000	$ 27,000
School Board (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability:	$ 1,302,000	$ 1,006,000	$ 767,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14-Commitments and Contingencies:

Commitments:
The School Board has obligated funds for the project described below as of June 30, 2018:

	Original Contract	Amount Paid As of 6/30/2018	Remaining Contract Amount
New elementary PPEA project	$ 250,000	$ -	$ 250,000

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 guidance 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.

Note 15-Adoption of Accounting Principle:

The School Board implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the School Board implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the below restatement of net position.

Note 16-Restatement of Net Position:

Net Position, July 1, 2017, as previously stated	$ (5,669,743)
Change in Capitalization Threshold	(3,091,253)
Remove prior net OPEB obligation	381,400
Implementation of GASB 75:	
GASB 75 Implementation	(5,497,060)
Net Position, July 1, 2017, as restated	$ (13,876,656)

Note 17-Reclassification of Exhibit 2 Revenues:

During fiscal year 2018, the School Board corrected the presentation of general revenues (sales tax and basic aid) from school operating grants. This resulted in a significant reclassification of revenues on Exhibit 2.

Note 18-Litigation:

As of June 30, 2018, 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 19-Upcoming Pronouncements:

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.

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. 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.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Note 19-Upcoming Pronouncements: (continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. 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

Exhibit 7

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, 2018

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ 5,000	$ 5,000	$ 3,814	$ (1,186)
Charges for services	8,650	8,650	6,536	(2,114)
Miscellaneous	345,686	345,687	382,608	36,921
Recovered costs	102,920	153,333	212,003	58,670
Intergovernmental	25,179,006	25,392,854	25,058,082	(334,772)
Total revenues	$ 25,641,262	$ 25,905,524	$ 25,663,043	$ (242,481)
EXPENDITURES				
Current:				
Administration	$ 867,399	$ 852,005	$ 789,917	$ 62,088
Instructional Costs	20,045,735	20,132,082	19,861,956	270,126
Attendance and Health Services	689,613	693,547	687,394	6,153
Transportation	707,435	740,095	696,020	44,075
Operations and Maintenance	2,609,374	2,630,782	2,421,702	209,080
Capital Projects	210,104	524,904	535,008	(10,104)
Debt service	272,282	272,282	272,282	-
Total expenditures	$ 25,401,942	$ 25,845,697	$ 25,264,279	$ 581,418
Excess (deficiency) of revenues over (under) expenditures	$ 239,320	$ 59,827	$ 398,764	$ 338,937
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (239,320)	$ (238,222)	$ (436,070)	$ (197,848)
Total other financing sources and uses	$ (239,320)	$ (238,222)	$ (436,070)	$ (197,848)
Net change in fund balances	$ -	$ (178,395)	$ (37,306)	$ 141,089
Fund balances - beginning	-	178,395	178,395	-
Fund balances - ending	$ -	$ -	$ 141,089	$ 141,089

Exhibit 8

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, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ 500	$ 2,541	$ 2,041
Total revenues	$ -	$ 500	$ 2,541	$ 2,041
EXPENDITURES				
Capital Projects	$ 667,457	$ 400,000	$ 315,760	$ 84,240
Total expenditures	$ 667,457	$ 400,000	$ 315,760	$ 84,240
Excess (deficiency) of revenues over (under) expenditures	$ (667,457)	$ (399,500)	$ (313,219)	$ 86,281
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ 239,320	$ 236,819	$ (2,501)
Total other financing sources and uses	$ -	$ 239,320	$ 236,819	$ (2,501)
Net change in fund balances	$ (667,457)	$ (160,180)	$ (76,400)	$ 83,780
Fund balances - beginning	667,457	160,180	566,644	406,464
Fund balances - ending	$ -	$ -	$ 490,244	$ 490,244

Exhibit 9

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 - Cafeteria Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ 525	$ 525	$ 1,094	$ 569
Charges for services	155,000	155,000	154,708	(292)
Miscellaneous	-	-	1,000	1,000
Intergovernmental	1,315,000	1,315,000	1,441,579	126,579
Total revenues	$ 1,470,525	$ 1,470,525	$ 1,598,381	$ 127,856
EXPENDITURES				
Current:				
Food services	$ 1,421,445	$ 1,421,445	$ 1,514,081	$ (92,636)
Capital projects	357,423	47,250	47,573	(323)
Total expenditures	$ 1,778,868	$ 1,468,695	$ 1,561,654	$ (92,959)
Excess (deficiency) of revenues over (under) expenditures	$ (308,343)	$ 1,830	$ 36,727	$ 34,897
Net change in fund balances	$ (308,343)	$ 1,830	$ 36,727	$ 34,897
Fund balances - beginning	308,343	(1,830)	367,591	369,421
Fund balances - ending	$ -	$ -	$ 404,318	$ 404,318

Exhibit 10

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, 2018

		2017		2016		2015		2014
Total pension liability								
Service cost	$	31,780	$	32,602	$	28,122	$	27,708
Interest		182,965		181,160		174,748		177,953
Changes of benefit terms		-		-		-		-
Differences between expected and actual experience		(28,124)		34,594		110,892		-
Changes in assumptions		14,988		-		-		-
Benefit payments, including refunds of employee contributions		(219,874)		(225,257)		(219,075)		(283,803)
Net change in total pension liability	$	(18,265)	$	23,099	$	94,687	$	(78,142)
Total pension liability - beginning		2,723,726		2,700,627		2,605,940		2,684,082
Total pension liability - ending (a)	$	2,705,461	$	2,723,726	$	2,700,627	$	2,605,940
Plan fiduciary net position								
Contributions - employer	$	40,529	$	35,356	$	35,509	$	32,976
Contributions - employee		19,781		18,070		18,376		17,626
Net investment income		264,280		37,131		107,616		344,926
Benefit payments, including refunds of employee contributions		(219,874)		(225,257)		(219,075)		(283,803)
Administrative expense		(1,648)		(1,565)		(1,617)		(2,044)
Other		(231)		(17)		(23)		19
Net change in plan fiduciary net position	$	102,837	$	(136,282)	$	(59,214)	$	109,700
Plan fiduciary net position - beginning		2,255,971		2,392,253		2,451,467		2,341,767
Plan fiduciary net position - ending (b)	$	2,358,808	$	2,255,971	$	2,392,253	$	2,451,467
School Division's net pension liability - ending (a) - (b)	$	346,653	$	467,755	$	308,374	$	154,473
Plan fiduciary net position as a percentage of the total pension liability		87.19%		82.83%		88.58%		94.07%
Covered payroll	$	427,785	$	378,275	$	374,688	$	352,512
School Division's net pension liability as a percentage of covered payroll		81.03%		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, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.15727%	0.16041%	0.16291%	0.17120%
Employer's Proportionate Share of the Net Pension Liability	$ 19,341,000	$ 22,480,000	$ 20,504,000	$ 20,689,000
Employer's Covered Payroll	12,332,218	12,230,845	12,112,576	12,519,915
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	156.83%	183.80%	169.28%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	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.

Exhibit 12

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, 2018

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)									
2018	$	86,122	$	86,122	$	-	$	936,956	9.19%
2017		40,529		40,529		-		427,785	9.47%
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%
School Board (professional)									
2018	$	1,951,522	$	1,951,522	$	-	$	12,091,612	16.14%
2017		1,793,482		1,793,482		-		12,332,218	14.54%
2016		1,804,522		1,804,522		-		12,230,845	14.75%
2015		1,932,587		1,932,587		-		12,112,576	15.96%
2014		1,473,181		1,473,181		-		12,519,915	11.77%
2013		1,429,299		1,429,299		-		12,258,703	11.66%
2012		737,806		737,806		-		11,657,185	6.33%
2011		458,943		458,943		-		11,677,925	3.93%
2010		939,646		939,646		-		8,580,027	10.95%
2009		1,102,688		1,102,688		-		12,430,191	8.87%

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, 2018

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, 2017 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Exhibit 14

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of School Board's Proportionate Share of the Total OPEB Liability
Health Insurance
For the Year Ended June 30, 2018

Date (1)	Proportion of the Total OPEB Liability (TPL) (2)	Proportionate Share of the TOL (3)	Covered Payroll (4)	Proportionate Share of the TOL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability (6)
2017	45.12%	$ 2,620,600	$ 11,655,083	22.48%	0.00%
2016	45.46%	2,531,400	11,742,909	21.56%	0.00%

Schedule is intended to show information for 10 years. Information prior to the 2016 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
Health Insurance
For the Years Ended June 30, 2017 through June 30, 2018

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)
2018	$ 93,100	$ 93,100	$ -	$ 11,900,392	0.78%
2017	93,100	93,100	-	11,655,083	0.80%

Schedule is intended to show information for 10 years. Information prior to 2017 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)
Notes to Required Supplementary Information - Health Insurance OPEB
For the Year Ended June 30, 2018

School Board

Valuation Date: 7/1/2017
Measurement Date: 7/1/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.28% for 2017 and then increases to 6.00% for 2018. This rate then decreases at a rate of 0.50% per year until 5.00% is reached
Salary Increase Rates	The salary increase is 2.50% as of June 30, 2017
Retirement Age	Retirement is 40% for males and 35% for females when age plus service equals 90 or more.
Mortality Rates	The mortality rates were based on the RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.1563%	$ 1,982,000	$ 12,332,218	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Exhibit 18

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer Contributions
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

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 (Professional)					
2018	$ 148,727	$ 148,727	$ -	$ 12,091,612	1.23%
2017	136,888	136,888	-	12,332,218	1.11%
2016	129,647	129,647	-	12,230,845	1.06%
2015	128,393	128,393	-	12,112,576	1.06%
2014	138,971	138,971	-	12,519,915	1.11%
2013	135,830	135,830	-	12,258,703	1.11%
2012	69,963	69,963	-	11,657,185	0.60%
2011	70,067	70,067	-	11,677,925	0.60%
2010	89,269	89,269	-	8,580,027	1.04%
2009	134,246	134,246	-	12,430,191	1.08%

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
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Exhibit 20

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
School Board (Nonprofessional)					
2017	0.00232%	$ 35,000	$ 427,785	8.18%	48.86%
School Board (Professional)					
2017	0.06686%	$ 1,006,000	$ 12,332,218	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Exhibit 21

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

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)					
2018	$ 4,872	$ 4,872	$ -	$ 936,956	0.52%
2017	2,224	2,224	-	427,785	0.52%
2016	1,816	1,816	-	378,275	0.48%
2015	1,799	1,799	-	374,688	0.48%
2014	1,692	1,692	-	352,512	0.48%
2013	1,695	1,695	-	353,136	0.48%
2012	990	990	-	353,513	0.28%
2011	981	981	-	350,356	0.28%
2010	722	722	-	366,804	0.20%
2009	1,029	1,029	-	381,005	0.27%
School Board (Professional)					
2018	$ 62,126	$ 62,126	$ -	$ 12,091,612	0.51%
2017	64,128	64,128	-	12,332,218	0.52%
2016	58,708	58,708	-	12,230,845	0.48%
2015	58,140	58,140	-	12,112,576	0.48%
2014	60,095	60,095	-	12,519,915	0.48%
2013	58,842	58,842	-	12,258,703	0.48%
2012	32,640	32,640	-	11,657,185	0.28%
2011	32,698	32,698	-	11,677,925	0.28%
2010	23,166	23,166	-	8,580,027	0.27%
2009	33,562	33,562	-	12,430,191	0.27%

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
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Other Supplementary Information

Exhibit 23

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
Local Capital Projects Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
REVENUES				
Revenue from the use of money and property	$ 100	$ 100	$ 775	$ 675
Total revenues	$ 100	$ 100	$ 775	$ 675
EXPENDITURES				
Capital Projects	$ 301,349	$ 301,349	$ 128,650	$ 172,699
Total expenditures	$ 301,349	$ 301,349	$ 128,650	$ 172,699
Excess (deficiency) of revenues over (under) expenditures	$ (301,249)	$ (301,249)	$ (127,875)	$ 173,374
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 200,000	$ 200,000	$ 199,251	$ (749)
Total other financing sources and uses	$ 200,000	$ 200,000	$ 199,251	$ (749)
Net change in fund balances	$ (101,249)	$ (101,249)	$ 71,376	$ 172,625
Fund balances - beginning	101,249	101,249	521,568	420,319
Fund balances - ending	$ -	$ -	$ 592,944	$ 592,944

Exhibit 24

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, 2018

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ 500	$ 2,113	$ 1,613
Total revenues	$ -	$ 500	$ 2,113	$ 1,613
EXPENDITURES				
Capital projects	$ 200,975	$ 73,399	$ 44,080	$ 29,319
Total expenditures	$ 200,975	$ 73,399	$ 44,080	$ 29,319
Excess (deficiency) of revenues over (under) expenditures	$ (200,975)	$ (72,899)	$ (41,967)	$ 30,932
Net change in fund balances	$ (200,975)	$ (72,899)	$ (41,967)	$ 30,932
Fund balances - beginning	200,975	72,899	173,613	100,714
Fund balances - ending	$ -	$ -	$ 131,646	$ 131,646

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, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 4	$ 4
Revenue from use of property	5,000	5,000	3,810	(1,190)
Total revenue from use of money and property	$ 5,000	$ 5,000	$ 3,814	$ (1,186)
Charges for services:				
Tuition	$ 8,650	$ 8,650	$ 6,536	$ (2,114)
Total charges for services	$ 8,650	$ 8,650	$ 6,536	$ (2,114)
Miscellaneous:				
Miscellaneous	$ 345,686	$ 345,687	$ 382,608	$ 36,921
Total miscellaneous	$ 345,686	$ 345,687	$ 382,608	$ 36,921
Recovered costs:				
Sale of equipment	$ 5,000	$ 5,000	$ 6,007	$ 1,007
Insurance recoveries	-	41,868	55,452	13,584
E-Rate savings	97,920	106,465	150,544	44,079
Total recovered costs	$ 102,920	$ 153,333	$ 212,003	$ 58,670
Total revenue from local sources	$ 462,256	$ 512,670	$ 604,961	$ 92,291
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Bristol, Virginia	$ 6,713,510	$ 6,788,510	$ 6,789,939	$ 1,429
Total revenues from local governments	$ 6,713,510	$ 6,788,510	$ 6,789,939	$ 1,429
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	$ 2,803,418	$ 2,803,418	$ 2,651,739	$ (151,679)
Basic school aid	6,353,190	6,315,100	6,243,337	(71,763)
Foster children	31,949	31,949	17,663	(14,286)
Remedial summer school	147,435	147,435	108,049	(39,386)
Gifted and talented	72,798	72,464	72,037	(427)
Remedial education	382,190	380,437	378,196	(2,241)
Special education	891,776	887,685	882,457	(5,228)
Vocational education	151,738	150,854	149,571	(1,283)
Social security	442,855	440,823	438,227	(2,596)
Retirement	1,017,656	1,012,988	1,007,022	(5,966)
Project Graduation	3,695	3,695	3,695	-
Early reading intervention	56,790	56,790	77,234	20,444
Homebound Instruction	26,957	26,957	24,672	(2,285)
Group Life Payments	30,333	30,193	30,016	(177)
GED prep programs	7,859	8,294	8,294	-
Vocational education - equipment	9,426	8,152	8,152	-
SOL algebra readiness	45,825	45,825	48,344	2,519
At risk payments	775,106	775,106	791,027	15,921
Primary class size payments	529,323	529,323	499,019	(30,304)
Mentor teacher program	1,053	620	620	-

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, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
English as a second lanquage	$ 22,340	$ 22,340	$ 21,884	$ (456)
Hospitals, clinics, and detention homes	737,619	760,848	1,016,916	256,068
Salary supplement	69,363	69,045	68,637	(408)
Alternative education	135,074	135,074	135,074	-
Textbook funds	166,495	165,731	164,755	(976)
Lottery funds	415,738	424,424	411,768	(12,656)
Vocational education - equipment	36,975	24,397	31,768	7,371
Technology mini grant	278,425	232,000	190,000	(42,000)
Year round programs	230,342	192,650	192,650	-
Positive behavior	-	15,000	15,000	-
VPSA school security	-	100,000	100,000	-
Other state funds	131,538	166,171	208,816	42,645
Total categorical aid	$ 16,005,281	$ 16,035,788	$ 15,996,639	$ (39,149)
Total revenue from the Commonwealth	$ 16,005,281	$ 16,035,788	$ 15,996,639	$ (39,149)
Revenue from the federal government:				
Categorical aid:				
Title I, Part A - Improving basic programs	$ 1,502,409	$ 1,211,036	$ 1,109,289	$ (101,747)
Title I, Part D - Neglected and delinquent children	4,581	3,039	1,301	(1,738)
Vocational education	58,322	62,332	55,133	(7,199)
Title II, Part A - Improving teacher quality	143,253	131,507	123,663	(7,844)
Title VI-B, Special education	599,086	642,065	548,174	(93,891)
Title VI-B, Special education - preschool	16,010	16,010	16,010	-
21st century learning grant	-	346,916	330,434	(16,482)
Title III-english proficiency	4,054	3,857	3,688	(169)
Other federal categorical aid	132,500	151,794	83,812	(67,982)
Total categorical aid	$ 2,460,215	$ 2,568,556	$ 2,271,504	$ (297,052)
Total revenue from the federal government	$ 2,460,215	$ 2,568,556	$ 2,271,504	$ (297,052)
Total Operating Fund	$ 25,641,262	$ 25,905,524	$ 25,663,043	$ (242,481)
Special Revenue Funds:				
Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ 500	$ 2,541	$ 2,041
Total revenue from use of money and property	$ -	$ 500	$ 2,541	$ 2,041
Total revenue from local sources	$ -	$ 500	$ 2,541	$ 2,041
Total Textbook Fund	$ -	$ 500	$ 2,541	$ 2,041

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, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 525	$ 525	$ 1,094	$ 569
Total revenue from use of money and property	$ 525	$ 525	$ 1,094	$ 569
Charges for services:				
Cafeteria sales	$ 155,000	$ 155,000	$ 154,708	$ (292)
Total charges for services	$ 155,000	$ 155,000	$ 154,708	$ (292)
Miscellaneous revenue:				
Other miscellaneous	$ -	$ -	$ 1,000	$ 1,000
Total miscellaneous	$ -	$ -	$ 1,000	$ 1,000
Total revenue from local sources	$ 155,525	$ 155,525	$ 156,802	$ 1,277
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 25,000	$ 25,000	$ 33,930	$ 8,930
Total categorical aid	$ 25,000	$ 25,000	$ 33,930	$ 8,930
Total revenue from the Commonwealth	$ 25,000	$ 25,000	$ 33,930	$ 8,930
Revenue from the federal government:				
Categorical aid:				
School food program grant	$ 1,290,000	$ 1,290,000	$ 1,407,649	$ 117,649
Total categorical aid	$ 1,290,000	$ 1,290,000	$ 1,407,649	$ 117,649
Total revenue from the federal government	$ 1,290,000	$ 1,290,000	$ 1,407,649	$ 117,649
Total School Cafeteria Fund	$ 1,470,525	$ 1,470,525	$ 1,598,381	$ 127,856
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	$ 775	$ 675
Total revenue from use of money and property	$ 100	$ 100	$ 775	$ 675
Total revenue from local sources	$ 100	$ 100	$ 775	$ 675
Total Local Capital Projects Fund	$ 100	$ 100	$ 775	$ 675

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, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
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	$ 2,113	$ 1,613
Total revenue from use of money and property	$ -	$ 500	$ 2,113	$ 1,613
Total revenue from local sources	$ -	$ 500	$ 2,113	$ 1,613
Total Nonmajor Capital Projects Fund	$ -	$ 500	$ 2,113	$ 1,613
Total School Board	$ 27,111,887	$ 27,377,149	$ 27,266,853	$ (110,296)

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, 2018

Fund, Function, Activity and Element		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
Operating Fund:								
Administration	$	867,399	$	852,005	$	789,917	$	62,088
Instructional Costs		20,045,735		20,132,082		19,861,956		270,126
Attendance and Health Services		689,613		693,547		687,394		6,153
Transportation		707,435		740,095		696,020		44,075
Operations and Maintenance		2,609,374		2,630,782		2,421,702		209,080
Capital Projects		210,104		524,904		535,008		(10,104)
Debt Service		272,282		272,282		272,282		-
Total Operating Fund	$	25,401,942	$	25,845,697	$	25,264,279	$	581,418
Special Revenue Funds:								
Textbook Fund:								
Capital Projects	$	667,457	$	400,000	$	315,760	$	84,240
Total Textbook Fund	$	667,457	$	400,000	$	315,760	$	84,240
Cafeteria Fund:								
Food Services	$	1,421,445	$	1,421,445	$	1,514,081	$	(92,636)
Capital Projects		357,423		47,250		47,573		(323)
Total Cafeteria Fund	$	1,778,868	$	1,468,695	$	1,561,654	$	(92,959)
Capital Projects Fund:								
Local Capital Projects Fund:								
Capital Projects	$	301,349	$	301,349	$	128,650	$	172,699
Total Local Capital Projects Fund	$	301,349	$	301,349	$	128,650	$	172,699
Nonmajor Capital Projects Fund:								
School Construction Capital Projects Fund:								
Capital Projects	$	200,975	$	73,399	$	44,080	$	29,319
Total School Construction Capital Projects Fund	$	200,975	$	73,399	$	44,080	$	29,319
Total School Board	$	28,350,591	$	28,089,140	$	27,314,423	$	774,717

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the 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, 2018, 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 16, 2018. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 16, 2018

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, 2018. 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, 2018.

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 a 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 16, 2018

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, 2018

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:					
Child Nutrition Cluster:					
State Department of Agriculture:					
Food Distribution (Note C)	10.555	Not available	$ 88,927		
State Department of Education:					
National School Lunch Program	10.555	APE40254	734,744	$ 823,671	
State Department of Education:					
School Breakfast Program	10.553	APE40253		330,305	
Summer Food Service Program for Children	10.559	APE40251		63,455	
Total Child Nutrition Cluster:					$ 1,217,431
Fresh Fruit and Vegetable Program	10.582	APE40252			46,544
Child Nutrition Discretionary Grants Limited Availability	10.579	APE40622			26,758
Child and Adult Care Food Program	10.558	APE70027			116,916
Total Department of Agriculture					$ 1,407,649
Department of Health and Human Services:					
Pass Through Payments from:					
Virginia Department of Medical Assistance Services:					
Medicaid	93.000	Not available			$ 70,593
Total Department of Health and Human Services					$ 70,593
Department of Education:					
Pass Through Payments from:					
State Department of Education:					
Title I Grants to Local Educational Agencies	84.010	APE42901			$ 1,109,289
Special Education Cluster (IDEA):					
Special Education - Grants to States	84.027	APE43071		$ 548,174	
Special Education - Preschool Grants	84.173	APE62521		16,010	
Total Special Education Cluster (IDEA):					564,184
Career and Technical Education - Basic Grants to States	84.048	APE61095			55,133
Supporting Effective Instruction State Grant	84.367	APE61480			123,663
Twenty-First Century Community Learning Centers	84.287	APE60565			330,434
Student Support and Academic Enrichment Program	84.424	APE60281			13,219
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	APE42948			1,301
English Language Acquisition State Grants	84.365	Not available			3,688
Total Department of Education					$ 2,200,911
Total Expenditures of Federal Awards					$ 3,679,153

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, 2018

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 award activity of the City of Bristol, Virginia School Board under programs of the federal government for the year ended June 30, 2018. 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	$ 25,058,082
Less: Contribution from the City of Bristol, Virginia	(6,789,939)
Less: Revenue from the Commonwealth	(15,996,639)
Cafeteria Fund-Intergovernmental	1,441,579
Less: Revenue from the Commonwealth	(33,930)
Total School Board	$ 3,679,153

City of Bristol, Virginia School Board
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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?	No

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:

CFDA #	Name of Federal Program or Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

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

Section II - Financial Statement Findings

There were no financial statement findings to report.

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

Finding 2017-001 was corrected during fiscal year 2018.