

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD

SCHOOL BOARD MEMBERS

Randy White, Vice Chair
Tyrone Foster

Steve Fletcher, Chair

Randy Alvis
Frank Goodpasture

SCHOOL OFFICIALS

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

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

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the City of Bristol, Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the School Board, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1 of the financial statements, the Bristol Virginia Public School Education Foundation is no longer reported as a discretely presented component unit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-12, 67-69, and 70-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Supplementary and Other Information (Continued)

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 23, 2020, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Bristol, Virginia School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

Robinson, Famer, Cox Associates

Blacksburg, Virginia
November 23, 2020

**CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

As management of the City of Bristol, Virginia School Board (the School Board), we offer readers of the School Board's financial statements this overview and analysis of the financial activities of the School Board for the fiscal year ended June 30, 2020.

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 \$9,612,900 (net position). Of this amount, (\$24,700,657) represents unrestricted net position. Unrestricted net position shows a negative balance due primarily to liabilities recorded in the statement of net position that will not be paid with immediate funds. Additionally, any unexpended funds which are not specifically restricted by state regulation must be returned to the primary government. Therefore, there is no buildup of fund balances to accommodate liabilities that will not be paid with current resources.
- The School Board's total net position increased by \$260,058. The increase is attributable in part to increase in state and federal funding.
- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$1,958,709 a decrease of \$388,531 in comparison with the prior year. All fund balances are nonspendable, restricted or assigned for particular purposes.
- Bristol Virginia Public Schools Education Foundation was previously reported as a discretely presented component unit in these financial statements. After the removal of the central office building lease, the relationship with the Foundation significantly changed. The Foundation no longer is considered to be reportable component unit of the School Board. The information presented in this analysis does not include any Foundation financial data.

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.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the School Board's finances, in a manner similar to a private-sector business.

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

The School Board maintains five individual governmental funds. One fund is classified as non-major in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the operating fund, textbook fund, cafeteria, local capital projects fund, and non-major fund of School Construction Capital Projects Fund.

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

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

Overview of the Financial Statements (Continued)

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-66 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 \$9,612,900 at the close of the most recent fiscal year.

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

The School Board's Net Position		
	2020	2019
Current and Other Assets	\$ 4,322,016	\$ 4,825,457
Capital Assets	15,405,018	15,362,693
Total Assets	19,727,034	20,188,150
Deferred Outflows of Resources	4,734,960	2,640,130
Long-Term Liabilities	28,120,682	26,164,414
Other Liabilities	2,376,358	2,493,081
Total Liabilities	30,497,040	28,657,495
Deferred Inflows of Resources	3,577,854	4,043,743
Net Position		
Invested in Capital Assets	13,196,583	12,948,287
Restricted	1,891,174	2,303,136
Unrestricted	(24,700,657)	(25,124,381)
Total Net Position	\$ (9,612,900)	\$ (9,872,958)

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.

Government-Wide Financial Analysis (Continued)

The government's net position increased by \$260,058, or 2.6%, during the current fiscal year. The key element of this increase is state and federal funding as seen below:

The School Board's Changes in Net Position		
	2020	2019
Revenues		
Program Revenues		
Charges for Services	\$ 104,004	\$ 178,119
Operating Grants and Contributions	12,738,185	11,547,455
Capital Grants and Contributions	-	1,583,410
General Revenues		
Intergovernmental Revenue	15,977,954	16,153,814
Unrestricted Investment Earnings	28,058	21,954
Other	410,441	398,036
Total Revenues	<u>29,258,642</u>	<u>29,882,788</u>
Expenses		
Administration	934,297	847,063
Instructional Costs	22,019,234	20,257,185
Attendance and Health Services	747,691	709,493
Transportation	1,010,086	528,569
Food Services	1,730,691	1,737,505
Operations and Maintenance	2,492,087	2,563,943
Interest on Long-term Debt	64,498	71,463
Total Expenses	<u>28,998,584</u>	<u>26,715,221</u>
Increase in Net Position	260,058	3,167,567
Beginning Net Position	(9,872,958)	(13,040,525)
Ending Net Position	<u>\$ (9,612,900)</u>	<u>\$ (9,872,958)</u>

Financial Analysis of the Government's Funds

As noted earlier, the School Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the School Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School Board's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$1,958,709, a decrease of \$388,531 in comparison with the prior year. The entire fund balance is not available for new spending because \$87,091 is considered nonspendable for inventories and prepaid items, \$1,193,531 is restricted for capital outlay use only, including the purchase of textbooks, \$166,977 is restricted for specific grant purposes and \$530,666 is assigned for use in food service. A net of (\$19,556) 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 (\$19,556). 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 \$166,977 restricted fund balance is to be utilized for specific grant purposes only and \$19,556 is allocated to account for prepaid expenditures.

The special revenue - school textbook fund is used to account for textbook revenue and purchases for all schools in the division. These funds are intended to be used solely for textbook related expenditures, or certain technology expenses; however, other uses may be allowed by the state. At the end of the current fiscal year, restricted fund balance was \$566,492. The fund balance decreased \$88,889 due to an funds needed this year for technology replacement. Technology replacement is on a scheduled cycle but the amount of replacements required vary from year to year.

The special revenue - cafeteria fund is used to report the School Board's food services transactions. At the end of the current fiscal year, restricted fund balance of the cafeteria fund was \$530,666 while total fund balance reached \$598,201. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Restricted fund balance represents 30.3% of total cafeteria fund expenditures, while total fund balance represents 34.29% of that same amount.

The special revenue - local capital projects fund is used to account for funds the City has allowed to be carried over for future capital projects. These funds must be used solely for capital related expenditures. At the end of the current fiscal year, restricted fund balance was \$627,039, a decrease of \$175,967. This decrease is due to expending of funds to improve and maintain facilities. Additionally, due to COVID-19 and other budgetary items, the School Board was unable to transfer any unexpended appropriation to the local capital projects fund for fiscal year 2020.

Financial Analysis of the Government's Funds (Continued)

The special revenue - school construction capital projects fund is used to capture unexpended school construction grant proceeds. These funds must be used solely for capital related expenditures as set forth by the Code of Virginia. At the end of the current fiscal year, restricted fund balance was \$0. The fund balance decreased \$105,018 funding capital projects and closing out the fund as anticipated.

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	\$ 27,267,827	28,042,663	26,949,237
Charges for Services	7,250	7,250	4,679
Other	443,607	469,708	536,358
Total Revenues	<u>27,718,684</u>	<u>28,519,621</u>	<u>27,490,274</u>
Expenditures			
Expenditures	<u>27,644,505</u>	<u>28,592,020</u>	<u>27,395,860</u>
Other Financing Sources (Uses)	<u>(215,205)</u>	<u>(214,948)</u>	<u>(214,842)</u>
Change in Fund Balance	<u>\$ (141,026)</u>	<u>(287,347)</u>	<u>(120,428)</u>

The final amended budget of revenues and appropriations exceeded the original budget by \$947,515. This variance is due primarily to an increase additional pandemic related costs, along with the offsetting grant revenue.

Actual revenues were less than final budget amounts by \$1,029,347 or 3.7%, while actual expenditures were \$1,196,160, or 4.4% less than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2020, include the following:

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

During the year, actual revenues were less than actual expenditures and other financing sources, resulting in a net decrease in fund balance of \$120,428.

Capital Asset Administration

Capital Assets - The School Board's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$15,405,018 (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 .3%. This increase is attributed to the ongoing facilities improvements. 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 some renovations to Van Pelt Elementary School.

The School Board's Capital Assets		
	2020	2019
Land	\$ 267,711	\$ 267,711
Construction in Progress	161,400	90,446
Buildings and Improvements	31,547,301	30,766,195
Furniture, Books and Equipment	1,069,142	1,011,714
Technology	964,243	937,232
Vehicles and Buses	2,238,624	2,238,624
Less Accumulated Depreciation	(20,843,403)	(19,949,229)
Total	<u>\$ 15,405,018</u>	<u>\$ 15,362,693</u>

Additional information on the School Board's capital assets can be found in Note 9 on page 45 of this report.

Economic Factors and Next Year's Budget

In setting the budgets for FY 2021, the Board considered a number of issues with School 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 2021 fiscal year.
- Current and future budgets will be heavily focused on building and/or updating our elementary schools and ADA compliance for our middle and high school.
- FY 2021 budget was significantly modified once COVID-19 hit to accommodate the reduction of the originally planned state funding. Overall funding continued; however, the sources and uses of funding shifted to focus on managing the COVID-19 pandemic along with the continued instruction of students.
- The COVID-19 Pandemic has significantly altered the methods utilized to deliver services to our students, employees, and community; however, the core services remain intact. Teachers continue to deliver meaningful instruction to students; most students returning in person. Mitigations, such as extensive cleaning, social distancing and face coverings are in place. Transportation has been modified to reduce numbers of students on each bus and providing appropriate distancing. During the pandemic, most employees continued to work with full pay. Hazard pay, when appropriate, was provided. Operations continue as normal in most cases. Additional federal and state funding have been provided to accommodate the additional costs required for mitigation and remote learning. When appropriate, students and employees learn and work remotely with in-person instruction and employment preferred.
- The economic effect of sales tax revenue reductions has not been as significant as expected, allowing for a positive outlook for the remaining FY 2021 and future budgets. State funding is expected to rebound slightly which will enable the School Board to focus on providing much needed salary increases to employees; particularly hourly employees.

Request for Information

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

Basic Financial Statements

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Statement of Net Position
June 30, 2020

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,155,840
Accounts receivable	68,337
Due from other governmental units	1,710,710
Prepaid expenses	19,556
Inventories	67,535
Restricted assets:	
Cash and cash equivalents	1,299,968
Investments	70
Capital assets (net of accumulated depreciation):	
Land	267,711
Construction in progress	161,400
Buildings and improvements	14,327,551
Furniture, books, and equipment	206,056
Vehicles and buses	367,463
Technology	74,837
Total assets	<u>\$ 19,727,034</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 4,148,297
OPEB related items	586,663
Total deferred outflows of resources	<u>\$ 4,734,960</u>
LIABILITIES	
Accounts payable	\$ 925,054
Wages payable	1,431,695
Accrued interest payable	13,051
Unearned revenue	6,558
Long-term liabilities:	
Due within one year	247,472
Due in more than one year	27,873,210
Total liabilities	<u>\$ 30,497,040</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 2,834,811
OPEB related items	743,043
Total deferred inflows of resources	<u>\$ 3,577,854</u>
NET POSITION	
Net investment in capital assets	\$ 13,196,583
Restricted	
Capital projects	1,193,531
Cafeteria services	530,666
Grants	166,977
Unrestricted	(24,700,657)
Total net position	<u><u>\$ (9,612,900)</u></u>

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Primary Governmental Activities</u>	
			<u>Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
PRIMARY GOVERNMENT:						
Governmental activities:						
Administration	\$ 934,297	\$ -	\$ -	\$ -	\$	(934,297)
Instruction	22,019,234	4,679	10,985,283	-		(11,029,272)
Attendance and Health Services	747,691	-	-	-		(747,691)
Transportation	1,010,086	-	-	-		(1,010,086)
Food Services	1,730,691	99,325	1,752,902	-		121,536
Operations and Maintenance	2,492,087	-	-	-		(2,492,087)
Interest on Long-Term Debt	64,498	-	-	-		(64,498)
Total governmental activities	\$ 28,998,584	\$ 104,004	\$ 12,738,185	\$ -	\$	(16,156,395)
General revenues:						
State basic aid					\$	6,689,390
State sales tax						2,942,231
Unrestricted revenues from the use of money and property						28,058
Miscellaneous						410,441
Contributions from the City of Bristol, Virginia						6,346,333
Total general revenues					\$	16,416,453
Change in net position					\$	260,058
Net position - beginning						(9,872,958)
Net position - ending					\$	(9,612,900)

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Balance Sheet
Governmental Funds
June 30, 2020

	<u>Nonmajor Fund</u>					
	Operating Fund	School Textbook Fund	Cafeteria Fund	Local Capital Projects Fund	School Construction Capital Projects Fund	Total
ASSETS						
Cash and cash equivalents	\$ 1,155,840	\$ -	\$ -	\$ -	\$ -	\$ 1,155,840
Accounts receivable	68,337	-	-	-	-	68,337
Due from other funds	-	422,403	-	82,534	-	504,937
Due from other governmental units	1,597,295	-	113,415	-	-	1,710,710
Prepaid expenses	19,556	-	-	-	-	19,556
Inventories	-	-	67,535	-	-	67,535
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	144,058	538,903	617,007	-	1,299,968
Investments	-	31	-	39	-	70
Total assets	<u>\$ 2,841,028</u>	<u>\$ 566,492</u>	<u>\$ 719,853</u>	<u>\$ 699,580</u>	<u>\$ -</u>	<u>\$ 4,826,953</u>
LIABILITIES						
Accounts payable	\$ 790,427	\$ -	\$ 62,086	\$ 72,541	\$ -	\$ 925,054
Wages payable	1,431,695	-	-	-	-	1,431,695
Due to other funds	451,929	-	53,008	-	-	504,937
Unearned revenue	-	-	6,558	-	-	6,558
Total liabilities	<u>\$ 2,674,051</u>	<u>\$ -</u>	<u>\$ 121,652</u>	<u>\$ 72,541</u>	<u>\$ -</u>	<u>\$ 2,868,244</u>
FUND BALANCES						
Nonspendable:						
Inventories	\$ -	\$ -	\$ 67,535	\$ -	\$ -	\$ 67,535
Prepaid items	19,556	-	-	-	-	19,556
Restricted:						
Capital projects	-	566,492	-	627,039	-	1,193,531
Grants	166,977	-	-	-	-	166,977
Food service	-	-	530,666	-	-	530,666
Unassigned	(19,556)	-	-	-	-	(19,556)
Total fund balances	<u>\$ 166,977</u>	<u>\$ 566,492</u>	<u>\$ 598,201</u>	<u>\$ 627,039</u>	<u>\$ -</u>	<u>\$ 1,958,709</u>
Total liabilities and fund balances	<u>\$ 2,841,028</u>	<u>\$ 566,492</u>	<u>\$ 719,853</u>	<u>\$ 699,580</u>	<u>\$ -</u>	<u>\$ 4,826,953</u>

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,958,709
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 267,711	
Construction in progress	161,400	
Buildings and improvements	14,327,551	
Furniture, books, and equipment	206,056	
Vehicles and buses	367,463	
Technology	<u>74,837</u>	15,405,018

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 4,148,297	
OPEB related items	<u>586,663</u>	4,734,960

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ (495,081)	
Net OPEB liabilities	(5,272,869)	
Net pension liabilities	(20,144,297)	
Accrued interest payable	(13,051)	
Capital lease	<u>(2,208,435)</u>	(28,133,733)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (2,834,811)	
OPEB related items	<u>(743,043)</u>	(3,577,854)

Net position of governmental activities	\$	<u><u>(9,612,900)</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Nonmajor Fund					
	Operating Fund	School Textbook Fund	Cafeteria Fund	Local Capital Projects Fund	School Construction Capital Projects Fund	Total
REVENUES						
Revenue from the use of money and property	\$ 8,458	\$ 7,133	\$ 995	\$ 10,205	\$ 1,267	\$ 28,058
Charges for services	4,679	-	99,325	-	-	104,004
Miscellaneous	410,441	-	-	-	-	410,441
Recovered costs	117,459	-	-	-	-	117,459
Intergovernmental	26,949,237	-	1,752,902	14,000	-	28,716,139
Total revenues	\$ 27,490,274	\$ 7,133	\$ 1,853,222	\$ 24,205	\$ 1,267	\$ 29,376,101
EXPENDITURES						
Current:						
Administration	\$ 851,352	\$ -	\$ -	\$ -	\$ -	\$ 851,352
Instruction	21,668,265	310,864	-	-	-	21,979,129
Attendance and Health Services	751,523	-	-	-	-	751,523
Transportation	856,728	-	-	-	-	856,728
Food Services	-	-	1,724,627	-	-	1,724,627
Operations and Maintenance	2,422,403	-	-	-	-	2,422,403
Capital Projects	573,307	-	26,824	200,172	106,285	906,588
Debt service	272,282	-	-	-	-	272,282
Total expenditures	\$ 27,395,860	\$ 310,864	\$ 1,751,451	\$ 200,172	\$ 106,285	\$ 29,764,632
Excess (deficiency) of revenues over (under) expenditures	\$ 94,414	\$ (303,731)	\$ 101,771	\$ (175,967)	\$ (105,018)	\$ (388,531)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 214,842	\$ -	\$ -	\$ -	\$ 214,842
Transfers out	(214,842)	-	-	-	-	(214,842)
Total other financing sources (uses)	\$ (214,842)	\$ 214,842	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (120,428)	\$ (88,889)	\$ 101,771	\$ (175,967)	\$ (105,018)	\$ (388,531)
Fund balances - beginning	287,405	655,381	496,430	803,006	105,018	2,347,240
Fund balances - ending	\$ 166,977	\$ 566,492	\$ 598,201	\$ 627,039	\$ -	\$ 1,958,709

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	(388,531)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 943,329	
Depreciation expenses	<u>(894,174)</u>	49,155

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(6,830)
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The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments:

Capital leases		205,971
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Changes in compensated absences	\$ (41,904)	
Changes in net OPEB liabilities and related items	45,497	
Changes in accrued interest payable	1,813	
Changes in net pension liabilities and related items	<u>394,887</u>	400,293

Change in net position of governmental activities	\$	<u>260,058</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity:

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

Discretely Presented Component Unit

Bristol Virginia Public Schools Education Foundation (the Foundation), a Virginia non-stock corporation, is an independent community-based organization formed for charitable and educational purposes, as defined under 501(c)(3) of the Internal Revenue Code of 1986. The Foundation’s expressed purpose is for improving the quality of education in the Bristol Public School System by implementing a public/private partnership to implement public school improvement projects approved by the School Board. The Foundation issues separate audited combined financial statements and may be obtained from the School Board’s administrative office. Prior to this report, the Foundation was deemed to be a discretely presented component unit due to its relationship with the School Board. The Foundation had purchased the central office building and leased it to the School Board for its daily use but during 2019 the Foundation gave the building to the School Board. Therefore, in 2020 the Foundation was not deemed to be a discretely presented component unit as the relationship changed substantially.

Related Organizations

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

B. Government-wide and fund financial statements:

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

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or when related to a grant reimbursed based on actual expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

The School Board reports the following major governmental funds:

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

The School Textbook Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fund consists of unexpended revenue restricted by the Code of Virginia at June 30th of each year.

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

The School Board reports the following major capital projects funds:

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

The School Board also reports a nonmajor School Construction Capital Project Fund.

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

D. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School Board has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liabilities and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liabilities and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School Board has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liabilities and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on this item, reference the related notes.

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

1. Cash and Cash Equivalents/Investments

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

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

2. Inventories

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

3. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School Board as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

3. Capital assets (continued)

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

<u>Assets</u>	<u>Years</u>
Building and structural improvements	50
Non-structural improvements	15-26
Furniture, books, and equipment	5-15
Technology	5-10
Vehicles and buses	8

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

4. Fund balance

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the School Board prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

4. Fund balance (continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

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

5. Compensated Absences

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

6. Pensions

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

7. Use of Estimates

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

8. Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

9. Other Postemployment Benefits (OPEB)

Health Insurance

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

VRS related OPEB Liabilities

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 2-Stewardship, Compliance, and Accountability:

Budgets and Budgetary Accounting

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

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

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

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

The school budget is adopted on a basis consistent with generally accepted accounting principles. All funds' appropriations lapse on June 30. The School Board did not exceed City Council's appropriations.

Note 3-Deposits and Investments:

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

Investments: Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP) and the Virginia Investment Pool (VIP).

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School Board's investments at June 30, 2020 were held in the School Board's name by the School Board's custodial bank.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 3-Deposits and Investments: (continued)

Interest Rate Risk: The School Board has not adopted an investment policy for interest rate risk. Listed below are the School Board's investments subject to investment rate risk and their corresponding maturity dates.

Investment Type	Investment Maturities (in years)		
	Fair Value	Less 1 yr	1-5 yrs
VML/VACO Virginia Investment Pool	\$ 70	\$ 70	\$ -

Credit Risk of Debt Securities: The School Board has not adopted an investment policy for credit risk. The School Board's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

School Board's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
VML/VACO Virginia Investment Pool	\$ 70

Redemption Restrictions: The School Board is limited to two withdrawals per month.

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The School Board has measured fair value of the above investments at the net asset value (NAV).

Note 4-Due from Other Governmental Units:

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

	Operating Fund	Cafeteria Fund
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 359,199	\$ -
VPSA grant	194,155	-
School grants	359,830	-
<u>Federal Government:</u>		
School grants	684,111	-
School food program	-	113,415
Total	<u>\$ 1,597,295</u>	<u>\$ 113,415</u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 5-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Operating Fund	\$ -	\$ (214,842)
School Textbook Fund	214,842	-
Total	<u>\$ 214,842</u>	<u>\$ (214,842)</u>

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

	Due From	Due To
Operating Fund	\$ -	\$ 451,929
Cafeteria Fund	-	53,008
School Textbook Fund	422,403	-
Local Capital Projects Fund	82,534	-
Total	<u>\$ 504,937</u>	<u>\$ 504,937</u>

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

Note 6-Long-term Obligations:

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

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 453,177	\$ 242,951	\$ (201,047)	\$ 495,081	\$ 35,596
Capital lease	2,414,406	-	(205,971)	2,208,435	211,876
Net OPEB liability	5,177,400	915,017	(819,548)	5,272,869	-
Net pension liability	18,119,431	7,226,323	(5,201,457)	20,144,297	-
Total	<u>\$ 26,164,414</u>	<u>\$ 8,384,291</u>	<u>\$ (6,428,023)</u>	<u>\$ 28,120,682</u>	<u>\$ 247,472</u>

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 7-Capital Leases:

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

	<u>Energy Saving Equipment</u>
Machinery and equipment	\$ 3,247,472
Less: Accumulated depreciation	<u>(363,717)</u>
Net capital assets	<u>\$ 2,883,755</u>

The School Board entered a capital lease in October 2013 for a total amount of \$3,247,742 with an interest rate of 2.83%, payable in 60 quarterly principal and interest payments which began in October 2014. The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020, were as follows:

<u>Year Ending June 30,</u>	<u>Energy Savings Lease</u>
2021	\$ 272,282
2022	272,282
2023	272,282
2024	272,282
2025	272,282
2026-2030	<u>1,157,198</u>
Subtotal	\$ 2,518,608
Less, amount representing interest	<u>(310,173)</u>
Present Value of Lease Agreement	<u>\$ 2,208,435</u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan:

School Board (Nonprofessional)

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees and 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefit	40
Inactive members:	
Vested inactive members	2
Non-vested inactive members	<u>18</u>
Total inactive members	20
Active members	<u>35</u>
Total covered employees	<u><u>95</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 7.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board's nonprofessional employees were \$65,202 and \$62,570 for the years ended June 30, 2020 and June 30, 2019, respectively.

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The School Board's (nonprofessional) net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

Actuarial Assumptions - General Employees (continued)

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial
experience study for the period from July 1, 2012 through June 30, 2016, except the change in the
discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial
assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contributions rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

Changes in Net Pension Liability

	School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 2,790,156	\$ 2,415,725	\$ 374,431
Changes for the year:			
Service cost	\$ 65,224	\$ -	\$ 65,224
Interest	186,773	-	186,773
Differences between expected and actual experience	96,673	-	96,673
Change in assumptions	66,151	-	66,151
Contributions - employer	-	62,570	(62,570)
Contributions - employee	-	42,088	(42,088)
Net investment income	-	155,235	(155,235)
Benefit payments, including refunds of employee contributions	(243,935)	(243,935)	-
Administrative expenses	-	(1,646)	1,646
Other changes	-	(97)	97
Net changes	\$ 170,886	\$ 14,215	\$ 156,671
Balances at June 30, 2019	\$ 2,961,042	\$ 2,429,940	\$ 531,102

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

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

The following presents the net pension liability of the School Board (nonprofessional) using the discount rate of 6.75%, as well as what the School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>Rate</u>	<u>(7.75%)</u>
		<u>(6.75%)</u>	
School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 825,661	\$ 531,102	\$ 294,413

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

For the year ended June 30, 2020, the School Board (nonprofessional) recognized pension expense of \$149,813. At June 30, 2020, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>School Board</u>	
	<u>(nonprofessional)</u>	
	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 86,996	\$ -
Change in assumptions	42,270	-
Net difference between projected and actual earnings on pension plan investments	-	18,784
Employer contributions subsequent to the measurement date	65,202	-
Total	<u>\$ 194,468</u>	<u>\$ 18,784</u>

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Nonprofessional) (continued)

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

\$65,202 reported as deferred outflows of resources related to pensions resulting from the School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>School Board (nonprofessional)</u>
2021	\$ 86,245
2022	22,655
2023	(204)
2024	1,786
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

School Board (Professional)

Plan Description

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

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Professional) (continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$2,011,663 and \$1,907,003 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$19,613,195 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.14903% as compared 0.15089% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$1,534,593. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Professional) (continued)

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

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,255,916
Change in assumptions	1,942,166	-
Net difference between projected and actual earnings on pension plan investments	-	430,659
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	1,129,452
Employer contributions subsequent to the measurement date	2,011,663	-
Total	<u>\$ 3,953,829</u>	<u>\$ 2,816,027</u>

\$2,011,663 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	School Board (professional)
2021	\$ (440,982)
2022	(687,815)
2023	(78,442)
2024	196,306
2025	137,072
Thereafter	-

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Pension Plan: (continued)

School Board (Professional) (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	36,522,769
Employers' Net Pension Liability (Asset)	<u>\$ 13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
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Note 8-Pension Plan: (continued)

School Board (Professional) (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>Discount Rate</u>	<u>(6.75%)</u>
		<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 29,526,379	\$ 19,613,195	\$ 11,416,828

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

	<u>Deferred</u>	<u>Deferred</u>	<u>Net Pension</u>	<u>Pension</u>
	<u>Outflows</u>	<u>Inflows</u>	<u>Liability</u>	<u>Expense</u>
			<u>(Asset)</u>	
VRS Pension Plans:				
School Board Nonprofessional	\$ 194,468	\$ 18,784	\$ 531,102	\$ 149,813
School Board Professional	3,953,829	2,816,027	19,613,195	1,534,593
Totals	<u>\$ 4,148,297</u>	<u>\$ 2,834,811</u>	<u>\$ 20,144,297</u>	<u>\$ 1,684,406</u>

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Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance		Increases		Decreases		Ending Balance
Capital assets, not being depreciated:							
Land	\$ 267,711	\$	-	\$	-	\$	267,711
Construction in progress	90,446		161,400		(90,446)		161,400
Total capital assets not being depreciated	<u>\$ 358,157</u>	\$	<u>161,400</u>	\$	<u>(90,446)</u>	\$	<u>429,111</u>
Capital assets, being depreciated:							
Buildings and improvements	\$ 30,766,195	\$	781,106	\$	-	\$	31,547,301
Furniture, books, and equipment	1,011,714		57,428		-		1,069,142
Technology	937,232		33,841		(6,830)		964,243
Vehicles and buses	2,238,624		-		-		2,238,624
Total capital assets being depreciated	<u>\$ 34,953,765</u>	\$	<u>872,375</u>	\$	<u>(6,830)</u>	\$	<u>35,819,310</u>
Accumulated depreciation:							
Buildings and improvements	\$ (16,538,944)	\$	(680,806)	\$	-	\$	(17,219,750)
Furniture, books, and equipment	(791,637)		(71,449)		-		(863,086)
Technology	(858,165)		(31,241)		-		(889,406)
Vehicles and buses	(1,760,483)		(110,678)		-		(1,871,161)
Total accumulated depreciation	<u>\$ (19,949,229)</u>	\$	<u>(894,174)</u>	\$	<u>-</u>	\$	<u>(20,843,403)</u>
Total capital assets being depreciated, net	<u>\$ 15,004,536</u>	\$	<u>(21,799)</u>	\$	<u>(6,830)</u>	\$	<u>14,975,907</u>
Governmental activities capital assets, net	<u>\$ 15,362,693</u>	\$	<u>139,601</u>	\$	<u>(97,276)</u>	\$	<u>15,405,018</u>

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

Administration	\$ 157,371
Instruction	580,461
Pupil transportation	82,318
Food service	29,055
Operation and maintenance	<u>44,969</u>
Total depreciation expense-governmental activities	<u>\$ 894,174</u>

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Note 10-Risk Management:

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

Note 11-Other Postemployment Benefits - Health Insurance:

Plan Description

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

Benefits Provided

Postemployment benefits are provided to eligible retirees to include health insurance. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. Employees are eligible for the program if they retire from the School Board with VRS. The benefits are as follows:

- Employee retiring with less than 25 years of service - retiree pays 100% of employee premium;
- Employee retiring with 25 or more but less than 30 years of service - retiree pays 100% of employee premium less \$100 monthly credit;
- Employee retiring with 30 or more but less than 35 years of service - retiree pays 100% of employee premium less \$200 monthly credit;
- Employee retiring with 35 or more years of service - retiree pays 100% of employee premium less \$300 monthly credit.

The benefit ceases as the retiree turns 65 or becomes eligible for Medicare. The retiree pays 100% of the spousal premium regardless of years of service.

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

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2020 was \$60,600.

Total OPEB Liability

The School Board's total OPEB liability was measured as of July 1, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of July 1, 2019.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Discount rate	3.13%
Healthcare trend rate	5.50%

Mortality rates was the RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions from the Board will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current plan members.

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
\$ 2,435,200	\$ 2,239,600	\$ 2,059,300

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

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current healthcare cost trend rates:

	Healthcare Cost	
	Trend Rates	
1% Decrease (4.50%)	(5.50%)	1% Increase (6.50%)
\$ 2,022,600	\$ 2,239,600	\$ 2,496,200

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

At June 30, 2020, the School Board reported a liability of \$2,239,600 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2019 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2018. At June 30, 2020 and 2019, the School Board's proportion was 45.52% and 45.97%, respectively.

For the year ended June 30, 2020, the School Board recognized OPEB expense in the amount of \$61,900.

At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 299,400
Changes in assumptions	74,500	169,900
Net difference between projected and actual earnings on OPEB Plan investments	-	-
Employer contributions after measurement date but prior to fiscal year end	60,600	-
Total	\$ 135,100	\$ 469,300

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

Total OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

\$60,600 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year ended June 30:		
2021	\$	(92,800)
2022		(92,800)
2023		(92,800)
2024		(92,800)
2025		(22,100)
2026		(1,500)
Thereafter		-

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

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

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

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

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$157,280 and \$148,136 for the years ended June 30, 2020 and June 30, 2019, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2020, the school division reported a liability of \$1,926,729 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Program was 0.1472% as compared to 0.1495% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$136,166. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (Continued)

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 10,914
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	122	-
Change in assumptions	44,844	13,388
Change in proportion	-	121,640
Employer contributions subsequent to the measurement date	<u>157,280</u>	<u>-</u>
Total	<u>\$ 202,246</u>	<u>\$ 145,942</u>

\$157,280 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2021	\$ (20,580)
2022	(20,582)
2023	(19,738)
2024	(20,021)
2025	(16,520)
Thereafter	(3,535)

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%

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

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 2,156,337	\$ 1,926,729	\$ 1,731,677

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Program from the School Board (nonprofessional) were \$5,514 and \$5,125 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Program from the School Board (professional) were \$68,155 and \$64,193 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020, the School Board (nonprofessional) reported a liability of \$81,851 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2020, the School Board (professional) reported a liability of \$1,024,689 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2019, the School Board's (nonprofessional) proportion was 0.00503% as compared to 0.00493% at June 30, 2018.

At June 30, 2019, the School Board's (professional) proportion was 0.06297% as compared to 0.06359% at June 30, 2018.

For the year ended June 30, 2020, the School Board (nonprofessional) recognized GLI OPEB expense of \$9,285. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to GLI Plan OPEB (continued)

For the year ended June 30, 2020, the School Board (professional) recognized GLI OPEB expense of \$10,252. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	School Board (nonprofessional)		School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,444	\$ 1,063	\$ 68,148	\$ 13,291
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,681	-	21,048
Change in assumptions	5,168	2,468	64,693	30,899
Changes in proportion	32,195	-	-	57,351
Employer contributions subsequent to the measurement date	5,514	-	68,155	-
Total	\$ 48,321	\$ 5,212	\$ 200,996	\$ 122,589

\$5,514 and \$68,155 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board (nonprofessional) and School Board (professional), respectively, contributions subsequent to the measurement will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>School Board (nonprofessional)</u>	<u>School Board (professional)</u>
2021	\$ 7,683	\$ (9,802)
2022	7,683	(9,801)
2023	8,395	(887)
2024	8,800	9,104
2025	4,479	16,282
Thereafter	555	5,356

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Actuarial Assumptions (continued)

Mortality Rates - Teachers (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Actuarial Assumptions (continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Net GLI OPEB Liability (Asset)	\$ <u>1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School Board's (nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	\$ 107,530	\$ 81,851	\$ 61,026
School Board's (professional) proportionate share of the GLI Plan Net OPEB Liability	\$ 1,346,158	\$ 1,024,689	\$ 763,987

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 14-OPEB Summary:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Stand-Alone Health Insurance Plan (Note 11)	\$ 135,100	\$ 469,300	\$ 2,239,600	\$ 61,900
VRS OPEB Plans:				
VRS Teacher Health Insurance Credit (Note 12)	202,246	145,942	1,926,729	136,166
VRS Group Life - Nonprofessional (Note 13)	48,321	5,212	81,851	9,285
VRS Group Life - Professional (Note 13)	200,996	122,589	1,024,689	10,252
Totals	<u>\$ 586,663</u>	<u>\$ 743,043</u>	<u>\$ 5,272,869</u>	<u>\$ 217,603</u>

Note 15-Commitments and Contingencies:

Contingencies:

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

Note 16-Litigation:

As of June 30, 2020, there were no matters of litigation involving the School Board which would materially affect the School Board's financial position should any court decisions on pending matters not be favorable.

Note 17-Subsequent Event:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the School Board's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the School Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 18-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 18-Upcoming Pronouncements: (continued)

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Required Supplementary Information

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Operating Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ 5,001	\$ 8,458	\$ 3,457
Charges for services	7,250	7,250	4,679	(2,571)
Miscellaneous	345,687	345,787	410,441	64,654
Recovered costs	97,920	118,920	117,459	(1,461)
Intergovernmental	27,267,827	28,042,663	26,949,237	(1,093,426)
Total revenues	\$ 27,718,684	\$ 28,519,621	\$ 27,490,274	\$ (1,029,347)
EXPENDITURES				
Current:				
Administration	\$ 883,972	\$ 880,116	\$ 851,352	\$ 28,764
Instructional Costs	22,134,767	22,547,800	21,668,265	879,535
Attendance and Health Services	738,595	742,646	751,523	(8,877)
Transportation	750,838	896,597	856,728	39,869
Operations and Maintenance	2,766,123	2,747,262	2,422,403	324,859
Capital Projects	97,928	505,317	573,307	(67,990)
Debt service	272,282	272,282	272,282	-
Total expenditures	\$ 27,644,505	\$ 28,592,020	\$ 27,395,860	\$ 1,196,160
Excess (deficiency) of revenues over (under) expenditures	\$ 74,179	\$ (72,399)	\$ 94,414	\$ 166,813
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (215,205)	\$ (214,948)	\$ (214,842)	\$ 106
Total other financing sources (uses)	\$ (215,205)	\$ (214,948)	\$ (214,842)	\$ 106
Net change in fund balances	\$ (141,026)	\$ (287,347)	\$ (120,428)	\$ 166,919
Fund balances - beginning	141,026	287,347	287,405	58
Fund balances - ending	\$ -	\$ -	\$ 166,977	\$ 166,977

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - School Textbook Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ 7,133	\$ 6,633
Total revenues	\$ 500	\$ 500	\$ 7,133	\$ 6,633
EXPENDITURES				
Current:				
Instructional Costs	\$ 589,000	\$ 589,000	\$ 310,864	\$ 278,136
Total expenditures	\$ 589,000	\$ 589,000	\$ 310,864	\$ 278,136
Excess (deficiency) of revenues over (under) expenditures	\$ (588,500)	\$ (588,500)	\$ (303,731)	\$ 284,769
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 215,205	\$ 215,205	\$ 214,842	\$ (363)
Total other financing sources (uses)	\$ 215,205	\$ 215,205	\$ 214,842	\$ (363)
Net change in fund balances	\$ (373,295)	\$ (373,295)	\$ (88,889)	\$ 284,406
Fund balances - beginning	373,295	373,295	655,381	282,086
Fund balances - ending	\$ -	\$ -	\$ 566,492	\$ 566,492

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - Cafeteria Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 1,800	\$ 1,800	\$ 995	\$ (805)
Charges for services	100,000	100,000	99,325	(675)
Intergovernmental	1,490,000	1,490,000	1,752,902	262,902
Total revenues	<u>\$ 1,591,800</u>	<u>\$ 1,591,800</u>	<u>\$ 1,853,222</u>	<u>\$ 261,422</u>
EXPENDITURES				
Current:				
Food services	\$ 1,574,469	\$ 1,574,469	\$ 1,724,627	\$ (150,158)
Capital projects	16,250	16,250	26,824	(10,574)
Total expenditures	<u>\$ 1,590,719</u>	<u>\$ 1,590,719</u>	<u>\$ 1,751,451</u>	<u>\$ (160,732)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,081</u>	<u>\$ 1,081</u>	<u>\$ 101,771</u>	<u>\$ 100,690</u>
Net change in fund balances	\$ 1,081	\$ 1,081	\$ 101,771	\$ 100,690
Fund balances - beginning	(1,081)	(1,081)	496,430	497,511
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 598,201</u>	<u>\$ 598,201</u>

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 65,224	\$ 58,409	\$ 31,780	\$ 32,602	\$ 28,122	\$ 27,708
Interest	186,773	181,007	182,965	181,160	174,748	177,953
Differences between expected and actual experience	96,673	84,571	(28,124)	34,594	110,892	-
Changes of assumptions	66,151	-	14,988	-	-	-
Benefit payments, including refunds of employee contributions	(243,935)	(239,292)	(219,874)	(225,257)	(219,075)	(283,803)
Net change in total pension liability	\$ 170,886	\$ 84,695	\$ (18,265)	\$ 23,099	\$ 94,687	\$ (78,142)
Total pension liability - beginning	2,790,156	2,705,461	2,723,726	2,700,627	2,605,940	2,684,082
Total pension liability - ending (a)	<u>\$ 2,961,042</u>	<u>\$ 2,790,156</u>	<u>\$ 2,705,461</u>	<u>\$ 2,723,726</u>	<u>\$ 2,700,627</u>	<u>\$ 2,605,940</u>
Plan fiduciary net position						
Contributions - employer	\$ 62,570	\$ 86,028	\$ 40,529	\$ 35,356	\$ 35,509	\$ 32,976
Contributions - employee	42,088	40,796	19,781	18,070	18,376	17,626
Net investment income	155,235	171,079	264,280	37,131	107,616	344,926
Benefit payments	(243,935)	(239,292)	(219,874)	(225,257)	(219,075)	(283,803)
Administrator charges	(1,646)	(1,544)	(1,648)	(1,565)	(1,617)	(2,044)
Other	(97)	(150)	(231)	(17)	(23)	19
Net change in plan fiduciary net position	\$ 14,215	\$ 56,917	\$ 102,837	\$ (136,282)	\$ (59,214)	\$ 109,700
Plan fiduciary net position - beginning	2,415,725	2,358,808	2,255,971	2,392,253	2,451,467	2,341,767
Plan fiduciary net position - ending (b)	<u>\$ 2,429,940</u>	<u>\$ 2,415,725</u>	<u>\$ 2,358,808</u>	<u>\$ 2,255,971</u>	<u>\$ 2,392,253</u>	<u>\$ 2,451,467</u>
School Division's net pension liability - ending (a) - (b)	\$ 531,102	\$ 374,431	\$ 346,653	\$ 467,755	\$ 308,374	\$ 154,473
Plan fiduciary net position as a percentage of the total pension liability	82.06%	86.58%	87.19%	82.83%	88.58%	94.07%
Covered payroll	\$ 985,389	\$ 936,956	\$ 427,785	\$ 378,275	\$ 374,688	\$ 352,512
School Division's net pension liability as a percentage of covered payroll	53.90%	39.96%	81.03%	123.65%	82.30%	43.82%

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer's Share of Net Pension Liability (Asset) VRS Teacher Retirement Plan - Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.14903%	0.15089%	0.15727%	0.16041%	0.16291%	0.17120%
Employer's Proportionate Share of the Net Pension Liability	\$ 19,613,195	\$ 17,745,000	\$ 19,341,000	\$ 22,480,000	\$ 20,504,000	\$ 20,689,000
Employer's Covered Payroll	12,344,683	12,091,612	12,332,218	12,230,845	12,112,576	12,519,915
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	158.88%	146.75%	156.83%	183.80%	169.28%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	72.92%	72.92%	68.28%	70.68%	70.88%

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board (nonprofessional)					
2020	\$ 65,202	\$ 65,202	\$ -	\$ 1,060,397	6.15%
2019	62,570	62,570	-	985,389	6.35%
2018	86,122	86,122	-	936,956	9.19%
2017	40,529	40,529	-	427,785	9.47%
2016	36,314	36,314	-	378,275	9.60%
2015	35,970	35,970	-	374,688	9.60%
2014	33,066	47,237	(14,171)	352,512	13.40%
2013	33,124	47,320	(14,196)	353,136	13.40%
2012	32,559	32,559	-	353,513	9.21%
2011	32,268	32,268	-	350,356	9.21%
School Board (professional)					
2020	\$ 2,011,663	\$ 2,011,663	\$ -	\$ 13,192,007	15.25%
2019	1,907,003	1,907,003	-	12,344,683	15.45%
2018	1,951,522	1,951,522	-	12,091,612	16.14%
2017	1,793,482	1,793,482	-	12,332,218	14.54%
2016	1,804,522	1,804,522	-	12,230,845	14.75%
2015	1,932,587	1,932,587	-	12,112,576	15.96%
2014	1,473,181	1,473,181	-	12,519,915	11.77%
2013	1,429,299	1,429,299	-	12,258,703	11.66%
2012	737,806	737,806	-	11,657,185	6.33%
2011	458,943	458,943	-	11,677,925	3.93%

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of School Board's Proportionate Share of the Total OPEB Liability
Health Insurance
For the Measurement Dates of July 1, 2016 through July 1, 2019

Date (1)	Proportion of the Total OPEB Liability (TPL) (2)	Proportionate Share of the TOL (3)	Covered Payroll (4)	Proportionate Share of the TOL as a Percentage of Covered Payroll (3)/(4) (5)	OPEB Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability (6)
2019	45.52%	\$ 2,239,600	\$ 11,521,649	19.44%	0.00%
2018	45.97%	2,239,400	11,874,985	18.86%	0.00%
2017	45.12%	2,620,600	11,655,083	22.48%	0.00%
2016	45.46%	2,531,400	11,742,909	21.56%	0.00%

Schedule is intended to show information for 10 years. Information prior to the 2016 valuation is not available. However, additional years will be included as they become available.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer Contributions
Health Insurance

For the Years Ended June 30, 2017 through June 30, 2020

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	as a % of Covered Payroll
	(1)	(2)	(3)	(4)	(5)
2020	\$ 60,600	\$ 60,600	\$ -	\$ 12,635,900	0.48%
2019	93,100	93,100	-	11,521,649	0.81%
2018	93,100	93,100	-	11,874,985	0.78%
2017	93,100	93,100	-	11,655,083	0.80%

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Notes to Required Supplementary Information - Health Insurance OPEB
For the Year Ended June 30, 2020

School Board

Valuation Date: 7/1/2018

Measurement Date: 7/1/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.13% as of July 1, 2019
Inflation	2.50% per year as of July 1, 2019
Healthcare Trend Rate	The healthcare trend rate is 0.00% for fiscal year end 2019 (to reflect actual experience), then 5.50% for fiscal year end 2020, decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increase Rates	2.50% per year as of July 1, 2019
Participation Percentage	20% of employees paying the full premium are expected to participate. 45% of employees with 25-29 years of service and 70% of employees with 30-34 years of service are expected to participate. 90% of employees eligible for a subsidy are expected to collect same. It is assumed 75% of male and 50% of female participants are married.
Retirement Age	Retirement rates are estimated using the same as those used by Virginia Retirement System (VRS) which can be obtained in the online VRS CAFR.
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2019	0.1472%	\$ 1,926,729	\$ 12,344,683	15.61%	8.97%
2018	0.1495%	1,898,000	12,091,612	15.70%	8.08%
2017	0.1563%	1,982,000	12,332,218	16.07%	7.04%

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
School Board (Professional)					
2020	\$ 157,280	\$ 157,280	\$ -	\$ 13,192,007	1.19%
2019	148,136	148,136	-	12,344,683	1.20%
2018	148,727	148,727	-	12,091,612	1.23%
2017	136,888	136,888	-	12,332,218	1.11%
2016	129,647	129,647	-	12,230,845	1.06%
2015	128,393	128,393	-	12,112,576	1.06%
2014	138,971	138,971	-	12,519,915	1.11%
2013	135,830	135,830	-	12,258,703	1.11%
2012	69,963	69,963	-	11,657,185	0.60%
2011	70,067	70,067	-	11,677,925	0.60%

City of Bristol, Virginia School Board
 (Component Unit of the City of Bristol, Virginia)
 Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
School Board (Nonprofessional)					
2019	0.00503%	\$ 81,851	\$ 985,389	8.31%	52.00%
2018	0.00493%	74,000	936,956	7.90%	51.22%
2017	0.00232%	35,000	427,785	8.18%	48.86%
School Board (Professional)					
2019	0.06297%	\$ 1,024,689	\$ 12,344,683	8.30%	52.00%
2018	0.06359%	966,000	12,091,612	7.99%	51.22%
2017	0.06686%	1,006,000	12,332,218	8.16%	48.86%

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

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board (Nonprofessional)					
2020	\$ 5,514	\$ 5,514	\$ -	\$ 1,060,397	0.52%
2019	5,125	5,125	-	985,389	0.52%
2018	4,872	4,872	-	936,956	0.52%
2017	2,224	2,224	-	427,785	0.52%
2016	1,816	1,816	-	378,275	0.48%
2015	1,799	1,799	-	374,688	0.48%
2014	1,692	1,692	-	352,512	0.48%
2013	1,695	1,695	-	353,136	0.48%
2012	990	990	-	353,513	0.28%
2011	981	981	-	350,356	0.28%
School Board (Professional)					
2019	\$ 68,155	\$ 68,155	\$ -	\$ 13,192,007	0.52%
2019	64,193	64,193	-	12,344,683	0.52%
2018	62,126	62,126	-	12,091,612	0.51%
2017	64,128	64,128	-	12,332,218	0.52%
2016	58,708	58,708	-	12,230,845	0.48%
2015	58,140	58,140	-	12,112,576	0.48%
2014	60,095	60,095	-	12,519,915	0.48%
2013	58,842	58,842	-	12,258,703	0.48%
2012	32,640	32,640	-	11,657,185	0.28%
2011	32,698	32,698	-	11,677,925	0.28%

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Notes to Required Supplementary Information
Group Life Insurance Program (GLI) Plan
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Local Capital Projects Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 100	\$ 100	\$ 10,205	\$ 10,105
Intergovernmental	-	14,000	14,000	-
Total revenues	\$ 100	\$ 14,100	\$ 24,205	\$ 10,105
EXPENDITURES				
Capital Projects	\$ 500,000	\$ 684,390	\$ 200,172	\$ 484,218
Total expenditures	\$ 500,000	\$ 684,390	\$ 200,172	\$ 484,218
Excess (deficiency) of revenues over (under) expenditures	\$ (499,900)	\$ (670,290)	\$ (175,967)	\$ 494,323
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ (100,000)	\$ -	\$ 100,000
Total other financing sources (uses)	\$ -	\$ (100,000)	\$ -	\$ 100,000
Net change in fund balances	\$ (499,900)	\$ (770,290)	\$ (175,967)	\$ 594,323
Fund balances - beginning	499,900	770,290	803,006	32,716
Fund balances - ending	\$ -	\$ -	\$ 627,039	\$ 627,039

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Construction Capital Projects Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,267	\$ 1,267
Total revenues	\$ -	\$ -	\$ 1,267	\$ 1,267
EXPENDITURES				
Capital projects	\$ 116,496	\$ 116,496	\$ 106,285	\$ 10,211
Total expenditures	\$ 116,496	\$ 116,496	\$ 106,285	\$ 10,211
Excess (deficiency) of revenues over (under) expenditures	\$ (116,496)	\$ (116,496)	\$ (105,018)	\$ 11,478
Net change in fund balances	\$ (116,496)	\$ (116,496)	\$ (105,018)	\$ 11,478
Fund balances - beginning	116,496	116,496	105,018	(11,478)
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Supporting Schedules

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ 5,001	\$ 8,458	\$ 3,457
Total revenue from use of money and property	\$ -	\$ 5,001	\$ 8,458	\$ 3,457
Charges for services:				
Tuition	\$ 7,250	\$ 7,250	\$ 4,679	\$ (2,571)
Total charges for services	\$ 7,250	\$ 7,250	\$ 4,679	\$ (2,571)
Miscellaneous:				
Miscellaneous	\$ 345,687	\$ 345,787	\$ 410,441	\$ 64,654
Total miscellaneous	\$ 345,687	\$ 345,787	\$ 410,441	\$ 64,654
Recovered costs:				
Sale of equipment	\$ -	\$ -	\$ 1,119	\$ 1,119
E-Rate savings	97,920	118,920	116,340	(2,580)
Total recovered costs	\$ 97,920	\$ 118,920	\$ 117,459	\$ (1,461)
Total revenue from local sources	\$ 450,857	\$ 476,958	\$ 541,037	\$ 64,079
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Bristol, Virginia	\$ 6,488,510	\$ 6,574,510	\$ 6,332,333	\$ (242,177)
Total revenues from local governments	\$ 6,488,510	\$ 6,574,510	\$ 6,332,333	\$ (242,177)
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	\$ 2,882,515	\$ 2,498,668	\$ 2,942,231	\$ 443,563
Basic school aid	6,749,013	6,694,953	6,689,390	(5,563)
Foster children	39,810	27,154	14,022	(13,132)
Remedial summer school	104,573	119,460	119,460	-
Gifted and talented	75,639	75,512	75,512	-
Remedial education	391,810	391,150	391,150	-
Special education	915,232	913,691	913,691	-
Vocational education	489,217	489,471	492,205	2,734
Social security	485,603	484,785	484,785	-
Retirement	1,071,049	1,069,245	1,069,245	-
Project Graduation	4,033	4,033	4,383	350
Early reading intervention	112,224	59,147	66,200	7,053
Homebound Instruction	29,503	13,091	13,036	(55)
Group Life Payments	33,281	33,225	33,225	-
GED prep programs	8,355	8,387	8,387	-
Vocational education - equipment	7,947	8,173	4,620	(3,553)

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
SOL algebra readiness	\$ 45,636	\$ 46,353	\$ 46,353	\$ -
At risk payments	892,381	891,439	897,048	5,609
Primary class size payments	487,411	506,380	506,380	-
Mentor teacher program	1,651	1,475	1,475	-
English as a second language	17,142	20,952	20,952	-
Hospitals, clinics, and detention homes	1,036,953	995,110	1,002,670	7,560
Salary supplement	466,250	466,250	466,250	-
Virginia preschool initiative payments	153,955	153,955	178,736	24,781
Middle school teacher corps	-	5,000	5,000	-
Alternative education	146,744	146,744	146,744	-
Textbook funds	152,322	152,065	152,065	-
Lottery funds	555,856	551,387	552,760	1,373
Vocational occupation prep	36,376	27,097	3,722	(23,375)
Technology mini grant	258,000	258,000	220,155	(37,845)
Year round programs	100,000	-	-	-
School security grants	-	83,961	83,961	-
Other state funds	19,593	16,022	45,638	29,616
Total categorical aid	\$ 17,770,074	\$ 17,212,335	\$ 17,651,451	\$ 439,116
Total revenue from the Commonwealth	\$ 17,770,074	\$ 17,212,335	\$ 17,651,451	\$ 439,116
Revenue from the federal government:				
Categorical aid:				
Title I, Part A - Improving basic programs	\$ 1,496,744	\$ 1,698,566	\$ 1,403,692	\$ (294,874)
Title I, Part D - Neglected and delinquent children	5,738	10,187	5,187	(5,000)
Vocational education	85,908	84,912	52,641	(32,271)
Title II, Part A - Improving teacher quality	174,288	152,625	131,179	(21,446)
Title VI-B, Special education	704,150	794,778	672,491	(122,287)
Title VI-B, Special education - preschool	16,010	16,846	13,967	(2,879)
21st century learning grant	369,815	333,667	259,032	(74,635)
Title III-english proficiency	3,581	4,264	592	(3,672)
COVID-19 CARES Act grants	-	677,520	4,652	(672,868)
School improvement grants	-	245,499	159,618	(85,881)
Student support and academic achievement	110,509	131,051	108,916	(22,135)
Other federal categorical aid	42,500	105,903	153,486	47,583
Total categorical aid	\$ 3,009,243	\$ 4,255,818	\$ 2,965,453	\$ (1,290,365)
Total revenue from the federal government	\$ 3,009,243	\$ 4,255,818	\$ 2,965,453	\$ (1,290,365)
Total Operating Fund	\$ 27,718,684	\$ 28,519,621	\$ 27,490,274	\$ (1,029,347)

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
School Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 500	\$ 500	\$ 7,133	\$ 6,633
Total revenue from use of money and property	\$ 500	\$ 500	\$ 7,133	\$ 6,633
Total revenue from local sources	\$ 500	\$ 500	\$ 7,133	\$ 6,633
Total School Textbook Fund	\$ 500	\$ 500	\$ 7,133	\$ 6,633
Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,800	\$ 1,800	\$ 995	\$ (805)
Total revenue from use of money and property	\$ 1,800	\$ 1,800	\$ 995	\$ (805)
Charges for services:				
Cafeteria sales	\$ 100,000	\$ 100,000	\$ 99,325	\$ (675)
Total charges for services	\$ 100,000	\$ 100,000	\$ 99,325	\$ (675)
Total revenue from local sources	\$ 101,800	\$ 101,800	\$ 100,320	\$ (1,480)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 25,000	\$ 25,000	\$ 35,832	\$ 10,832
Total categorical aid	\$ 25,000	\$ 25,000	\$ 35,832	\$ 10,832
Total revenue from the Commonwealth	\$ 25,000	\$ 25,000	\$ 35,832	\$ 10,832
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,465,000	\$ 1,465,000	\$ 1,717,070	\$ 252,070
Total categorical aid	\$ 1,465,000	\$ 1,465,000	\$ 1,717,070	\$ 252,070
Total revenue from the federal government	\$ 1,465,000	\$ 1,465,000	\$ 1,717,070	\$ 252,070
Total Cafeteria Fund	\$ 1,591,800	\$ 1,591,800	\$ 1,853,222	\$ 261,422

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
Local Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 10,205	\$ 10,105
Total revenue from use of money and property	\$ 100	\$ 100	\$ 10,205	\$ 10,105
Total revenue from local sources	\$ 100	\$ 100	\$ 10,205	\$ 10,105
 Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Bristol, Virginia	\$ -	\$ 14,000	\$ 14,000	\$ -
Total revenues from local governments	\$ -	\$ 14,000	\$ 14,000	\$ -
 Total Local Capital Projects Fund	\$ 100	\$ 14,100	\$ 24,205	\$ 10,105
 Nonmajor Capital Projects Fund:				
School Construction Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,267	\$ 1,267
Total revenue from use of money and property	\$ -	\$ -	\$ 1,267	\$ 1,267
Total revenue from local sources	\$ -	\$ -	\$ 1,267	\$ 1,267
 Total Nonmajor Capital Projects Fund	\$ -	\$ -	\$ 1,267	\$ 1,267
 Total School Board	\$ 29,311,084	\$ 30,126,021	\$ 29,376,101	\$ (749,920)

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Operating Fund:				
Administration	\$ 883,972	\$ 880,116	\$ 851,352	\$ 28,764
Instructional Costs	22,134,767	22,547,800	21,668,265	879,535
Attendance and Health Services	738,595	742,646	751,523	(8,877)
Transportation	750,838	896,597	856,728	39,869
Operations and Maintenance	2,766,123	2,747,262	2,422,403	324,859
Capital Projects	97,928	505,317	573,307	(67,990)
Debt Service	272,282	272,282	272,282	-
Total Operating Fund	<u>\$ 27,644,505</u>	<u>\$ 28,592,020</u>	<u>\$ 27,395,860</u>	<u>\$ 1,196,160</u>
Special Revenue Funds:				
School Textbook Fund:				
Instructional Costs	\$ 589,000	\$ 589,000	\$ 310,864	\$ 278,136
Total School Textbook Fund	<u>\$ 589,000</u>	<u>\$ 589,000</u>	<u>\$ 310,864</u>	<u>\$ 278,136</u>
Cafeteria Fund:				
Food Services	\$ 1,574,469	\$ 1,574,469	\$ 1,724,627	\$ (150,158)
Capital Projects	16,250	16,250	26,824	(10,574)
Total Cafeteria Fund	<u>\$ 1,590,719</u>	<u>\$ 1,590,719</u>	<u>\$ 1,751,451</u>	<u>\$ (160,732)</u>
Capital Projects Fund:				
Local Capital Projects Fund:				
Capital Projects	\$ 500,000	\$ 684,390	\$ 200,172	\$ 484,218
Total Local Capital Projects Fund	<u>\$ 500,000</u>	<u>\$ 684,390</u>	<u>\$ 200,172</u>	<u>\$ 484,218</u>
Nonmajor Capital Projects Fund:				
School Construction Capital Projects Fund:				
Capital Projects	\$ 116,496	\$ 116,496	\$ 106,285	\$ 10,211
Total School Construction Capital Projects Fund	<u>\$ 116,496</u>	<u>\$ 116,496</u>	<u>\$ 106,285</u>	<u>\$ 10,211</u>
Total School Board	<u>\$ 30,440,720</u>	<u>\$ 31,572,625</u>	<u>\$ 29,764,632</u>	<u>\$ 1,807,993</u>

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the remaining fund information of the City of Bristol, Virginia School Board (the School Board), a component unit of the City of Bristol, Virginia, as of and for the year ended June 30, 2020, 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 23, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control.

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

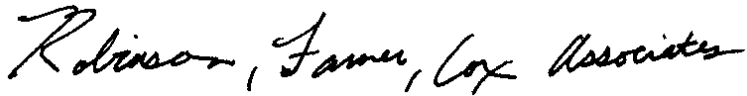
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Robinson, Famer, Cox Associates". The script is cursive and fluid.

Blacksburg, Virginia
November 23, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Bristol, Virginia School Board's (the School Board) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the year ended June 30, 2020. The School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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



Blacksburg, Virginia
November 23, 2020

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
Department of Agriculture:				
Pass Through Payments from:				
Child Nutrition Cluster:				
State Department of Agriculture:				
Food Distribution (Note C)	10.555	Not available	\$ 96,947	
State Department of Education:				
COVID-19 National School Lunch Program	10.555	APE40254	\$ 50,290	
National School Lunch Program	10.555	APE40254	625,743	\$ 772,980
State Department of Education:				
School Breakfast Program	10.553	APE40253	\$ 277,721	
COVID-19 School Breakfast Program	10.553	APE40253	22,934	300,655
COVID-19 Summer Food Service Program for Children	10.559	APE60175	\$ 412,798	
Summer Food Service Program for Children	10.559	APE40251	18,496	431,294
Total Child Nutrition Cluster				\$ 1,504,929
Fresh Fruit and Vegetable Program	10.582	APE40252		62,662
COVID-19 Child and Adult Care Food Program	10.558	APE70027	\$ 10,888	
Child and Adult Care Food Program	10.558	APE70027	138,591	149,479
Total Department of Agriculture				\$ 1,717,070
Department of Housing and Urban Development:				
Pass Through Payments from:				
City of Bristol, Virginia:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790		\$ 49,950
Total Department of Housing and Urban Development				\$ 49,950
Department of Health and Human Services:				
Pass Through Payments from:				
Virginia Department of Medical Assistance Services:				
Every Student Succeeds Act/Preschool Development Grants	93.434	Not available		\$ 2,000
Medicaid	93.000	Not available		100,133
Total Department of Health and Human Services				\$ 102,133
Department of Education:				
Pass Through Payments from:				
State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	APE42901		\$ 1,403,692
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	APE43071	\$ 672,491	
Special Education - Preschool Grants	84.173	APE62521	13,967	
Total Special Education Cluster (IDEA)				686,458
Career and Technical Education - Basic Grants to States	84.048	APE61095		52,641
Supporting Effective Instruction State Grants	84.367	APE61480		131,179
Twenty-First Century Community Learning Centers	84.287	APE60565		259,032
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER Fund)	84.425D	APE60173		4,652
Student Support and Academic Enrichment Program	84.424	APE60281		110,319
School Improvement Grants	84.377	APE43040		159,618

City of Bristol, Virginia School Board
(Component Unit of the City of Bristol, Virginia)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures
Department of Education: (continued)				
Pass Through Payments from: (continued)				
State Department of Education: (continued)				
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	APE42948		5,187
English Language Acquisition State Grants	84.365	Not available		592
Total Department of Education				\$ 2,813,370
Total Expenditures of Federal Awards				\$ 4,682,523

Notes to Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Bristol, Virginia School Board under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Bristol, Virginia School Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Bristol, Virginia School Board.

Note B -- Summary of Significant Accounting Policies

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

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

Note C -- Food Donation

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

Note D -- Indirect Cost Rate

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

Note E -- Subrecipients

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

Note F -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

General Fund-Intergovernmental	\$ 26,949,237
Less: Contribution from the City of Bristol, Virginia	(6,332,333)
Less: Revenue from the Commonwealth	(17,651,451)
Cafeteria Fund-Intergovernmental	1,752,902
Less: Revenue from the Commonwealth	(35,832)

Total School Board	\$ 4,682,523
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City of Bristol, Virginia School Board
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Section II - Financial Statement Findings

There were no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no findings in the prior year.