BRISTOL VIRGINIA SCHOOL BOARD

(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)

FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2015

BRISTOL VIRGINIA SCHOOL BOARD

(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)

FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

For the Fiscal Year Ended June 30, 2015

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

INTRODUCTORY SECTION

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

SCHOOL BOARD MEMBERS

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

SCHOOL OFFICIALS

Rex Gearhart	Superintendent of Schools
Tammy M. Jones, CPA	Clerk of the School Board
Stephanie Austin	Deputy Clerk of the School Board

SECTION II

FINANCIAL SECTION

Blackburn, Childers & Steagall, PLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Bristol Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements. We did not audit the financial statements of the discretely presented component unit. These financial statements collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

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Kingsport 1361 South Wilcox Drive, Kingsport, TN 37660 423.246.1725
Greeneville 550 Tusculum Boulevard, Greeneville, TN 37745 423.638.8516

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effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Bristol Virginia School Board, a component unit of the City of Bristol, Virginia, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the Operating Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2015, the School Board adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. 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 on pages 5-13 and the schedule of changes in the school board's net pension liability and related ratios, schedule of employer's share of net pension liability for the VRS teacher retirement plan, schedule of employer contributions, and other post-employment benefits on pages 61-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bristol Virginia School Board's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2015, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School Board's internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 30, 2015

As management of the Bristol Virginia School Board (the "School Board"), we offer readers of the School Board's financial statements this overview and analysis of the financial activities of the School Board for the fiscal year ended June 30, 2015.

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 $6,143,603 (net position). Of this amount, ($22,353,111) represents unrestricted net position. Unrestricted net position shows a negative balance due primarily to liabilities recorded in the statement of net position that will not be paid with immediate funds. Additionally, any unexpended funds which are not specifically restricted by state regulation must be returned to the primary government. Therefore, there is no build up of fund balances to accommodate liabilities that will not be paid with current resources.

- The School Board's total net position increased by $110,419. This increase is attributable to a larger decrease in expenditures than the decrease in funding sources.

- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of $1,611,179 an increase of $219,491 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, liabilities, and deferred inflows/outflows, with the difference reported 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 14 and 15 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 School Board's operations with information on near-term inflows and outflows of spendable resources. These statements also highlight the balances of spendable resources available at the end of the fiscal year.

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

The School Board maintains six individual governmental funds. Three of these funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the operating fund, textbook fund, local capital projects fund, and non-major funds, all of which are combined into a single, aggregate presentation. Individual fund data for the non-major funds (special revenue cafeteria fund, special revenue non-recurring lottery proceeds fund and special revenue school construction capital projects fund) is provided in the form of combining statements elsewhere in this report.

Overview of the Financial Statements (Continued)

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

The basic governmental fund financial statements can be found on pages 16 - 21 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 60 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 $6,143,603 at the close of the most recent fiscal year. The decrease in overall net position is a result of implementation of GASB 68 and 71 in the current year, in which a net pension liability of $20,843,473 was recorded. Additional information on the School Board's net pension liability can be found in Note 11 on pages 36 - 56 of this report.

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.

Government-Wide Financial Analysis (Continued)

The School Board's Net Position

	2015	2014
Current and Other Assets	$ 3,456,425	3,873,926
Capital Assets	18,090,833	18,061,325
Total Assets	21,547,258	21,935,251
Deferred Outflows of Resources	2,016,652	-
Long-Term Liabilities	24,640,879	3,334,696
Other Liabilities	1,845,246	2,482,238
Total Liabilities	26,486,125	5,816,934
Deferred Inflows of Resources	3,221,388	-
Net Position		
Invested in Capital Assets	14,908,370	15,255,071
Restricted	1,301,138	1,092,186
Unrestricted	(22,353,111)	(228,940)
Total Net Position	$ (6,143,603)	16,118,317

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, before the restatement, increased by $110,419, or 1.7%, during the current fiscal year. The key element of this increase is general revenue as seen below:

Government-Wide Financial Analysis (Continued)

The School Board's Changes in Net Position

	2015	2014
Revenues		
Program Revenues		
Charges for Services	$ 335,124	356,370
Operating Grants and Contributions	9,514,037	10,211,471
Capital Grants and Contributions	125,145	125,280
General Revenues		
Intergovernmental Revenue	15,745,424	15,678,882
Unrestricted Investment Earnings	2,832	4,223
Other	193,814	136,347
Gain (Loss) on Sale of Assets	1,771	17,019
Total Revenues	25,918,147	26,529,592
Expenses		
Administration	1,002,633	1,050,686
Instructional Costs	19,699,740	20,823,921
Attendance and Health Services	616,919	578,422
Transportation	709,552	816,692
Food Services	1,230,290	1,311,116
Operations and Maintenance	2,274,392	2,292,216
Interest on Long-term Debt	274,202	135,000
Total Expenses	25,807,728	27,008,053
Change in Net Position	110,419	(478,461)
Prior Period Adjustment	(22,372,339)	-
Beginning Net Position	16,118,317	16,596,778
Ending Net Position	$ (6,143,603)	16,118,317

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 $1,611,179, an increase of $219,491 in comparison with the prior year. The entire fund balance is not available for new spending because $41,443 is considered nonspendable for inventories, $1,265,768 is restricted for capital outlay use only, including the purchase of textbooks, $35,370 is restricted for specific grant purposes and $268,598 is assigned for use in food service. A net of $0 shows in the category of unassigned.

- The operating fund is the chief operating fund of the School Board. At the end of the current fiscal year, the unassigned fund balance of the operating fund was $0. Any unexpended funds which are not specifically restricted by state regulation must be returned to the primary government. Therefore, there is no buildup of fund balances. The $35,370 restricted fund balance is to be utilized for specific grant purposes only.

The special revenue – cafeteria fund is used to report the School Board's food services transactions. At the end of the current fiscal year, assigned fund balance of the cafeteria fund was $268,598 while total fund balance reached $310,041. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Assigned fund balance represents 22% of total cafeteria fund expenditures, while total fund balance represents 25% of that same amount.

The special revenue – school textbook fund is used to account for textbook revenue and purchases for all schools in the division. These funds must be used solely for textbook related expenditures, or certain technology expenses allowed by the state. At the end of the current fiscal year, restricted fund balance was $459,098. The fund balance increased $129,891 due to less textbook expenditures required this year.

The special revenue – local capital projects fund is used to account for funds the City has allowed to be carried over for future capital projects. These funds must be used solely for capital related expenditures. At the end of the current fiscal year, restricted fund balance was $435,892, an increase of $100,112. This increase is due to additional transfers from the General Fund, including approximately $100,000 that was carried over to fund an addition to the bus fleet that had been ordered but not completed by June 30, 2015.

Financial Analysis of the Government's Funds (Continued)

The special revenue – non-recurring lottery fund is used to capture non-recurring lottery proceeds unexpended at June 30 of each year. These funds must be used solely for capital related expenditures as set forth by the Code of Virginia. At the end of the current fiscal year, restricted fund balance of the non-recurring lottery fund was $168,252. The fund balance decreased slightly, $8,895. The decrease relates to limited interest earned during the year offset by a small expenditure.

The special revenue - school construction capital projects fund is used to capture unexpended school construction grant proceeds. These funds must be used solely for capital related expenditures as set forth by the Code of Virginia. At the end of the current fiscal year, restricted fund balance was $202,526. The fund balance decreased, $47,526, 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	$ 24,869,658	24,958,444	24,129,131
Charges for Services	-	-	13,127
Other	340,798	440,610	379,414
Total Revenues	25,210,456	25,399,054	24,521,672
Expenditures			
Expenditures	24,998,773	25,187,371	24,564,790
Other Financing Sources (Uses)	(211,683)	(211,683)	62,637
Change in Fund Balance	$ 0	0	19,519

The final amended budget revenues and appropriations exceeded the original budget by $188,598. This variance is due primarily to an increase in instructional costs and capital costs from original projections, along with the offsetting grant revenue.

Actual revenues were less than final budget amounts by $877,382, or 3.5%, while actual expenditures were $622,581, or 2.5% less than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2015, include the following:

Operating Fund Budgetary Highlights (Continued)

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

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

During the year, actual expenditures and other financing sources were less than actual revenues, resulting in a net increase in fund balance of $19,519. The total fund balance of $35,370 is restricted for specific grant purposes.

Capital Asset Administration

Capital Assets – The School Board's investment in capital assets for its governmental activities as of June 30, 2015, amounts to $18,090,833 (net of accumulated depreciation). The investment in capital assets includes land, buildings and system improvements, vehicles, buses, furniture, books and equipment. The total increase in the School Board's investment in capital assets for the current fiscal year was 0.16%. School Capital Assets financed with debt incurred by the City have been reported in the City's financial statements.

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

The School Board's Capital Assets

	2015	2014
Land	$ 273,242	273,242
Buildings and Improvements	28,650,406	24,945,456
Vehicles and Buses	2,255,197	2,240,157
Furniture, Books and Equipment	10,126,339	9,636,417
Construction in Progress	-	2,806,254
Less Accumulated Depreciation	(23,214,351)	(21,840,201)
Total	$ 18,090,833	18,061,325

Additional information on the School Board's capital assets can be found in Note 7 on pages 32 and 33 of this report.

Economic Factors and Next Year's Budget

In setting the budgets for FY 2016, 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 2016 fiscal year.

- The proposed fiscal year 15-16 budget is $25,102,170. This budget reflects a required salary increase for Board employees, which is offset by an increase in the employee-paid retirement deduction and an additional 1.5% compensation increase partially funded by the Commonwealth of Virginia. Student enrollment is expected to continue to decrease slightly. Most capital project improvements and deferred maintenance is expected to be funded out of escrowed lottery and construction proceeds. Additionally, the Board intends to maintain a balance of approximately $300,000 total in the Non-recurring Lottery and School Construction Capital Projects funds to fund unanticipated capital or deferred maintenance items.

Request for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finance. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Director of Finance, Bristol Virginia Public Schools, 220 Lee Street, Bristol, Virginia 24201 or via email at tmjones@bvps.org.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		Component Unit
	Governmental Activities		BVPS Education Foundation
ASSETS			
Cash and Cash Equivalents	$	1,212,986	260,696
Investments		114,492	438,533
Due from Other Governmental Units		1,088,389	-
Due from Others		75,634	-
Inventories		41,443	-
Restricted Assets			
Cash and Cash Equivalents		657,403	-
Investments		266,078	-
Capital Assets, Net		18,090,833	4,505,063
TOTAL ASSETS		21,547,258	5,204,292
DEFERRED OUTFLOWS OF RESOURCES			
Contributions Subsequent to Measurement Date		2,016,652	-
LIABILITIES			
Accounts Payable		274,905	11,223
Accrued Payroll and Related Liabilities		1,469,786	-
Unearned Revenue		5,837	-
Due to Primary Government		94,718	327,643
Long-Term Liabilities			
Due Within One Year		227,821	187,500
Due in More Than One Year		24,413,058	375,000
TOTAL LIABILITIES		26,486,125	901,366
DEFERRED INFLOWS OF RESOURCES			
Net Difference between Projected and Actual Earnings on Pension Plan Investments		3,221,388	-
NET POSITION			
Invested in Capital Assets		14,908,370	-
Restricted for			
Capital Projects		1,265,768	7,866
Grants		35,370	-
Unrestricted		(22,353,111)	4,295,060
TOTAL NET POSITION	$	(6,143,603)	4,302,926

See Accompanying Notes to the Financial Statements.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

					Net (Expense) Revenue and Changes in Net Position	
		Program Revenues			Primary Government	Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	BVPS Education Foundation
Governmental Activities						
Administration	$ 1,002,633	-	-	125,145	(877,488)	-
Instructional Costs	19,699,740	34,785	8,565,516	-	(11,099,439)	-
Attendance and Health Services	616,919	-	-	-	(616,919)	-
Transportation	709,552	-	-	-	(709,552)	-
Food Services	1,230,290	295,554	948,521	-	13,785	-
Operations and Maintenance	2,274,392	4,785	-	-	(2,269,607)	-
Interest on Long-Term Debt	274,202	-	-	-	(274,202)	-
Total Governmental Activities	$ 25,807,728	335,124	9,514,037	125,145	(15,833,422)	0
Component Unit						
BVPS Education Foundation	$ 252,489	244,205	10,401	23,042	-	25,159
Total Component Unit	$ 252,489	244,205	10,401	23,042	0	25,159
		General Revenues				
		Payments from City of Bristol			9,476,200	-
		State Aid			6,269,224	-
		Unrestricted Investment Earnings			2,832	30,088
		Other			192,469	-
		Insurance Recoveries			1,345	-
		Gain on Disposal of Assets			1,771	-
		Total General Revenues			15,943,841	30,088
		Change in Net Position			110,419	55,247
		Net Position, Beginning			16,118,317	4,247,679
		Restatement			(22,372,339)	-
		Net Position, Beginning - Restated			(6,254,022)	4,247,679
		Net Position, Ending			$ (6,143,603)	4,302,926

See Accompanying Notes to the Financial Statements.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
BALANCE SHEET
June 30, 2015

	Operating Fund	Textbook Fund	Local Capital Projects Fund	Other Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	$ 1,069,378	-	-	143,608	1,212,986
Investments	-	-	-	114,492	114,492
Receivables	-			-	-
Due from Other Governmental Units	1,066,441	-	-	21,948	1,088,389
Due from Others	75,589	-	-	45	75,634
Inventories	-	-	-	41,443	41,443
Restricted Assets					
Cash and Cash Equivalents	-	203,437	234,766	219,200	657,403
Investments	-	-	-	266,078	266,078
Due from Other Funds	105,396	259,847	201,126	858	567,227
TOTAL ASSETS	$ 2,316,804	463,284	435,892	807,672	4,023,652
LIABILITIES					
Accounts Payable	$ 264,203	4,186	-	6,516	274,905
Accrued Payroll and Related Liabilities	1,469,786	-	-	-	1,469,786
Unearned Revenue	-	-	-	5,837	5,837
Due to Primary Government	94,718	-	-	-	94,718
Due to Other Funds	452,727	-	-	114,500	567,227
TOTAL LIABILITIES	2,281,434	4,186	0	126,853	2,412,473
FUND BALANCES					
Nonspendable - Inventories	-	-	-	41,443	41,443
Restricted for Capital Outlay	-	459,098	435,892	370,778	1,265,768
Restricted for Grants	35,370	-	-	-	35,370
Assigned for Food Service	-	-	-	268,598	268,598
TOTAL FUND BALANCES	35,370	459,098	435,892	680,819	1,611,179
TOTAL LIABILITIES AND FUND BALANCES	$ 2,316,804	463,284	435,892	807,672	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,090,833
Long-term liabilities, including net pension liability and other post-employment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(25,845,615)
Net Position of Governmental Activities	$ (6,143,603)

See Accompanying Notes to the Financial Statements.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015

	Operating Fund	Textbook Fund	Local Capital Projects Fund	Other Governmental Funds	Total
REVENUES					
Intergovernmental Revenues					
City of Bristol, Virginia	$ 9,313,000	-	-	-	9,313,000
Commonwealth of Virginia	12,248,596	-	-	22,348	12,270,944
Federal Government	2,567,535	-	-	926,174	3,493,709
Investment Earnings	-	949	489	1,394	2,832
Charges for Services	13,127	443	-	295,554	309,124
Other	379,414	-	-	-	379,414
TOTAL REVENUES	24,521,672	1,392	489	1,245,470	25,769,023
EXPENDITURES					
Current					
Administration	791,827	-	-	-	791,827
Instructional Costs	19,269,290	-	-	-	19,269,290
Attendance and Health Services	627,290	-	-	-	627,290
Transportation	578,597	-	-	-	578,597
Food Services	-	-	-	1,194,453	1,194,453
Operations and Maintenance	2,297,321	-	-	-	2,297,321
Capital Projects	661,254	81,506	70,298	81,048	894,106
Debt Service					
Interest and Fiscal Charges	339,211	-	-	-	339,211
TOTAL EXPENDITURES	24,564,790	81,506	70,298	1,275,501	25,992,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,118)	(80,114)	(69,809)	(30,031)	(223,072)
OTHER FINANCING SOURCES (USES)					
Transfer from Operating Fund	-	210,005	169,921	-	379,926
Transfer to School Textbook Fund	(210,005)	-	-	-	(210,005)
Transfer to Local Capital Projects Fund	(169,921)	-	-	-	(169,921)
Insurance Adjustments	1,345	-	-	-	1,345
Proceeds from Lease Financing	441,218	-	-	-	441,218
TOTAL OTHER FINANCING SOURCES (USES)	62,637	210,005	169,921	0	442,563
NET CHANGE IN FUND BALANCE	19,519	129,891	100,112	(30,031)	219,491
FUND BALANCE, JULY 1, 2014	15,851	329,207	335,780	710,850	1,391,688
FUND BALANCE, JUNE 30, 2015	$ 35,370	459,098	435,892	680,819	1,611,179

See Accompanying Notes to the Financial Statements.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$ 219,491
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which acquisition of new capital assets of $1,462,996 was exceeded by depreciation of $1,581,267 in the current period.	(118,271)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(15,421)
Recognition of allocation of asset equal to debt service payment, net of accumulated depreciation.	163,200
Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds. Compensated absences increased by this amount during the fiscal year.	(9,301)
The issuance of long-term debt (e.g., leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.	(376,209)
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.	246,930
Change in Net Position of Governmental Activities	$ 110,419

See Accompanying Notes to the Financial Statements.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental Revenues				
City of Bristol, Virginia	$ 9,313,000	9,313,000	9,313,000	-
Commonwealth of Virginia	12,640,406	12,691,766	12,248,596	(443,170)
Federal Government	2,916,252	2,953,678	2,567,535	(386,143)
Charges for Services	-	-	13,127	13,127
Other	340,798	440,610	379,414	(61,196)
TOTAL REVENUES	25,210,456	25,399,054	24,521,672	(877,382)
EXPENDITURES				
Current				
Administration	841,379	814,045	791,827	22,218
Instructional Costs	20,161,090	20,072,453	19,269,290	803,163
Attendance and Health Services	536,133	628,654	627,290	1,364
Transportation	751,644	676,978	578,597	98,381
Operations and Maintenance	2,369,316	2,376,030	2,297,321	78,709
Capital Projects	-	280,000	661,254	(381,254)
Debt Service				
Interest and Fiscal Charges	339,211	339,211	339,211	-
TOTAL EXPENDITURES	24,998,773	25,187,371	24,564,790	622,581
Excess (Deficiency) of Revenues Over (Under) Expenditures	211,683	211,683	(43,118)	(254,801)
OTHER FINANCING SOURCES (USES)				
Transfer to School Textbook Fund	(211,683)	(211,683)	(210,005)	1,678
Transfer to Local Capital Projects Fund	-	-	(169,921)	(169,921)
Insurance Adjustments			1,345	1,345
Proceeds from Lease Financing	-	-	441,218	441,218
TOTAL OTHER FINANCING SOURCES (USES)	(211,683)	(211,683)	62,637	274,320
NET CHANGE IN FUND BALANCE	0	0	19,519	19,519
FUND BALANCE, JULY 1, 2014	15,851	15,851	15,851	-
FUND BALANCE, JUNE 30, 2015	$ 15,851	15,851	35,370	19,519

See Accompanying Notes to the Financial Statements.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
SCHOOL TEXTBOOK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment Earnings	$ 500	500	949	449
Charges for Services	-	-	443	443
TOTAL REVENUES	500	500	1,392	892
EXPENDITURES				
Capital Projects	250,000	250,000	81,506	168,494
TOTAL EXPENDITURES	250,000	250,000	81,506	168,494
Excess (Deficiency) of Revenues Over (Under) Expenditures	(249,500)	(249,500)	(80,114)	169,386
OTHER FINANCING SOURCES (USES)				
Transfer from Operating Fund	199,201	199,201	210,005	10,804
TOTAL OTHER FINANCING SOURCES (USES)	199,201	199,201	210,005	10,804
NET CHANGE IN FUND BALANCE	(50,299)	(50,299)	129,891	180,190
FUND BALANCE, JULY 1, 2014	329,207	329,207	329,207	-
FUND BALANCE, JUNE 30, 2015	$ 278,908	278,908	459,098	180,190

See Accompanying Notes to the Financial Statements.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
LOCAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment Earnings	$ 100	100	489	389
TOTAL REVENUES	100	100	489	389
EXPENDITURES				
Capital Projects	50,000	50,000	70,298	(20,298)
TOTAL EXPENDITURES	50,000	50,000	70,298	(20,298)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,900)	(49,900)	(69,809)	(19,909)
OTHER FINANCING SOURCES (USES)				
Transfer from Operating Fund	-	-	169,921	169,921
TOTAL OTHER FINANCING SOURCES (USES)	0	0	169,921	169,921
NET CHANGE IN FUND BALANCE	(49,900)	(49,900)	100,112	150,012
FUND BALANCE, JULY 1, 2014	335,780	335,780	335,780	-
FUND BALANCE, JUNE 30, 2015	$ 285,880	285,880	435,892	150,012

See Accompanying Notes to the Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Primary Government

The Bristol Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia (the City), is a legally separate entity from the City, which operates four elementary schools, one middle school, and one high school for students residing in the City. The School Board consists of five elected members. The City Council approves the School Board's operational and capital budgets and must approve the issuance of bonded debt. The City Council also provides fiscal guidance because it levies taxes for the School Board's operations and issues debt for its school construction capital projects. Based on these facts, the City reports the School Board as a discretely presented component unit. The financial statements of the School Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School Board's accounting policies are described below.

Discretely Presented Component Unit

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Organizations

School Board members are occasionally appointed to various committees as provided under state and local laws and ordinances. However, the committees are advisory in nature and the School Board is not financially accountable for these committees and, therefore, they are not included in the School Board financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Governmental activities are normally supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the School Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Board considers revenues to be available if they are collected within twelve months of the end of the current fiscal period or when expenditures are incurred under a reimbursable-type grant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenditures, other than interest on long-term debt, generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only if the leave is expected to be paid with currently available financial resources. Interest on long-term debt is recognized when due except for interest due on July 1, which is accrued.

The School Board reports the following major governmental funds:

- *Operating Fund* - the School Board's primary operating fund that accounts for all general revenues and other receipts that are not allocated by law or contractual agreement to another fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the Operating Fund.

- *Textbook Fund* - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fund consists of unexpended revenue restricted by the Code of Virginia at June 30 of each year. Revenue received and expended in the same year is accounted for in the Operating fund.

- *Local Capital Projects Fund* – was established by a resolution of the School Board and Bristol, Virginia City Council. The fund serves as a reserve fund to pay for major capital expenditures and to cover expected material costs. The School Board is allowed to retain unexpended local school funds up $200,000 annually.

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

Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2015, by the School Board are nonspendable in form. The School Board has not reported any amounts that are legally or contractually required to be maintained intact.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balances – Governmental Funds (Continued)

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the School Board, their highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the School Board.

Assigned – includes amounts that the School Board intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School Board's adopted policy, amounts may be assigned by the Superintendent of Schools, or his designee.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose, as applicable, within the Operating Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School Board considers restricted funds to have been spent first, unless legal requirements disallow it or unrestricted funds will be lost if not utilized. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board has provided otherwise in its commitment or assignment actions.

Budgets and Budgetary Accounting

The following procedures are used by the School Board in establishing the budgetary data reflected in the financial statements:

The funds available to the School Board for the establishment, support and maintenance of schools consist of state funds appropriated for school purposes and apportioned to the School Board, federal funds appropriated for educational purposes and apportioned to the School Board, local funds appropriated to the School Board by the City, and other funds that may be set apart for public school purposes.

The School Board manages and controls the funds made available by the City. The school superintendent prepares, with the approval of the School Board, and submits to the City prior to April 1, the proposed operating budget for the next fiscal year. Before the School Board gives final approval to its budget for submission to the City Council, the School Board holds at least one public hearing to receive the view of citizens.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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

The School Board, with the concurrence of the City Council, may from time to time amend the budget to provide for additional expenditures and the means of financing them. The School Board approved additional appropriations totaling $188,968 during the current fiscal year primarily for classroom instructional costs and capital costs.

The school budget is adopted on a basis consistent with generally accepted accounting principles. Operating and Cafeteria Funds' appropriations lapse on June 30 and School Textbook, Non-recurring Lottery Proceeds, School Construction Capital Projects and Local Capital Projects Funds' appropriations carry unexpended balances into the following year on a continuing basis. The budget data presented in the accompanying financial statements are revised as of June 30 and include all appropriations approved by the City Council.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration. Encumbrances outstanding at fiscal year end do not constitute expenditures or liabilities and are not reflected in the financial statements.

Cash and Cash Equivalents

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

Inventories

All inventories are valued at the lower of cost using the first-in/first-out (FIFO) method or market, except for commodities received from the federal government which are valued at market. Inventories consist of food and supplies. Inventories are offset by nonspendable fund balance which indicates that they do not constitute available expendable resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

Capital Asset and Related Debt Reporting

Local governments in Virginia have a "tenancy in common" with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one fiscal year. The primary government reports this debt in its financial statements. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the outstanding financial obligation. As principal is repaid, capital assets equal to the amount of principal debt reduction are removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of this property.

Compensated Absences

The School Board has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if the leave is expected to be paid with currently available financial resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

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

Pensions

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation, as a 501(c)(3) charitable organization, is exempt from income taxes with the exception of non-related business income. The Foundation did not have any non-related business income during the fiscal year 2014. Therefore, the Foundation incurred no federal or state income taxes for the fiscal year 2014.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

All cash and certificates of deposit of the School Board are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

All deposits and investments are under the control and management of the City Treasurer.

Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments in the Non-recurring Lottery Proceeds and School Construction Capital Projects funds are state grant proceeds awarded but not yet spent. These funds can only be spent for nonrecurring costs to include school construction, additions, infrastructure, site acquisition, renovations, technology and other expenditures related to modernizing classroom equipment, and debt service payments on school projects completed during the last ten years. The School Textbook fund's restricted cash and cash equivalents can only be spent on new and replacement textbooks.

The above items are reflected in the statements as follows:

Deposits and Investments	
Cash on Hand	$ 275
Deposits	2,250,684
	$ 2,250,959
Statement of Net Position	
Cash and Cash Equivalents	$ 1,212,986
Investments	114,492
Restricted Cash and Cash Equivalents	657,403
Restricted Investments	266,078
	$ 2,250,959

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
Cafeteria Fund	Operating Fund	$ 858
Local Capital Projects Fund	Operating Fund	192,022
Operating Fund	Non-Recurring Lottery Fund	4,203
Local Capital Projects Fund	Non-Recurring Lottery Fund	9,104
Operating Fund	School Construction Projects Fund	101,193
School Textbook Fund	Operating Fund	259,847
Total		$ 567,227

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

Transfer In	Transfer Out	Amount
School Textbook Fund	Operating Fund	$ 210,005
Local Capital Projects Fund	Operating Fund	169,921
Total		$ 379,926

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

NOTE 4 - FOUNDATION INVESTMENTS

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

NOTE 4 - FOUNDATION INVESTMENTS (CONTINUED)

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

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

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

	Cost	Fair Value
Common Stocks and Mutual Funds	$ 394,236	430,227
Cash Equivalents	8,306	8,306
Total Investments	$ 402,542	438,533

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

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

	Operating Fund	Cafeteria Fund	Total
Federal Government	$ 463,830	-	463,830
Commonwealth of Virginia	602,611	21,948	624,559
Total Due from Other Governmental Units	$ 1,066,441	21,948	1,088,389

NOTE 6 - DUE TO PRIMARY GOVERNMENT

The School Board has a payable to the City at June 30, 2015 and consists of the following:

Net Due to Primary Government, June 30, 2014	$ (82,218)
Other - Retiree Health Credits	(12,500)
Net Due to Primary Government, June 30, 2015	$ (94,718)

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

The School Board advanced funds to the Foundation and related companies related to the renovation of the Central Office building. The amount of $327,643 is shown as due to primary government on the Foundation's combined financial statements at December 31, 2014.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the School Board for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Capital Assets, Not Being Depreciated					
Land	$ 273,242	-	-	-	273,242
Construction in Progress	2,806,254	-	(2,806,254)	-	-
Total Capital Assets, Not Being Depreciated	3,079,496	0	(2,806,254)	0	273,242
Capital Assets, Being Depreciated					
Building and Improvements	24,945,456	3,464,950	-	240,000	28,650,406
Furniture, Books and Equipment	9,636,417	769,760	(279,838)	-	10,126,339
Vehicles and Buses	2,240,157	34,540	(19,500)	-	2,255,197
Total Capital Assets, Being Depreciated	36,822,030	4,269,250	(299,338)	240,000	41,031,942
Less Accumulated Depreciation for					
Building and Improvements	(13,528,202)	(611,135)	-	(62,400)	(14,201,737)
Furniture, Books and Equipment	(6,637,992)	(816,737)	264,417	-	(7,190,312)
Vehicles and Buses	(1,674,007)	(167,795)	19,500	-	(1,822,302)
Total Accumulated Depreciation	(21,840,201)	(1,595,667)	283,917	(62,400)	(23,214,351)
Total Capital Assets, Being Depreciated, Net	14,981,829	2,673,583	(15,421)	177,600	17,817,591
Governmental Activities Capital Assets, Net	$ 18,061,325	2,673,583	(2,821,675)	177,600	18,090,833

NOTE 7 - CAPITAL ASSETS (CONTINUED)

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

Administration	$ 221,112
Instructional Costs	1,187,519
Transportation	131,407
Food Services	54,670
Operations and Maintenance	959
Total Depreciation	$ 1,595,667

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

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and Improvements	$ 960,000	-	(240,000)	720,000
Accumulated Depreciation	(307,200)	(14,400)	76,800	(244,800)
Total Assets Allocated	$ 652,800	(14,400)	(163,200)	475,200

Capital asset activity of the Foundation for fiscal year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated				
Building and Improvements	$ 4,676,559	-	-	4,676,559
Furniture, Books and Equipment	297,912	-	-	297,912
Total Capital Assets, Being Depreciated	4,974,471	0	0	4,974,471
Less Accumulated Depreciation for				
Building and Improvements	(184,864)	(116,914)	-	(301,778)
Furniture, Books and Equipment	(115,517)	(52,113)	-	(167,630)
Total Accumulated Depreciation	(300,381)	(169,027)	0	(469,408)
Foundation Capital Assets, Net	$ 4,674,090	(169,027)	0	4,505,063

Total depreciation expense on the Foundation for the fiscal year ended December 31, 2014 was $169,027.

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in the School Board's long-term liabilities for the fiscal year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Compensated Absences	$ 363,142	136,014	126,713	372,443	43,871
Other Post-Employment Benefits Obligation	165,300	77,200	-	242,500	-
Energy Performance Lease	2,806,254	441,218	65,009	3,182,463	183,950
Total Long-Term Liabilities	$ 3,334,696	654,432	191,722	3,797,406	227,821

The City issued a $3,000,000 Qualified School Construction Bond (QSCB) in June 2011. The QSCB proceeds funded the $2,940,000 Contribution Agreement to the Foundation in May 2012. The City has received a federal subsidy grant (expected to be close to 100%) for the interest portion of the bond. The Foundation agreed to manage the funds to assure compliance with all the terms of the City's obligations to the Virginia Public School Authority. In the initial tax credit period, the Foundation will make the principal payment of $187,500 annually starting July 1, 2013 and will end when the related entities dissolve in 2017 (approximately five years) for a total of $937,500. The Foundation's pledge payable is reported as long-term liabilities on the statement of net position and has a balance of $562,500 at December 31, 2014.

The School Board budgets and receives an appropriation from the City each year to make the debt payment for the Literary Fund Loan. Since the debt is in the City's name, the debt is recorded by the City. For the fiscal year ended June 30, 2015, the School Board received $240,000 from the City which is netted with the debt payment of $240,000.

NOTE 9 - CAPITAL LEASE

The School Board entered into an Energy Performance Lease Purchase Contract in October 2013 in the amount of $3,247,472 for various energy savings capital improvements. The interest rate is 2.83% payable in 60 quarterly principal and interest payments which began in October 2014. As of June 30, 2014, the outstanding balance was $3,182,463.

NOTE 9 - CAPITAL LEASE (CONTINUED)

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

Fiscal Year Ended June 30	
2016	$ 272,280
2017	272,280
2018	272,280
2019	272,280
2020	272,280
2021-2025	1,361,400
2026-2030	1,157,219
Total Minimum Lease Payments	3,880,019
Less: Interest	(697,556)
Present Value of Payments	$ 3,182,463

The buildings and equipment category includes assets recorded under the capital lease with a cost of $3,247,472 and accumulated amortization of $38,792. Amortization expense is included in depreciation expense.

NOTE 10 - LEASE OBLIGATIONS

The School Board has a lease for the furniture and equipment in the Central Office building with Central Warehouse Manager, LLC (one of the companies in the Foundation's combined financial statements). The lease term is renewed annually on May 31 with an annual lease payment of $14,820, payable monthly. The total rent expense for the fiscal year ended June 30, 2015 is $16,055.

There is a sub-lease between the School Board and Bristol Tenant, LLC (one of the companies in the Foundation's combined financial statements), where the School Board leases the Central office building for an annual lease payment of $210,600. The lease terminates in May 2022. Total rent expense for the fiscal year ended June 30, 2015 is $228,150. Future minimum payments are $210,600 annually until May 2022 for a total of $1,474,200.

NOTE 11 - PENSION PLAN

Plan Description

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

The System administers three different benefit structures for covered employees in both the standard VRS Retirement Plan and the Teachers Retirement Plan and – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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

NOTE 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

		• 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. • 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. **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.	**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.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • School division employees • Political subdivision 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

NOTE 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.	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. 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** 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 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. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**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 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

VRS invests both member and employer contributions to provide funding for the future benefit payment.		
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 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

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.

NOTE 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

		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. 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** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

NOTE 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

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 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%.	**Service Retirement Multiplier** 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.	**Service Retirement Multiplier** 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.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** <u>**Defined Benefit Component:**</u> Same as VRS Plan 2. <u>**Defined Contribution Component:**</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

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.	**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.	**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. **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 Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

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%.	**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%.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable.
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.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:	**Exceptions to COLA Effective Dates:** Same as VRS Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

• 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.		

NOTE 11 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. 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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

NOTE 11 - PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the School Board's Retirement Plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	37
Inactive members:	
Vested inactive members	1
Non-vested inactive members	4
Active elsewhere in VRS	2
Total inactive members	7
Active members	16
Total Covered Employees	60

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions and political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation for the VRS Teacher Retirement Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were $1,932,587 and $1,462,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

NOTE 11 - PENSION PLAN (CONTINUED)

Contributions (Continued)

The School Board Retirement Plan's contractually required contribution rate for the year ended June 30, 2015 was 14.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the School Board were $36,065 and $32,976 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The School Board's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the School Board's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

NOTE 11 - PENSION PLAN (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Largest 10 – Non-LEOS:

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

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

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

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

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

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTE 11 - PENSION PLAN (CONTINUED)

Actuarial Assumptions – Teacher Retirement Plan

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates:

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

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

NOTE 11 - PENSION PLAN (CONTINUED)

Actuarial Assumptions – Teacher Retirement Plan (Continued)

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

Long-Term Expected Rate of Return

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

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

NOTE 11 - PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued)

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

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2013	$ 2,684,082	2,341,767	342,315
Changes for the Fiscal Year:			
Service Cost	27,708	-	27,708
Interest	177,953	-	177,953
Contributions - Employer	-	32,976	(32,976)
Contributions - Employees	-	17,626	(17,626)
Net Investment Income	-	344,926	(344,926)
Benefit Payments, Including Refunds of Employee Contributions	(283,803)	(283,803)	-
Administrative Expense	-	(2,044)	2,044
Other Changes	-	19	(19)
Net Changes	(78,142)	109,700	(187,842)
Balance at June 30, 2014	$ 2,605,940	2,451,467	154,473

NOTE 11 - PENSION PLAN (CONTINUED)

Changes in Net Pension Liability – General Employees

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2013	$ 2,684,082	2,341,767	342,315
Changes for the Fiscal Year:			
Service Cost	27,708	-	27,708
Interest	177,953	-	177,953
Contributions - Employer	-	32,976	(32,976)
Contributions - Employees	-	17,626	(17,626)
Net Investment Income	-	344,926	(344,926)
Benefit Payments, Including Refunds of Employee Contributions	(283,803)	(283,803)	-
Administrative Expense	-	(2,044)	2,044
Other Changes	-	19	(19)
Net Changes	(78,142)	109,700	(187,842)
Balance at June 30, 2014	$ 2,605,940	2,451,467	154,473

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Board's Net Pension Liability (Asset)	$ 432,772	$ 154,473	$ (81,701)

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

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

NOTE 11 - PENSION PLAN (CONTINUED)

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	$ 30,380,000	$ 20,689,000	$ 12,710,000

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

For the year ended June 30, 2015, the School Board recognized pension expense (income) of $(3,478). At June 30, 2015, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	-
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	151,388
Employer contributions subsequent to the measurement date	36,065	-
Total	$ 36,065	151,388

$36,065 reported as deferred outflows of resources related to pensions resulting from the School Board’s contributions subsequent to the measurement date will be recognized as a reduction of (addition to) the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	$ (37,847)
2017	(37,847)
2018	(37,487)
2019	(37,847)
Thereafter	0

NOTE 11 - PENSION PLAN (CONTINUED)

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

At June 30, 2015, the school division reported a liability of $20,689,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.17120% as compared to 0.17077% at June 30, 2013.

For the fiscal year ended June 30, 2015, the school division recognized pension expense of $1,648,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	-
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,070,000
Change in proportion and differences between employer contributions and proportionate share of contributions	48,000	
Employer contributions subsequent to the measurement date	1,932,587	-
Total	$ 1,980,587	3,070,000

NOTE 11 - PENSION PLAN (CONTINUED)

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

$1,932,587 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2016	$	(757,000)
2017		(757,000)
2018		(757,000)
2019		(757,000)
Thereafter		6,000

Pension Plan Fiduciary Net Position – Teacher Retirement Plan

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2015, the School Board reported a payable of $226,554 and $5,090 for the June 2015 contributions to the Teacher Retirement Plan and the General Employee Plan, respectively.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

The School Board provides other post-employment health care benefits. A retired employee, who is participating in the employer's medical program is eligible to elect post-employment coverage if: (a) eligible for immediate retirement benefits under VRS (age 50 with 10 years of total service), or (b) permanently, totally disabled and injured in the line of duty and is eligible for immediate disability retirement benefits under VRS. The medical coverage for retirees is as follows: (1) the retiree pays 100% of the employee premium if retired with less than 25 years of service, (2) the retiree pays the employee premium less $100 monthly credit if retired with 25 or more years of service but less than 30 years of service, (3) the retiree pays the employee premium less $200 monthly credit if retired with 30 or more years of service but less than 35 years of service or (4) the retiree pays the employee premium

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

less $300 monthly credit if retired with 35 or more years of service. For all spouses, the retiree pays 100% of the employee's spousal premium. Coverage continues to age 65 for retirees and spouses. There are approximately 313 school employees participating in the post-employment health care benefit arrangements.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The School Board's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the School Board's OPEB obligation.

Funding Interest Rate	4.25%
Annual Required Contribution (ARC)	$ 240,400
Interest on Net OPEB Obligation	7,000
Adjustment to the ARC	(7,100)
Annual OPEB Cost	240,300
Annual Employer Contribution	163,100
Change in Net OPEB Obligation	77,200
Net OBEB Obligation - Beginning of the Year	165,300
Net OPEB Obligation - End of Year	$ 242,500

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 240,300	68%	$ 242,500
June 30, 2014	259,600	84%	165,300
June 30, 2013	254,300	75%	122,900

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

In the June 30, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return and an annual healthcare cost trend rate of 8.00%, decreasing at a rate of 0.50% per year until an ultimate rate of 5.00% is reached. The UAAL is being amortized as a level percentage over 30 years.

NOTE 13 - RISK MANAGEMENT

Risk Management

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees and natural disasters. The Risk Management Programs utilized by the School Board are as follows:

Workmen's Compensation

Workmen's Compensation Insurance is provided through the School Systems of Virginia Group Self Insurance Association. Benefits are those afforded through the Commonwealth of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

General Liability and Other

The School Board provides general liability and other insurance through policies with the Virginia Municipal Liability Pool. General liability and business automobile have a $1,000,000 limit. Machinery is covered as per statement of values and is provided through the City's insurance policy with a portion of the premium being paid by the School Board.

Healthcare

Healthcare Insurance coverage is provided to School Board employees through a policy with The Local Choice. Partial premiums are withheld from the employee's earnings and remaining premiums are paid by the School Board. Retired employees and dependents of employees of the School Board are also covered by the program provided they pay the premium.

There were no significant reductions in insurance coverage from the prior fiscal year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

NOTE 14 - CONTINGENT LIABILITIES

Special Purpose Grants are subject to audit to determine compliance with their requirements. School Board officials believe that if any refunds are required, they will be immaterial.

NOTE 15 - ECONOMIC DEPENDENCY

The School Board receives a substantial amount of its support from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the School Board's programs and activities.

NOTE 16 - UNCERTAIN TAX POSITIONS

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

NOTE 17 - ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015. As a result of implementing the provisions of GASB Statement Nos. 68 and 71, the School Board recognized the initial establishment of a net pension liability at July 1, 2013. Accordingly, School Board restated its financial statements for the year ended June 30, 2014. The effect of the restatement was to decrease the School Board's net position by $22,372,339.

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

	2014
Total Pension Liability	
Service Cost	$ 27,708
Interest	177,953
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes in Assumptions	-
Benefit Payments, including Refunds of Employee Contributions	(283,803)
Net Change in Total Pension Liability	(78,142)
Total Pension Liability - Beginning	2,684,082
Total Pension Liability - Ending (a)	$ 2,605,940
Plan Fiduciary Net Position	
Contributions - Employer	$ 32,976
Contributions - Employee	17,626
Net Investment Income	344,926
Benefit Payments, including Refunds of Employee Contributions	(283,803)
Administrative Expense	(2,044)
Other Changes	19
Net Change in Plan Fiduciary Net Position	109,700
Plan Fiduciary Net Position - Beginning	2,341,767
Plan Fiduciary Net Position - Ending (b)	$ 2,451,467
School Board's Net Pension Liability - Ending (a) - (b)	$ 154,473
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.07%
Covered-Employee Payroll	$ 352,512
School Board's Net Pension Liability as a Percentage of Covered-Employee Payroll	43.82%

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

	2015
Employer's Proportion of the Net Pension Liability	0.17120%
Employer's Proportionate Share of the Net Pension Liability	$ 20,689,000
Employer's Covered-Employee Payroll	$ 12,519,345
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	165.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

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

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

Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
School Board's Retirement Plan					
2015	$ 36,065	$ 36,065	-	$ 374,688	9.63%
Teacher Retirement Plan					
2015	$ 1,932,587	$ 1,932,587	-	$ 12,112,515	15.96%

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

Changes of Benefit Terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of Assumptions – General Employees

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

Largest 10 – Non-LEOS:

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

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

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

Changes of Assumptions – Teachers Retirement Plan

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

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

Analysis of Funding Progress for Other Post-Employment Benefits

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2014	$ -	$ 3,227,500	$ 3,227,500	0.00%	N/A	N/A
June 30, 2012	-	3,407,500	3,407,500	0.00%	N/A	N/A
June 30, 2010	-	2,476,900	2,476,900	0.00%	N/A	N/A
June 30, 2008	-	2,099,200	2,099,200	0.00%	N/A	N/A

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds			
	Cafeteria Fund	Non-recurring Lottery Proceeds Fund	School Construction Capital Projects Fund	Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 143,608	-	-	143,608
Investments	114,492	-	-	114,492
Due from Other Governmental Units	21,948	-	-	21,948
Inventories	41,443	-	-	41,443
Restricted Assets				
Cash and Cash Equivalents	-	83,942	135,258	219,200
Investments	-	97,617	168,461	266,078
Due from Others	45			45
Due from Other Funds	858	-	-	858
TOTAL ASSETS	$ 322,394	181,559	303,719	807,672
LIABILITIES				
Accounts Payable	$ 6,516	-	-	6,516
Unearned Revenue	5,837	-	-	5,837
Due to Other Funds	-	13,307	101,193	114,500
TOTAL LIABILITIES	12,353	13,307	101,193	126,853
FUND BALANCES				
Nonspendable - Inventories	41,443	-	-	41,443
Restricted for Capital Outlay	-	168,252	202,526	370,778
Assigned for Food Service	268,598	-	-	268,598
TOTAL FUND BALANCES	310,041	168,252	202,526	680,819
TOTAL LIABILITIES AND FUND BALANCES	$ 322,394	181,559	303,719	807,672

See Independent Auditors’ Report.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds			
	Cafeteria Fund	Non-recurring Lottery Proceeds Fund	School Construction Capital Projects Fund	Nonmajor Governmental Funds
REVENUES				
Intergovernmental Revenues				
Commonwealth of Virginia	$ 22,348	-	-	22,348
Federal Government	926,174	-	-	926,174
Investment Earnings	511	209	674	1,394
Charges for Services	295,554	-	-	295,554
TOTAL REVENUES	1,244,587	209	674	1,245,470
EXPENDITURES				
Current				
Food Services	1,194,453	-	-	1,194,453
Capital Projects	23,744	9,104	48,200	81,048
TOTAL EXPENDITURES	1,218,197	9,104	48,200	1,275,501
NET CHANGE IN FUND BALANCE	26,390	(8,895)	(47,526)	(30,031)
FUND BALANCE, JULY 1, 2014	283,651	177,147	250,052	710,850
FUND BALANCE, JUNE 30, 2015	$ 310,041	168,252	202,526	680,819

See Independent Auditors' Report.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
CAFETERIA FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental Revenues				
Commonwealth of Virginia	$ 25,000	25,000	22,348	(2,652)
Federal Government	925,000	925,000	926,174	1,174
Investment Earnings	525	525	511	(14)
Charges for Services	335,179	335,179	295,554	(39,625)
TOTAL REVENUES	1,285,704	1,285,704	1,244,587	(41,117)
EXPENDITURES				
Current				
Food Services	1,257,377	1,257,377	1,194,453	62,924
Capital Projects	28,000	28,000	23,744	4,256
TOTAL EXPENDITURES	1,285,377	1,285,377	1,218,197	67,180
Excess (Deficiency) of Revenues Over (Under) Expenditures	327	327	26,390	26,063
FUND BALANCE, JULY 1, 2014	283,651	283,651	283,651	-
FUND BALANCE, JUNE 30, 2015	$ 283,978	283,978	310,041	26,063

See Independent Auditors' Report.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
NON-RECURRING LOTTERY PROCEEDS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment Earnings	$ 500	500	209	(291)
TOTAL REVENUES	500	500	209	(291)
EXPENDITURES				
Capital Projects	75,000	75,000	9,104	65,896
TOTAL EXPENDITURES	75,000	75,000	9,104	65,896
Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,500)	(74,500)	(8,895)	65,605
FUND BALANCE, JULY 1, 2014	177,147	177,147	177,147	-
FUND BALANCE, JUNE 30, 2015	$ 102,647	102,647	168,252	65,605

See Independent Auditors' Report.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
SCHOOL CONSTRUCTION CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment Earnings	$ 500	500	674	174
TOTAL REVENUES	500	500	674	174
EXPENDITURES				
Capital Projects	100,000	100,000	48,200	51,800
TOTAL EXPENDITURES	100,000	100,000	48,200	51,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,500)	(99,500)	(47,526)	51,974
FUND BALANCE, JULY 1, 2014	250,052	250,052	250,052	-
FUND BALANCE, JUNE 30, 2015	$ 150,552	150,552	202,526	51,974

See Independent Auditors' Report.

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Program Title	Pass Through Grantor (Commonwealth of Virginia)	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
Food Distribution - Commodities	Department of Agriculture	10.555	$ 87,946
National School Lunch Program	Department of Education	10.555	627,991
School Breakfast Program	Department of Education	10.553	250,618
Fresh Fruits and Vegetables Grant	Department of Education	10.582	47,565
U.S. Department of Education			
Title I, Part A - Improving Basic Programs	Department of Education	84.010	1,108,346
Title I, Part D (HDC)	Department of Education	84.013	4,075
Title II, Part A - Improving Teacher Quality State Grants	Department of Education	84.367	151,300
Title III English Proficiency	Department of Education	84.365	2,344
Special Education - Preschool (IDEA, Preschool)	Department of Education	84.173	15,327
Special Education - Grants to States (IDEA, Part B)	Department of Education	84.027	620,536
21st Century Community Learning Centers	Department of Education	84.287	330,701
Special Education - IDEA, Parent Resource Center	Department of Education	84.328	6,082
Carl Perkins - Vocational Education	Department of Education	84.048	58,288
Immigrant and Youth	Department of Education	84.196	206
SWD School Improvement	Department of Education	84.377	8,629
U.S. Department of Health and Human Services			
Medicaid	N/A	93.000	28,758
Total Federal Award Expenditures			$ 3,348,712

(Continued)

BRISTOL VIRGINIA SCHOOL BOARD
(COMPONENT UNIT OF THE CITY OF BRISTOL, VIRGINIA)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Bristol, Virginia School Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization* . Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and used.

See Independent Auditors' Report.

SECTION III

INTERNAL CONTROL AND COMPLIANCE SECTION

Blackburn, Childers & Steagall, PLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Bristol Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated November 30, 2015. Our report includes a reference to other auditors who audited the combined financial statements of the Bristol Virginia Public School Education Foundation, as described in our report on the School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The combined financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. This is listed as 2015-001.

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*.

Bristol Virginia School Board's Response to Findings

The School Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 30, 2015

Blackburn, Childers & Steagall, PLC
Certified Public Accountants & Consultants

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

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

Report on Compliance for Each Major Federal Program

We have audited the Bristol Virginia School Board's (the School Board) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the fiscal year ended June 30, 2015. The School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Board's compliance.

Johnson City	801B Sunset Drive, Johnson City, TN 37604	423.282.4511
Kingsport	1361 South Wilcox Drive, Kingsport, TN 37660	423.246.1725
Greeneville	550 Tusculum Boulevard, Greeneville, TN 37745	423.638.8516

www.BCScpa.com

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, 2015.

Report on Internal Control Over Compliance

Management of the School Board, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over compliance.

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

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

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

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Bristol Virginia School Board.

2. One significant deficiency relating to the audit of the financial statements are reported in this Schedule.

3. No instances of noncompliance material to the financial statements of the Bristol Virginia School Board were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in this Schedule.

5. The auditors' report on compliance for the major federal award programs for the Bristol Virginia School Board expresses an unmodified opinion on all major federal programs.

6. There were no audit findings required to be reported in accordance with section 510(a) of Circular A-133.

7. The programs tested as major programs were:

Program	CFDA
Title I, Part A – Improving Basic Programs	84.010

8. The threshold for distinguishing Type A and B programs was $300,000.

9. The Bristol Virginia School Board was determined to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS

2015-001 - Significant Deficiency – Conflicts of Interest

Section 2.2 of the Code of Virginia: The State and Local Government Conflicts of Interest Act

Condition: Three annual conflict of interest disclosure forms, out of ten examined, were filed subsequent to the due date of December 15, 2014. One additional form did not have the date of completion.

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)

Criteria: Section 2.2-3115 of the Code of Virginia requires the members of every governing body and school board of each city with a population in excess of 3,500 to file, as a condition to assuming office or employment, a disclosure statement of their personal interests and other information and thereafter shall file such a statement semi-annually on or before December 15th and June 15th.

Effect: The School Board violated the Code of Virginia.

Recommendation*:* We recommend all officials be notified of the filing date of the annual disclosure form and that a review of filings should occur prior to the due date to ensure all forms have been completed and filed timely. They should also inform the officials of their legal responsibility to file these forms in a timely fashion. Based on our testing, all forms were filed on time for the June 15, 2015 deadline.

Management's Response**:** Management concurs with the recommendation of the auditors. Additional emphasis will be placed on the importance of timely filing of conflicts of interest statements.

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

None noted.