

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

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF BRISTOL, VIRGINIA SCHOOL BOARD**  
**(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021

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## INTRODUCTORY SECTION

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# CITY OF BRISTOL, VIRGINIA SCHOOL BOARD

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## SCHOOL BOARD MEMBERS

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Randy Alvis, Vice Chair  
Steve Fletcher

Tyrone Foster, Chair

Randy White  
Frank Goodpasture

## SCHOOL OFFICIALS

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

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

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## FINANCIAL SECTION

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**Independent Auditors' Report**

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**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, 2021, 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, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 18 to the financial statements, in 2021, the School Board adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## ***Restatement of Beginning Balances***

As described in Note 18 to the financial statements, in 2021, the School Board restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-12, 76-78, and 79-93 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.



### *Supplementary and Other Information (Continued)*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, 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.



Blacksburg, Virginia  
November 22, 2021

**CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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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, 2021.

**Financial Highlights**

- Due to Covid-19, the School Board was awarded resources by the federal government to assist in managing COVID related costs. Each grant has specific requirements and grant periods. Many of the larger grants (ESSER) will run for multiple years. These funds increased the School Board's budget by approximately 58% or \$16,628,306.
- Bristol Virginia Public Schools was one of the few school districts in the Commonwealth of Virginia that facilitated full in person instruction for the entire 2020-2021 school year.
- The School Board utilized ESSER and other Coronavirus funding dollars to cover the costs of technology purchases, hotspot leases, curriculum purchases, counseling services, additional pay to staff for additional work duties, mitigation materials, updates to buildings to minimize mold and water infiltration, air quality projects, and more.
- 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 \$7,126,319 (net position). Of this amount, (\$24,411,977) 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 \$2,334,310. The increase is attributable mostly to the influx of federal funding received in response to fighting the global coronavirus pandemic and the resulting new equipment and building improvements.
- As of the close of the current fiscal year, the School Board's governmental funds reported combined ending fund balances of \$3,209,986 an increase of \$2,110,980 in comparison with the prior year. All fund balances are nonspendable, restricted, committed, or assigned for particular purposes.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School Board's basic financial statements, which are the government-wide financial statements, the fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

## Overview of the Financial Statements (Continued)

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

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

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

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 activity fund.

## Overview of the Financial Statements (Continued)

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-75 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 \$7,126,319 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 |                |                |
|---------------------------------|----------------|----------------|
|                                 | 2021           | 2020           |
| Current and Other Assets        | \$ 6,198,642   | \$ 4,322,016   |
| Capital Assets                  | 16,280,839     | 15,405,018     |
| Total Assets                    | 22,479,481     | 19,727,034     |
| Deferred Outflows of Resources  | 6,561,312      | 4,734,960      |
| Long-Term Liabilities           | 29,916,473     | 28,120,682     |
| Other Liabilities               | 3,000,455      | 2,376,358      |
| Total Liabilities               | 32,916,928     | 30,497,040     |
| Deferred Inflows of Resources   | 3,250,184      | 3,577,854      |
| Net Position                    |                |                |
| Invested in Capital Assets      | 14,284,280     | 13,196,583     |
| Restricted                      | 3,001,378      | 1,891,174      |
| Unrestricted                    | (24,411,977)   | (24,700,657)   |
| Total Net Position              | \$ (7,126,319) | \$ (9,612,900) |
| Restatement of Prior Year       | -              | 152,271        |
| Total Net Position, as restated | \$ (7,126,319) | \$ (9,460,629) |

## Government-Wide Financial Analysis (Continued)

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

The government's net position increased by \$2,334,310, or 24.67%, 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 |                       |                       |
|--|-----------------------|-----------------------|
|  | 2021                  | 2020                  |
| Revenues                                   |                       |                       |
| Program Revenues                           |                       |                       |
| Charges for Services                       | \$ 70,784             | \$ 104,004            |
| Operating Grants and Contributions         | 17,415,406            | 12,738,185            |
| General Revenues                           |                       |                       |
| Intergovernmental Revenue                  | 16,671,062            | 15,977,954            |
| Unrestricted Investment Earnings           | 17,681                | 28,058                |
| Other                                      | 604,337               | 410,441               |
| Total Revenues                             | <u>34,779,270</u>     | <u>29,258,642</u>     |
| Expenses                                   |                       |                       |
| Administration                             | 933,188               | 934,297               |
| Instructional Costs                        | 26,240,662            | 21,866,963            |
| Attendance and Health Services             | 841,094               | 747,691               |
| Transportation                             | 769,150               | 1,010,086             |
| Food Services                              | 1,953,327             | 1,730,691             |
| Operations and Maintenance                 | 1,648,385             | 2,492,087             |
| Interest on Long-term Debt                 | 59,154                | 64,498                |
| Total Expenses                             | <u>32,444,960</u>     | <u>28,846,313</u>     |
| Increase in Net Position                   | 2,334,310             | 412,329               |
| Beginning Net Position, as restated        | (9,460,629)           | (9,872,958)           |
| Ending Net Position                        | <u>\$ (7,126,319)</u> | <u>\$ (9,460,629)</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 \$3,209,986, an increase of \$1,099,006 in comparison with the prior year. The entire fund balance is not available for new spending because \$66,955 is considered nonspendable for inventories and prepaid items, \$1,321,347 is restricted for capital outlay use only, including the purchase of textbooks, \$854,051 is restricted for specific grant purposes, \$141,548 is committed for individual school activity, and \$825,980 is assigned for use in food service. A net of (\$66,955) 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 (\$66,955). 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 \$854,051 restricted fund balance is to be utilized for specific grant purposes only and \$66,955 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 \$720,106. The fund balance increased \$153,614 due to decreased 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 \$825,980 while total fund balance reached \$893,040. State regulation encourages school food service funds to maintain fund balance equal to three months operating expenses. Restricted fund balance represents 41.6% of total cafeteria fund expenditures, while total fund balance represents 44.99% 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 \$601,241, a decrease of \$25,798. 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 2021.

## Financial Analysis of the Government's Funds (Continued)

The special revenue - school activity fund is used to account for revenues and expenditures related to school activity funds. Bristol Virginia Public Schools has six schools; one high, one middle and four elementary. At the end of the current fiscal year, committed fund balance was \$141,548.

### 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              | \$ 28,272,108       | 44,871,314        | 31,871,031        |
| Charges for Services           | 7,000               | 7,000             | 6,801             |
| Other                          | 450,850             | 479,950           | 430,237           |
| Total Revenues                 | <u>28,729,958</u>   | <u>45,358,264</u> | <u>32,308,069</u> |
| Expenditures                   |                     |                   |                   |
| Expenditures                   | <u>29,039,328</u>   | <u>45,453,191</u> | <u>31,462,944</u> |
| Other Financing Sources (Uses) | <u>(227,977)</u>    | <u>(158,051)</u>  | <u>(158,051)</u>  |
| Change in Fund Balance         | <u>\$ (537,347)</u> | <u>(252,978)</u>  | <u>687,074</u>    |

The final amended budget of revenues and appropriations exceeded the original budget by \$16,628,306. 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 \$13,050,195 or 28.7%, while actual expenditures were \$13,990,247, or 30.8% less than final budget amounts. Highlights of comparison of final budget to actual figures for the fiscal year ended June 30, 2021, 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. Many of the federal pandemic relief funds are multi-year grants and have been carried over.
- 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. Many of the federal pandemic relief funds are multi-year grants and have been carried over.

During the year, actual revenues were more than actual expenditures and other financing sources, resulting in a net increase in fund balance of \$854,051.

## Capital Asset Administration

Capital Assets - The School Board's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$16,280,839 (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 5.7%. 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 schools related to air quality improvements.

| The School Board's Capital Assets |                      |                      |
|-----------------------------------|----------------------|----------------------|
|                                   | 2021                 | 2020                 |
| Land                              | \$ 267,711           | \$ 267,711           |
| Construction in Progress          | 480,017              | 161,400              |
| Buildings and Improvements        | 32,496,751           | 31,547,301           |
| Furniture, Books and Equipment    | 1,107,675            | 1,069,142            |
| Technology                        | 980,282              | 964,243              |
| Vehicles and Buses                | 2,706,643            | 2,238,624            |
| Less Accumulated Depreciation     | (21,758,240)         | (20,843,403)         |
| Total                             | <u>\$ 16,280,839</u> | <u>\$ 15,405,018</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 2022, 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 2022 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 2022 budget continues to contain significant COVID-19 funds.
- The COVID-19 Pandemic continues to require some modification of normal activity. 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 with transition plans in progress. Additional COVID-19 funding continues to be received with the focus now on air quality, learning loss and behavior health. The FY 2022 budget expects to fund HVAC replacements, implement behavior health specialists in each school, and focus on increasing student performance.

## **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, 280 Lee Street, Bristol, Virginia 24201 or via email at [tmjones@bvps.org](mailto: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, 2021

|   | <u>Primary Government</u><br><u>Governmental</u><br><u>Activities</u> |
|---|---|
| <b>ASSETS</b>                                     |   |
| Cash and cash equivalents                         | \$ 1,024,673  |
| Accounts receivable                               | 107,025   |
| Due from other governmental units                 | 3,430,215   |
| Prepaid expenses                                  | 66,955  |
| Inventories                                       | 67,060  |
| Restricted assets:                                |   |
| Cash and cash equivalents                         | 1,502,644   |
| Investments                                       | 70  |
| Capital assets (net of accumulated depreciation): |   |
| Land  | 267,711   |
| Construction in progress                          | 480,017   |
| Buildings and improvements                        | 14,565,514  |
| Furniture, books, and equipment                   | 176,065   |
| Vehicles and buses                                | 727,062   |
| Technology  | 64,470  |
| Total assets                                      | <u>\$ 22,479,481</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |   |
| Pension related items                             | \$ 5,848,234  |
| OPEB related items                                | 713,078   |
| Total deferred outflows of resources              | <u>\$ 6,561,312</u>   |
| <b>LIABILITIES</b>                                |   |
| Accounts payable                                  | \$ 1,325,878  |
| Wages payable                                     | 1,656,960   |
| Accrued interest payable                          | 11,799  |
| Unearned revenue                                  | 5,818   |
| Long-term liabilities:                            |   |
| Due within one year                               | 290,719   |
| Due in more than one year                         | 29,625,754  |
| Total liabilities                                 | <u>\$ 32,916,928</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |   |
| Pension related items                             | \$ 1,983,935  |
| OPEB related items                                | 1,266,249   |
| Total deferred inflows of resources               | <u>\$ 3,250,184</u>   |
| <b>NET POSITION</b>                               |   |
| Net investment in capital assets                  | \$ 14,284,280   |
| Restricted  |   |
| Capital projects                                  | 1,321,347   |
| Cafeteria services                                | 825,980   |
| Grants  | 854,051   |
| Unrestricted                                      | (24,411,977)  |
| Total net position                                | <u><u>\$ (7,126,319)</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, 2021

| <u>Functions/Programs</u>                                | <u>Program Revenues</u> |                                 |   |   | <u>Net (Expense) Revenue and<br/>Changes in Net Position</u> |              |
|--|-------------------------|---------------------------------|---|---|--|--------------|
|  | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Primary Governmental<br/>Activities</u>                   |              |
| <b>PRIMARY GOVERNMENT:</b>                               |                         |                                 |   |   |  |              |
| Governmental activities:                                 |                         |                                 |   |   |  |              |
| Administration   | \$ 933,188              | \$ -                            | \$ -  | \$ -  | \$   | (933,188)    |
| Instruction  | 26,240,662              | 6,801                           | 15,199,969  | -   |  | (11,033,892) |
| Attendance and Health Services                           | 841,094                 | -                               | -   | -   |  | (841,094)    |
| Transportation   | 769,150                 | -                               | -   | -   |  | (769,150)    |
| Food Services  | 1,953,327               | 63,983                          | 2,215,437   | -   |  | 326,093      |
| Operations and Maintenance                               | 1,648,385               | -                               | -   | -   |  | (1,648,385)  |
| Interest on Long-Term Debt                               | 59,154                  | -                               | -   | -   |  | (59,154)     |
| Total governmental activities                            | \$ 32,444,960           | \$ 70,784                       | \$ 17,415,406                                     | \$ -  | \$   | (14,958,770) |
| General revenues:  |                         |                                 |   |   |  |              |
| State basic aid  |                         |                                 |   |   | \$   | 7,173,539    |
| State sales tax  |                         |                                 |   |   |  | 3,109,319    |
| Unrestricted revenues from the use of money and property |                         |                                 |   |   |  | 17,681       |
| Miscellaneous  |                         |                                 |   |   |  | 604,337      |
| Contributions from the City of Bristol, Virginia         |                         |                                 |   |   |  | 6,388,204    |
| Total general revenues                                   |                         |                                 |   |   | \$   | 17,293,080   |
| Change in net position                                   |                         |                                 |   |   | \$   | 2,334,310    |
| Net position - beginning, as restated                    |                         |                                 |   |   |  | (9,460,629)  |
| Net position - ending                                    |                         |                                 |   |   | \$   | (7,126,319)  |

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, 2021

|                                     | <u>Nonmajor Fund</u> |                      |                |                             |                       |              |
|-------------------------------------|----------------------|----------------------|----------------|-----------------------------|-----------------------|--------------|
|                                     | Operating Fund       | School Textbook Fund | Cafeteria Fund | Local Capital Projects Fund | School Activity Funds | Total        |
| <b>ASSETS</b>                       |                      |                      |                |                             |                       |              |
| Cash and cash equivalents           | \$ 889,585           | \$ -                 | \$ -           | \$ -                        | \$ 135,088            | \$ 1,024,673 |
| Accounts receivable                 | 106,741              | -                    | -              | -                           | 284                   | 107,025      |
| Due from other funds                | -                    | 479,801              | -              | 204,801                     | 41,365                | 725,967      |
| Due from other governmental units   | 3,372,106            | -                    | 58,109         | -                           | -                     | 3,430,215    |
| Prepaid expenses                    | 66,955               | -                    | -              | -                           | -                     | 66,955       |
| Inventories                         | -                    | -                    | 67,060         | -                           | -                     | 67,060       |
| Restricted assets:                  |                      |                      |                |                             |                       |              |
| Cash and cash equivalents           | -                    | 240,345              | 864,053        | 398,246                     | -                     | 1,502,644    |
| Investments                         | -                    | 31                   | -              | 39                          | -                     | 70           |
| Total assets                        | \$ 4,435,387         | \$ 720,177           | \$ 989,222     | \$ 603,086                  | \$ 176,737            | \$ 6,924,609 |
| <b>LIABILITIES</b>                  |                      |                      |                |                             |                       |              |
| Accounts payable                    | \$ 1,241,506         | \$ 71                | \$ 47,267      | \$ 1,845                    | \$ 35,189             | \$ 1,325,878 |
| Wages payable                       | 1,631,326            | -                    | 25,634         | -                           | -                     | 1,656,960    |
| Due to other funds                  | 708,504              | -                    | 17,463         | -                           | -                     | 725,967      |
| Unearned revenue                    | -                    | -                    | 5,818          | -                           | -                     | 5,818        |
| Total liabilities                   | \$ 3,581,336         | \$ 71                | \$ 96,182      | \$ 1,845                    | \$ 35,189             | \$ 3,714,623 |
| <b>FUND BALANCES</b>                |                      |                      |                |                             |                       |              |
| Nonspendable:                       |                      |                      |                |                             |                       |              |
| Inventories                         | \$ -                 | \$ -                 | \$ 67,060      | \$ -                        | \$ -                  | \$ 67,060    |
| Prepaid items                       | 66,955               | -                    | -              | -                           | -                     | 66,955       |
| Restricted:                         |                      |                      |                |                             |                       |              |
| Capital projects                    | -                    | 720,106              | -              | 601,241                     | -                     | 1,321,347    |
| Grants                              | 854,051              | -                    | -              | -                           | -                     | 854,051      |
| Food service                        | -                    | -                    | 825,980        | -                           | -                     | 825,980      |
| Committed:                          |                      |                      |                |                             |                       |              |
| School activities                   | -                    | -                    | -              | -                           | 141,548               | 141,548      |
| Unassigned                          | (66,955)             | -                    | -              | -                           | -                     | (66,955)     |
| Total fund balances                 | \$ 854,051           | \$ 720,106           | \$ 893,040     | \$ 601,241                  | \$ 141,548            | \$ 3,209,986 |
| Total liabilities and fund balances | \$ 4,435,387         | \$ 720,177           | \$ 989,222     | \$ 603,086                  | \$ 176,737            | \$ 6,924,609 |

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, 2021

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

|  |    |           |
|--|----|-----------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 3,209,986 |
|--|----|-----------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

|                                 |               |            |
|---------------------------------|---------------|------------|
| Land                            | \$ 267,711    |            |
| Construction in progress        | 480,017       |            |
| Buildings and improvements      | 14,565,514    |            |
| Furniture, books, and equipment | 176,065       |            |
| Vehicles and buses              | 727,062       |            |
| Technology                      | <u>64,470</u> | 16,280,839 |

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

|                       |                |           |
|-----------------------|----------------|-----------|
| Pension related items | \$ 5,848,234   |           |
| OPEB related items    | <u>713,078</u> | 6,561,312 |

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     | \$ (495,750)       |              |
| Net OPEB liabilities     | (4,745,446)        |              |
| Net pension liabilities  | (22,678,718)       |              |
| Accrued interest payable | (11,799)           |              |
| Capital lease            | <u>(1,996,559)</u> | (29,928,272) |

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

|                       |                    |             |
|-----------------------|--------------------|-------------|
| Pension related items | \$ (1,983,935)     |             |
| OPEB related items    | <u>(1,266,249)</u> | (3,250,184) |

|   |    |                           |
|---|----|---------------------------|
| Net position of governmental activities | \$ | <u><u>(7,126,319)</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 Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2021

|   | <u>Nonmajor Fund</u> |                      |                |                             |                       |               |
|---|----------------------|----------------------|----------------|-----------------------------|-----------------------|---------------|
|   | Operating Fund       | School Textbook Fund | Cafeteria Fund | Local Capital Projects Fund | School Activity Funds | Total         |
| <b>REVENUES</b>   |                      |                      |                |                             |                       |               |
| Revenue from the use of money and property                | \$ 10,720            | \$ 2,805             | \$ 599         | \$ 3,557                    | \$ -                  | \$ 17,681     |
| Charges for services                                      | 6,801                | -                    | 63,983         | -                           | -                     | 70,784        |
| Miscellaneous   | 324,042              | -                    | -              | -                           | 280,295               | 604,337       |
| Recovered costs   | 95,475               | -                    | -              | -                           | -                     | 95,475        |
| Intergovernmental   | 31,871,031           | -                    | 2,215,437      | -                           | -                     | 34,086,468    |
| Total revenues  | \$ 32,308,069        | \$ 2,805             | \$ 2,280,019   | \$ 3,557                    | \$ 280,295            | \$ 34,874,745 |
| <b>EXPENDITURES</b>                                       |                      |                      |                |                             |                       |               |
| Current:  |                      |                      |                |                             |                       |               |
| Administration  | \$ 908,066           | \$ -                 | \$ -           | \$ -                        | \$ -                  | \$ 908,066    |
| Instruction   | 25,538,502           | 7,242                | -              | -                           | 291,018               | 25,836,762    |
| Attendance and Health Services                            | 841,884              | -                    | -              | -                           | -                     | 841,884       |
| Transportation  | 1,079,197            | -                    | -              | -                           | -                     | 1,079,197     |
| Food Services   | -                    | -                    | 1,948,482      | -                           | -                     | 1,948,482     |
| Operations and Maintenance                                | 2,434,222            | -                    | -              | -                           | -                     | 2,434,222     |
| Capital Projects  | 388,791              | -                    | 36,698         | 29,355                      | -                     | 454,844       |
| Debt service  | 272,282              | -                    | -              | -                           | -                     | 272,282       |
| Total expenditures  | \$ 31,462,944        | \$ 7,242             | \$ 1,985,180   | \$ 29,355                   | \$ 291,018            | \$ 33,775,739 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 845,125           | \$ (4,437)           | \$ 294,839     | \$ (25,798)                 | \$ (10,723)           | \$ 1,099,006  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                      |                      |                |                             |                       |               |
| Transfers in  | \$ -                 | \$ 158,051           | \$ -           | \$ -                        | \$ -                  | \$ 158,051    |
| Transfers out   | (158,051)            | -                    | -              | -                           | -                     | (158,051)     |
| Total other financing sources (uses)                      | \$ (158,051)         | \$ 158,051           | \$ -           | \$ -                        | \$ -                  | \$ -          |
| Net change in fund balances                               | \$ 687,074           | \$ 153,614           | \$ 294,839     | \$ (25,798)                 | \$ (10,723)           | \$ 1,099,006  |
| Fund balances - beginning, as restated                    | 166,977              | 566,492              | 598,201        | 627,039                     | 152,271               | 2,110,980     |
| Fund balances - ending                                    | \$ 854,051           | \$ 720,106           | \$ 893,040     | \$ 601,241                  | \$ 141,548            | \$ 3,209,986  |

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, 2021

---

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

|  |    |           |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 1,099,006 |
|--|----|-----------|

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       | \$ 1,790,658 |         |
| Depreciation expenses | (914,837)    | 875,821 |

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 |  | 211,876 |
|----------------|--|---------|

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                      | \$ (669) |         |
| Changes in net OPEB liabilities and related items    | 130,632  |         |
| Changes in accrued interest payable                  | 1,252    |         |
| Changes in net pension liabilities and related items | 16,392   | 147,607 |

|   |    |                  |
|---|----|------------------|
| Change in net position of governmental activities | \$ | <u>2,334,310</u> |
|---|----|------------------|

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



CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**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.

**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.

**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*.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

B. Government-wide and fund financial statements: (continued)

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.

The School Board reports the following major governmental funds:

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

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

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

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

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.

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.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

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

2. Inventories

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

3. Capital assets

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

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

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

| <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.

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**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

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;
- 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).

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
(A COMPONENT UNIT OF CITY OF BRISTOL, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

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

5. Compensated Absences

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

6. Pensions

For purposes of measuring the net pension 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 fiduciary net 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.

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**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' fiduciary net 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  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**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, 2021 were held in the School Board's name by the School Board's custodial bank.



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**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, 2021 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   |
|---|---------------------|------------------|
| <b><u>Commonwealth of Virginia:</u></b> |                     |                  |
| Local sales tax                         | \$ 405,991          | \$ -             |
| VPSA grant                              | 37,845              | -                |
| School grants                           | 341,580             | -                |
| <b><u>Federal Government:</u></b>       |                     |                  |
| School grants                           | 2,586,690           | -                |
| School food program                     | -                   | 58,109           |
| Total                                   | <u>\$ 3,372,106</u> | <u>\$ 58,109</u> |

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**Note 5-Interfund Transfers and Balances:**

Interfund transfers for the year ended June 30, 2021, consisted of the following:

| Fund                 | Transfers In      | Transfers Out       |
|----------------------|-------------------|---------------------|
| Primary Government:  |                   |                     |
| Operating Fund       | \$ -              | \$ (158,051)        |
| School Textbook Fund | 158,051           | -                   |
| Total                | <u>\$ 158,051</u> | <u>\$ (158,051)</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              | \$ -              | \$ 708,504        |
| Cafeteria Fund              | -                 | 17,463            |
| School Textbook Fund        | 479,801           | -                 |
| Local Capital Projects Fund | 204,801           |                   |
| School Activity Fund        | 41,365            | -                 |
| Total                       | <u>\$ 725,967</u> | <u>\$ 725,967</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<br>July 1, 2020 | Increases/<br>Issuances | Decreases/<br>Retirements | Balance<br>June 30, 2021 | Due Within<br>One Year |
|-----------------------|-------------------------|-------------------------|---------------------------|--------------------------|------------------------|
| Compensated absences  | \$ 495,081              | \$ 238,391              | \$ (237,722)              | \$ 495,750               | \$ 72,768              |
| Capital lease         | 2,208,435               | -                       | (211,876)                 | 1,996,559                | 217,951                |
| Net OPEB liability    | 5,272,869               | 1,027,036               | (1,554,459)               | 4,745,446                | -                      |
| Net pension liability | 20,144,297              | 8,626,571               | (6,092,150)               | 22,678,718               | -                      |
| Total                 | <u>\$ 28,120,682</u>    | <u>\$ 9,891,998</u>     | <u>\$ (8,096,207)</u>     | <u>\$ 29,916,473</u>     | <u>\$ 290,719</u>      |

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

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**Note 7-Capital Leases:**

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

|                                | <u>Energy Saving<br/>Equipment</u> |
|--------------------------------|------------------------------------|
| Machinery and equipment        | \$ 3,247,472                       |
| Less: Accumulated depreciation | <u>(428,667)</u>                   |
| Net capital assets             | <u>\$ 2,818,805</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, 2021, were as follows:

| <u>Year Ending<br/>June 30,</u>       | <u>Energy Savings<br/>Lease</u> |
|---------------------------------------|---------------------------------|
| 2022                                  | \$ 272,282                      |
| 2023                                  | 272,282                         |
| 2024                                  | 272,282                         |
| 2025                                  | 272,282                         |
| 2026                                  | 272,282                         |
| 2027-2030                             | <u>884,916</u>                  |
| Subtotal                              | \$ 2,246,326                    |
| Less, amount<br>representing interest | <u>(249,767)</u>                |
| Present Value of<br>Lease Agreement   | <u>\$ 1,996,559</u>             |

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JUNE 30, 2021

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**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 with a membership date 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 with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before 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 with a membership date 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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**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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**Note 8-Pension Plan: (continued)**

**School Board (Nonprofessional) (continued)**

***Employees Covered by Benefit Terms***

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|  | <u>School Board<br/>Nonprofessional</u> |
|--|---|
| Inactive members or their beneficiaries currently receiving benefits | 39                                      |
| Inactive members:  |   |
| Vested inactive members  | 3                                       |
| Non-vested inactive members  | 24                                      |
| Inactive members active elsewhere in VRS                             | <u>1</u>                                |
| Total inactive members   | 28                                      |
| Active members   | <u>36</u>                               |
| Total covered employees  | <u>103</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, 2021 was 7.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$77,577 and \$65,202 for the years ended June 30, 2021 and June 30, 2020, respectively.

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**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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

***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, 2019, 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, 2020.

|                                       |  |
|---------------------------------------|--|
| 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 fair 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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**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, 2019 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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**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>Long-Term<br/>Target<br/>Asset<br/>Allocation</u> | <u>Arithmetic<br/>Long-term<br/>Expected<br/>Rate of Return</u> | <u>Weighted<br/>Average<br/>Long-term<br/>Expected<br/>Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity                        | 34.00%   | 4.65%   | 1.58%  |
| Fixed Income                         | 15.00%   | 0.46%   | 0.07%  |
| Credit Strategies                    | 14.00%   | 5.38%   | 0.75%  |
| Real Assets                          | 14.00%   | 5.01%   | 0.70%  |
| Private Equity                       | 14.00%   | 8.34%   | 1.17%  |
| MAPS - Multi-Asset Public Strategies | 6.00%  | 3.04%   | 0.18%  |
| PIP - Private Investment Partnership | 3.00%  | 6.49%   | 0.19%  |
| Total                                | <u>100.00%</u>                                       |   | <u>4.64%</u>   |
|                                      |  | Inflation   | <u>2.50%</u>   |
|                                      |  | Expected arithmetic nominal return*                             | <u>7.14%</u>   |

\* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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**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, 2020, 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, 2020, 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, 2020 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

**Note 8-Pension Plan: (continued)**

**School Board (Nonprofessional) (continued)**

***Changes in Net Pension Liability***

|  | School Board (Nonprofessional)       |  |  |
|--|--------------------------------------|--|--|
|  | Increase (Decrease)                  |  |  |
|  | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability<br>(a) - (b) |
| Balances at June 30, 2019  | \$ 2,961,042                         | \$ 2,429,940                             | \$ 531,102                               |
| Changes for the year:  |                                      |  |  |
| Service cost   | \$ 67,263                            | \$ -                                     | \$ 67,263                                |
| Interest   | 191,291                              | -  | 191,291                                  |
| Differences between expected<br>and actual experience            | 12,056                               | -  | 12,056                                   |
| Contributions - employer   | -                                    | 65,071                                   | (65,071)                                 |
| Contributions - employee   | -                                    | 44,966                                   | (44,966)                                 |
| Net investment income  | -                                    | 45,899                                   | (45,899)                                 |
| Benefit payments, including refunds<br>of employee contributions | (254,211)                            | (254,211)                                | -  |
| Administrative expenses  | -                                    | (1,643)                                  | 1,643                                    |
| Other changes  | -                                    | (78)                                     | 78                                       |
| Net changes  | \$ 16,399                            | \$ (99,996)                              | \$ 116,395                               |
| Balances at June 30, 2020  | \$ 2,977,441                         | \$ 2,329,944                             | \$ 647,497                               |

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
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**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><br><u>(5.75%)</u> | <u>Current Discount</u><br><u>Rate</u><br><u>(6.75%)</u> | <u>1% Increase</u><br><u>(7.75%)</u> |
|--------------------------------|--------------------------------------|--|--------------------------------------|
| School Board (Nonprofessional) |                                      |  |                                      |
| Net Pension Liability (Asset)  | \$ 938,523                           | \$ 647,497   | \$ 400,735                           |

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

For the year ended June 30, 2021, the School Board (nonprofessional) recognized pension expense of \$169,752. At June 30, 2021, 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><br><u>(Nonprofessional)</u>           |  |
|---|---|--|
|   | <u>Deferred</u><br><u>Outflows of</u><br><u>Resources</u> | <u>Deferred</u><br><u>Inflows of</u><br><u>Resources</u> |
| Differences between expected and actual experience                                  | \$ 34,274   | \$ -   |
| Change in assumptions   | 18,389  | -  |
| Net difference between projected and actual earnings<br>on pension plan investments | 69,533  | -  |
| Employer contributions subsequent to the<br>measurement date                        | <u>77,577</u>   | <u>-</u>   |
| Total   | <u>\$ 199,773</u>   | <u>\$ -</u>  |

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**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)***

\$77,577 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, 2022. 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<br/>(Nonprofessional)</u> |
|---------------------------|---|
| 2022                      | \$ 49,950                                 |
| 2023                      | 25,182                                    |
| 2024                      | 24,426                                    |
| 2025                      | 22,638                                    |
| 2026                      | -   |
| Thereafter                | -   |

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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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**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, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$2,221,019 and \$2,011,663 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$22,031,221 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.15140% as compared 0.14900% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$2,110,771. 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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**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, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>School Board (Professional)</b>        |  |
|---|---|--|
|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
| Differences between expected and actual experience  | \$ -                                      | \$ 1,291,369                             |
| Change in assumptions   | 1,503,907                                 | -  |
| Net difference between projected and actual earnings<br>on pension plan investments                             | 1,675,718                                 | -  |
| Changes in proportion and difference between employer<br>contributions and proportionate share of contributions | 247,817                                   | 692,566                                  |
| Employer contributions subsequent to the<br>measurement date  | 2,221,019                                 | -  |
| Total   | <u>\$ 5,648,461</u>                       | <u>\$ 1,983,935</u>                      |

\$2,221,019 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, 2022. 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:

| <b>Year Ended June 30</b> | <b>School Board<br/>(Professional)</b> |
|---------------------------|--|
| 2022                      | \$ (222,634)                           |
| 2023                      | 395,479                                |
| 2024                      | 672,734                                |
| 2025                      | 610,847                                |
| 2026                      | (12,919)                               |
| Thereafter                | -                                      |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**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, 2019, 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, 2020.

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

\* Administrative expenses as a percent of the fair 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**Note 8-Pension Plan: (continued)**

**School Board (Professional) (continued)**

***Actuarial Assumptions (continued)***

The actuarial assumptions used in the June 30, 2019 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, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

|   |    | <b>Teacher Employee<br/>Retirement Plan</b> |
|---|----|---|
| Total Pension Liability   | \$ | 51,001,855                                  |
| Plan Fiduciary Net Position   |    | 36,449,229                                  |
| Employers' Net Pension Liability (Asset)                                      | \$ | <u>14,552,626</u>                           |
|   |    |   |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability |    | 71.47%                                      |

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

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**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><br><u>(5.75%)</u> | <u>Current</u><br><u>Discount Rate</u><br><u>(6.75%)</u> | <u>1% Increase</u><br><u>(7.75%)</u> |
|---|--------------------------------------|--|--------------------------------------|
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) | \$ 32,324,749                        | \$ 22,031,221  | \$ 13,517,172                        |

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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><br><u>Outflows</u> | <u>Deferred</u><br><u>Inflows</u> | <u>Net Pension</u><br><u>Liability</u><br><u>(Asset)</u> | <u>Pension</u><br><u>Expense</u> |
|------------------------------|------------------------------------|-----------------------------------|--|----------------------------------|
| VRS Pension Plans:           |                                    |                                   |  |                                  |
| School Board Nonprofessional | \$ 199,773                         | \$ -                              | \$ 647,497   | \$ 169,752                       |
| School Board Professional    | 5,648,461                          | 1,983,935                         | 22,031,221   | 2,110,771                        |
| Totals                       | <u>\$ 5,848,234</u>                | <u>\$ 1,983,935</u>               | <u>\$ 22,678,718</u>                                     | <u>\$ 2,280,523</u>              |

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**Note 9-Capital Assets:**

Capital asset activity for the year ended June 30, 2021 was as follows:

|   | Beginning<br>Balance   | Increases           | Decreases           | Ending<br>Balance      |
|---|------------------------|---------------------|---------------------|------------------------|
| Capital assets, not being depreciated:      |                        |                     |                     |                        |
| Land  | \$ 267,711             | \$ -                | \$ -                | \$ 267,711             |
| Construction in progress                    | 161,400                | 879,343             | (560,726)           | 480,017                |
| Total capital assets not being depreciated  | <u>\$ 429,111</u>      | <u>\$ 879,343</u>   | <u>\$ (560,726)</u> | <u>\$ 747,728</u>      |
| Capital assets, being depreciated:          |                        |                     |                     |                        |
| Buildings and improvements                  | \$ 31,547,301          | \$ 949,450          | \$ -                | \$ 32,496,751          |
| Furniture, books, and equipment             | 1,069,142              | 38,533              | -                   | 1,107,675              |
| Technology                                  | 964,243                | 16,039              | -                   | 980,282                |
| Vehicles and buses                          | 2,238,624              | 468,019             | -                   | 2,706,643              |
| Total capital assets being depreciated      | <u>\$ 35,819,310</u>   | <u>\$ 1,472,041</u> | <u>\$ -</u>         | <u>\$ 37,291,351</u>   |
| Accumulated depreciation:                   |                        |                     |                     |                        |
| Buildings and improvements                  | \$ (17,219,750)        | \$ (711,487)        | \$ -                | \$ (17,931,237)        |
| Furniture, books, and equipment             | (863,086)              | (68,524)            | -                   | (931,610)              |
| Technology                                  | (889,406)              | (26,406)            | -                   | (915,812)              |
| Vehicles and buses                          | (1,871,161)            | (108,420)           | -                   | (1,979,581)            |
| Total accumulated depreciation              | <u>\$ (20,843,403)</u> | <u>\$ (914,837)</u> | <u>\$ -</u>         | <u>\$ (21,758,240)</u> |
| Total capital assets being depreciated, net | <u>\$ 14,975,907</u>   | <u>\$ 557,204</u>   | <u>\$ -</u>         | <u>\$ 15,533,111</u>   |
| Governmental activities capital assets, net | <u>\$ 15,405,018</u>   | <u>\$ 1,436,547</u> | <u>\$ (560,726)</u> | <u>\$ 16,280,839</u>   |

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

|   |                   |
|---|-------------------|
| Administration                          | \$ 163,435        |
| Instruction                             | 606,930           |
| Pupil transportation                    | 68,986            |
| Food service                            | 26,769            |
| Operation and maintenance               | <u>48,717</u>     |
| Total depreciation expense-governmental | <u>\$ 914,837</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, 2021 was \$57,700.

***Total OPEB Liability***

The School Board's total OPEB liability was measured as of July 1, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020.

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2020 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         | 2.45% |
| Healthcare trend rate | 5.00% |

Mortality rates was the RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2020.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 2.45%. 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 (1.45%) or one percentage point higher (3.45%) than the current discount rate:

| 1% Decrease<br>(1.45%) | Current<br>Discount Rate<br>(2.45%) | 1% Increase<br>(3.45%) |
|------------------------|-------------------------------------|------------------------|
| <u>\$ 1,707,300</u>    | <u>\$ 1,579,400</u>                 | <u>\$ 146,090</u>      |

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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 (4.00%) or one percentage point higher (6.00%) than the current healthcare cost trend rates:

| 1% Decrease<br>(4.00%) | Healthcare Cost<br>Trend Rates<br>(5.00%) | 1% Increase<br>(6.00%) |
|------------------------|---|------------------------|
| <u>\$</u>              | <u>\$</u>                                 | <u>\$</u>              |
| 1,446,600              | 1,579,400                                 | 1,738,100              |

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

At June 30, 2021, the School Board reported a liability of \$1,579,400 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2020 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2020. At June 30, 2021 and 2020, the School Board's proportion was 38.97% and 45.52%, respectively.

For the year ended June 30, 2021, the School Board recognized OPEB expense in the amount of \$(70,900).

At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience                             | \$ -                              | \$ 923,700                       |
| Changes in assumptions  | 128,500                           | 128,400                          |
| Net difference between projected and actual earnings on OPEB Plan investments | -                                 | -                                |
| Employer contributions after measurement date but prior to fiscal year end    | 57,700                            | -                                |
| Total   | <u>\$ 186,200</u>                 | <u>\$ 1,052,100</u>              |

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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)***

\$57,700 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, 2022. 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: |    |           |
|---------------------|----|-----------|
| 2022                | \$ | (219,400) |
| 2023                |    | (219,400) |
| 2024                |    | (219,400) |
| 2025                |    | (148,700) |
| 2026                |    | (116,700) |
| 2027                |    | -         |
| 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:

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

***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.

***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, 2021 was 1.21% 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, 2019. 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 \$165,812 and \$157,280 for the years ended June 30, 2021 and June 30, 2020, respectively.

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CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
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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***

At June 30, 2021, the school division reported a liability of \$1,950,122 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, 2020 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Program was 0.14950% as compared to 0.1472% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$142,607. 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.

At June 30, 2021, 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<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -                                      | \$ 26,043                                |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | 8,642                                     | -  |
| Change in assumptions   | 38,551                                    | 10,655                                   |
| Change in proportionate share   | 25,862                                    | 99,271                                   |
| Employer contributions subsequent to the measurement date                                 | <u>165,812</u>                            | <u>-</u>                                 |
| Total   | <u>\$ 238,867</u>                         | <u>\$ 135,969</u>                        |

CITY OF BRISTOL, VIRGINIA SCHOOL BOARD  
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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)***

\$165,812 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, 2022. 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:

| <u>Year Ended June 30</u> |    |          |
|---------------------------|----|----------|
| 2022                      | \$ | (17,095) |
| 2023                      |    | (16,239) |
| 2024                      |    | (16,526) |
| 2025                      |    | (13,011) |
| 2026                      |    | (3,273)  |
| Thereafter                |    | 3,230    |

***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, 2019, 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, 2020.

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

\*Administrative expenses as a percent of the fair 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**Note 12- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)**

**Actuarial Assumptions (continued)**

**Mortality Rates - Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 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%  |

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

***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, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

|   |    | <b>Teacher<br/>Employee HIC<br/>OPEB Plan</b> |
|---|----|---|
|   |    | <hr/>   |
| Total Teacher Employee HIC OPEB Liability   | \$ | 1,448,676                                     |
| Plan Fiduciary Net Position   |    | 144,160                                       |
| Teacher Employee Net HIC OPEB Liability (Asset)   | \$ | <hr/> 1,304,516 <hr/>                         |
|   |    |   |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Teacher Employee HIC OPEB Liability |    | 9.95%   |

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:

| <u>Asset Class (Strategy)</u>        | <u>Long-Term<br/>Target<br/>Asset<br/>Allocation</u> | <u>Arithmetic<br/>Long-term<br/>Expected<br/>Rate of Return</u> | <u>Weighted<br/>Average<br/>Long-term<br/>Expected<br/>Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity                        | 34.00%   | 4.65%   | 1.58%  |
| Fixed Income                         | 15.00%   | 0.46%   | 0.07%  |
| Credit Strategies                    | 14.00%   | 5.38%   | 0.75%  |
| Real Assets                          | 14.00%   | 5.01%   | 0.70%  |
| Private Equity                       | 14.00%   | 8.34%   | 1.17%  |
| MAPS - Multi-Asset Public Strategies | 6.00%  | 3.04%   | 0.18%  |
| PIP - Private Investment Partnership | 3.00%  | 6.49%   | 0.19%  |
| Total                                | <u>100.00%</u>                                       |   | <u>4.64%</u>   |
|                                      |  | Inflation   | <u>2.50%</u>   |
|                                      |  | Expected arithmetic nominal return*                             | <u>7.14%</u>   |

\*The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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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, 2020, 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, 2020 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<br>(5.75%) | Current Discount<br>(6.75%) | 1% Increase<br>(7.75%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability | \$ 2,182,958           | \$ 1,950,122                | \$ 1,752,228           |

***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 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**Note 13 - Health Insurance Credit (HIC) Plan (OPEB Plan):**

***Plan Description***

The Political Subdivision 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 employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent 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 about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

***HIC Plan Notes***

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**Note 13 - Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)**

***Employees Covered by Benefit Terms***

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

|  | <u>Number</u>    |
|--|------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>-</u>         |
| Inactive members:  |                  |
| Vested inactive members  | -                |
| Non-vested inactive members  | -                |
| Inactive members active elsewhere in VRS                             | <u>-</u>         |
| Total inactive members   | <u>-</u>         |
| Active members   | <u>36</u>        |
| Total covered employees  | <u><u>36</u></u> |

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The School Board's contractually required employer contribution rate for the year ended June 30, 2021 was .55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Board to the HIC Plan were \$6,554 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

***Net HIC OPEB Liability***

The School Board's net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**Note 13 - Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)**

***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

|  |  |
|--|--|
| Inflation                              | 2.50%  |
| Salary increases, including inflation: |  |
| Locality - General employees           | 3.50%-5.35%  |
| Locality - Hazardous Duty employees    | 3.50%-4.75%  |
| Investment rate of return              | 6.75%, net of investment expenses,<br>including inflation* |

\*Administrative expenses as a percent of the fair 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 the OPEB liabilities.

**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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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**Note 13 - Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)**

***Actuarial Assumptions (continued)***

The actuarial assumptions used in the June 30, 2019 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  | Increased age 50 rates and lowered rates at older ages                           |
| Withdrawal Rates  | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates  | Adjusted rates to better match experience  |
| Salary Scale  | No change  |
| Line of Duty Disability   | Decreased rate from 60.00% to 45.00%   |
| Discount Rate   | Decreased rate from 7.00% to 6.75%   |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**Note 13 - Health Insurance Credit (HIC) 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:

| Asset Class (Strategy)               | Long-term<br>Target<br>Asset<br>Allocation | Arithmetic<br>Long-term<br>Expected<br>Rate of Return | Weighted<br>Average<br>Long-term<br>Expected<br>Rate of Return <sup>8</sup> |
|--------------------------------------|--|---|---|
| Public Equity                        | 34.00%                                     | 4.65%   | 1.58%   |
| Fixed Income                         | 15.00%                                     | 0.46%   | 0.07%   |
| Credit Strategies                    | 14.00%                                     | 5.38%   | 0.75%   |
| Real Assets                          | 14.00%                                     | 5.01%   | 0.70%   |
| Private Equity                       | 14.00%                                     | 8.34%   | 1.17%   |
| MAPS - Multi-Asset Public Strategies | 6.00%                                      | 3.04%   | 0.18%   |
| PIP - Private Investment Partnership | 3.00%                                      | 6.49%   | 0.19%   |
| Total                                | 100.00%                                    |   | 4.64%   |
|                                      |  | Inflation   | 2.50%   |
|                                      |  | Expected arithmetic nominal return*                   | 7.14%   |

\*The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**Note 13 - Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)**

***Discount Rate***

The discount rate used to measure the total HIC OPEB liability 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 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, 2020, the rate contributed by the entity for the HIC 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, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

***Changes in Net HIC OPEB Liability***

|   | Increase (Decrease)                   |  |   |
|---|---------------------------------------|--|---|
|   | Total<br>HIC OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>HIC OPEB<br>Liability (Asset)<br>(a) - (b) |
| Balances at June 30, 2019                             | \$ -                                  | \$ -                                     | \$ -  |
| Changes for the year:                                 |                                       |  |   |
| Service cost  | \$ -                                  | \$ -                                     | \$ -  |
| Interest  | -                                     | -  | -   |
| Benefit changes                                       | 67,264                                | -  | 67,264  |
| Differences between expected<br>and actual experience | -                                     | -  | -   |
| Assumption changes                                    | -                                     | -  | -   |
| Contribution - employer                               | -                                     | -  | -   |
| Net investment income                                 | -                                     | -  | -   |
| Benefit payments                                      | -                                     | -  | -   |
| Administrative expenses                               | -                                     | -  | -   |
| Other changes   | -                                     | -  | -   |
| Net changes   | \$ 67,264                             | \$ -                                     | \$ 67,264   |
| Balances at June 30, 2020                             | \$ 67,264                             | \$ -                                     | \$ 67,264   |

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**Note 13 - Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)**

***Sensitivity of the School Board's HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the School Board's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the School Board's 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<br>(5.75%) | Current Discount<br>(6.75%) | 1% Increase<br>(7.75%) |
| City of Bristol, Virginia School Board's<br>Net HIC OPEB Liability | \$ 73,066              | \$ 67,264                   | \$ 62,206              |

***HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB***

For the year ended June 30, 2021, the School Board recognized HIC Plan OPEB expense of \$67,264. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board's HIC Plan from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual<br>experience                                | \$ -                              | \$ -                             |
| Net difference between projected and actual<br>earnings on HIC OPEB plan investments | -                                 | -                                |
| Change in assumptions  | -                                 | -                                |
| Employer contributions subsequent to the<br>measurement date                         | 6,554                             | -                                |
| Total  | \$ 6,554                          | \$ -                             |

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**Note 13 - Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)**

***HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB: (Continued)***

\$6,554 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> |    |   |
|---------------------------|----|---|
| 2022                      | \$ | - |
| 2023                      |    | - |
| 2024                      |    | - |
| 2025                      |    | - |
| 2026                      |    | - |
| Thereafter                |    | - |

***HIC Plan Data***

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-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 14 - 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 \$8,616 as of June 30, 2021.

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**Note 14 - 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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ( $1.34\% \times 60\%$ ) and the employer component was 0.54% ( $1.34\% \times 40\%$ ). 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$6,435 and \$5,514 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the Group Life Insurance Program from the School Board (professional) were \$73,999 and \$68,155 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the School Board (nonprofessional) reported a liability of \$85,945 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2021, the School Board (professional) reported a liability of \$1,062,715 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2020, the School Board's (nonprofessional) proportion was 0.00510% as compared to 0.00503% at June 30, 2019.

At June 30, 2020, the School Board's (professional) proportion was 0.06370% as compared to 0.06297% at June 30, 2019.

For the year ended June 30, 2021, the School Board (nonprofessional) recognized GLI OPEB expense of \$11,050. 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.



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**Note 14 - 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, 2021, the School Board (professional) recognized GLI OPEB expense of \$29,894. 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, 2021, 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<br>of Resources | Deferred Inflows<br>of Resources | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Differences between expected and actual experience                                   | \$ 5,513                          | \$ 772                           | \$ 68,163                         | \$ 9,545                         |
| Net difference between projected and actual earnings on GLI OPEB program investments | 2,582                             | -                                | 31,923                            | -                                |
| Change in assumptions  | 4,298                             | 1,795                            | 53,148                            | 22,190                           |
| Changes in proportionate share   | 26,336                            | -                                | 9,060                             | 43,878                           |
| Employer contributions subsequent to the measurement date                            | 6,435                             | -                                | 73,999                            | -                                |
| Total  | <u>\$ 45,164</u>                  | <u>\$ 2,567</u>                  | <u>\$ 236,293</u>                 | <u>\$ 75,613</u>                 |

\$6,435 and \$73,999 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, 2022. 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<br/>(Nonprofessional)</u> | <u>School Board<br/>(Professional)</u> |
|---------------------------|---|--|
| 2022                      | \$ 9,067                                  | \$ 5,375                               |
| 2023                      | 9,796                                     | 14,391                                 |
| 2024                      | 10,217                                    | 24,474                                 |
| 2025                      | 5,896                                     | 31,655                                 |
| 2026                      | 1,070                                     | 9,782                                  |
| Thereafter                | 116                                       | 1,004                                  |

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**Note 14 - 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, 2019, 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, 2020.

|  |  |
|--|--|
| 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,<br>including inflation* |

\*Administrative expenses as a percent of the fair 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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**Note 14 - Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**

**Actuarial Assumptions (continued)**

**Mortality Rates - Teachers (continued)**

The actuarial assumptions used in the June 30, 2019 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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**Note 14 - 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, 2019 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, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

|  | <b>GLI OPEB<br/>Plan</b> |
|--|--------------------------|
| Total GLI OPEB Liability   | \$ 3,523,937             |
| Plan Fiduciary Net Position  | 1,855,102                |
| Net GLI OPEB Liability (Asset)   | \$ <u>1,668,835</u>      |
| Plan Fiduciary Net Position as a Percentage<br>of the Total GLI OPEB Liability | 52.64%                   |

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

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**Note 14 - 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>Long-Term<br/>Target<br/>Asset<br/>Allocation</u> | <u>Arithmetic<br/>Long-term<br/>Expected<br/>Rate of Return</u> | <u>Weighted<br/>Average<br/>Long-term<br/>Expected<br/>Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity                        | 34.00%   | 4.65%   | 1.58%  |
| Fixed Income                         | 15.00%   | 0.46%   | 0.07%  |
| Credit Strategies                    | 14.00%   | 5.38%   | 0.75%  |
| Real Assets                          | 14.00%   | 5.01%   | 0.70%  |
| Private Equity                       | 14.00%   | 8.34%   | 1.17%  |
| MAPS - Multi-Asset Public Strategies | 6.00%  | 3.04%   | 0.18%  |
| PIP - Private Investment Partnership | 3.00%  | 6.49%   | 0.19%  |
| Total                                | <u>100.00%</u>                                       |   | <u>4.64%</u>   |
|                                      |  | Inflation   | <u>2.50%</u>   |
|                                      |  | Expected arithmetic nominal return*                             | <u>7.14%</u>   |

\*The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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**Note 14 - 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, 2020, 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, 2020 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<br>(5.75%) | Current Discount<br>(6.75%) | 1% Increase<br>(7.75%) |
| School Board's (Nonprofessional)<br>proportionate share of the<br>GLI Plan Net OPEB Liability | \$ 112,981             | \$ 85,945                   | \$ 63,989              |
| School Board's (Professional)<br>proportionate share of the<br>GLI Plan Net OPEB Liability    | \$ 1,397,020           | \$ 1,062,715                | \$ 791,228             |

***GLI Program Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 15-OPEB Summary:**

|   | Deferred<br>Outflows | Deferred<br>Inflows | Net OPEB<br>Liability | OPEB<br>Expense   |
|---|----------------------|---------------------|-----------------------|-------------------|
| Stand-Alone Health Insurance Plan (Note 11)   | \$ 186,200           | \$ 1,052,100        | \$ 1,579,400          | \$ (70,900)       |
| VRS OPEB Plans:                               |                      |                     |                       |                   |
| VRS Teacher Health Insurance Credit (Note 12) | 238,867              | 135,969             | 1,950,122             | 142,607           |
| VRS Health Insurance Credit (Note 13)         | 6,554                | -                   | 67,264                | 67,264            |
| VRS Group Life - Nonprofessional (Note 14)    | 45,164               | 2,567               | 85,945                | 11,050            |
| VRS Group Life - Professional (Note 14)       | 236,293              | 75,613              | 1,062,715             | 29,894            |
| Totals  | <u>\$ 713,078</u>    | <u>\$ 1,266,249</u> | <u>\$ 4,745,446</u>   | <u>\$ 179,915</u> |

**Note 16-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 17-Litigation:**

As of June 30, 2021, 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 18-Adoption of Accounting Principles:**

The School Board implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement 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 implementation of this Statement resulted in the following restatement of fund balance and net position by the inclusion of school activity funds.

|   |                       |
|---|-----------------------|
| Fund balance, as previously reported 6/30/2020  | \$ -                  |
| Inclusion of School Activity Fund (per GASB 84) | 152,271               |
| Fund balance, as restated 6/30/2020             | <u>\$ 152,271</u>     |
| Net position, as previously reported 6/30/2020  | \$ (9,612,900)        |
| Inclusion of School Activity Fund (per GASB 84) | 152,271               |
| Net position, as restated 6/30/2020             | <u>\$ (9,460,629)</u> |

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**Note 19-COVID-19 Pandemic:**

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the School Board, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for shortages of personnel and changes in operations to allow for safe learning. Federal relief has been received through various programs. Management believes the School Board is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

**ESF Funding:**

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

**Note 20-Upcoming Pronouncements:**

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. 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.



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**Note 20-Upcoming Pronouncements: (continued)**

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.

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, 2021

|   | <u>Budgeted Amounts</u> |               | <u>Actual</u>  | <u>Variance with</u>  |
|---|-------------------------|---------------|----------------|---|
|   | <u>Original</u>         | <u>Final</u>  | <u>Amounts</u> | <u>Final Budget -</u><br><u>Positive</u><br><u>(Negative)</u> |
| <b>REVENUES</b>   |                         |               |                |   |
| Revenue from the use of money and property                | \$ 5,000                | \$ 5,000      | \$ 10,720      | \$ 5,720  |
| Charges for services                                      | 7,000                   | 7,000         | 6,801          | (199)   |
| Miscellaneous   | 347,930                 | 377,030       | 324,042        | (52,988)  |
| Recovered costs   | 97,920                  | 97,920        | 95,475         | (2,445)   |
| Intergovernmental   | 28,272,108              | 44,871,314    | 31,871,031     | (13,000,283)  |
| Total revenues  | \$ 28,729,958           | \$ 45,358,264 | \$ 32,308,069  | \$ (13,050,195)   |
| <b>EXPENDITURES</b>                                       |                         |               |                |   |
| Current:  |                         |               |                |   |
| Administration  | \$ 905,206              | \$ 929,646    | \$ 908,066     | \$ 21,580   |
| Instructional Costs                                       | 22,945,047              | 36,126,132    | 25,538,502     | 10,587,630  |
| Attendance and Health Services                            | 717,278                 | 843,996       | 841,884        | 2,112   |
| Transportation  | 832,431                 | 941,100       | 1,079,197      | (138,097)   |
| Operations and Maintenance                                | 2,710,337               | 2,965,768     | 2,434,222      | 531,546   |
| Capital Projects  | 656,747                 | 3,374,267     | 388,791        | 2,985,476   |
| Debt service  | 272,282                 | 272,282       | 272,282        | -   |
| Total expenditures  | \$ 29,039,328           | \$ 45,453,191 | \$ 31,462,944  | \$ 13,990,247   |
| Excess (deficiency) of revenues over (under) expenditures | \$ (309,370)            | \$ (94,927)   | \$ 845,125     | \$ 940,052  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                         |               |                |   |
| Transfers out   | \$ (227,977)            | \$ (158,051)  | \$ (158,051)   | \$ -  |
| Total other financing sources (uses)                      | \$ (227,977)            | \$ (158,051)  | \$ (158,051)   | \$ -  |
| Net change in fund balances                               | \$ (537,347)            | \$ (252,978)  | \$ 687,074     | \$ 940,052  |
| Fund balances - beginning                                 | 537,347                 | 252,978       | 166,977        | (86,001)  |
| Fund balances - ending                                    | \$ -                    | \$ -          | \$ 854,051     | \$ 854,051  |

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, 2021

|   | <u>Budgeted Amounts</u> |              | <u>Actual</u>  | <u>Variance with</u>  |
|---|-------------------------|--------------|----------------|---|
|   | <u>Original</u>         | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u><br><u>Positive</u><br><u>(Negative)</u> |
| <b>REVENUES</b>   |                         |              |                |   |
| Revenue from the use of money and property                | \$ 5,000                | \$ 5,000     | \$ 2,805       | \$ (2,195)  |
| Total revenues  | \$ 5,000                | \$ 5,000     | \$ 2,805       | \$ (2,195)  |
| <b>EXPENDITURES</b>                                       |                         |              |                |   |
| Current:  |                         |              |                |   |
| Instructional Costs                                       | \$ 589,000              | \$ 589,000   | \$ 7,242       | \$ 581,758  |
| Total expenditures  | \$ 589,000              | \$ 589,000   | \$ 7,242       | \$ 581,758  |
| Excess (deficiency) of revenues over (under) expenditures | \$ (584,000)            | \$ (584,000) | \$ (4,437)     | \$ 579,563  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                         |              |                |   |
| Transfers in  | \$ 227,977              | \$ 227,607   | \$ 158,051     | \$ (69,556)   |
| Total other financing sources (uses)                      | \$ 227,977              | \$ 227,607   | \$ 158,051     | \$ (69,556)   |
| Net change in fund balances                               | \$ (356,023)            | \$ (356,393) | \$ 153,614     | \$ 510,007  |
| Fund balances - beginning                                 | 356,023                 | 356,393      | 566,492        | 210,099   |
| Fund balances - ending                                    | \$ -                    | \$ -         | \$ 720,106     | \$ 720,106  |

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, 2021

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with</u>  |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        | <u>Amounts</u>      | <u>Final Budget -</u><br><u>Positive</u><br><u>(Negative)</u> |
| <b>REVENUES</b>   |                         |                     |                     |   |
| Revenue from the use of money and property                | \$ 1,800                | \$ 1,800            | \$ 599              | \$ (1,201)  |
| Charges for services                                      | 104,250                 | 104,250             | 63,983              | (40,267)  |
| Intergovernmental   | 1,560,750               | 1,560,750           | 2,215,437           | 654,687   |
| Total revenues  | <u>\$ 1,666,800</u>     | <u>\$ 1,666,800</u> | <u>\$ 2,280,019</u> | <u>\$ 613,219</u>   |
| <b>EXPENDITURES</b>                                       |                         |                     |                     |   |
| Current:  |                         |                     |                     |   |
| Food services   | \$ 1,648,493            | \$ 1,657,187        | \$ 1,948,482        | \$ (291,295)  |
| Capital projects  | 18,250                  | 8,250               | 36,698              | (28,448)  |
| Total expenditures  | <u>\$ 1,666,743</u>     | <u>\$ 1,665,437</u> | <u>\$ 1,985,180</u> | <u>\$ (319,743)</u>   |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 57</u>            | <u>\$ 1,363</u>     | <u>\$ 294,839</u>   | <u>\$ 293,476</u>   |
| Net change in fund balances                               | \$ 57                   | \$ 1,363            | \$ 294,839          | \$ 293,476  |
| Fund balances - beginning                                 | (57)                    | (1,363)             | 598,201             | 599,564   |
| Fund balances - ending                                    | <u>\$ -</u>             | <u>\$ -</u>         | <u>\$ 893,040</u>   | <u>\$ 893,040</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, 2020

|   | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>  |                     |                     |                     |                     |                     |                     |                     |
| Service cost  | \$ 67,263           | \$ 65,224           | \$ 58,409           | \$ 31,780           | \$ 32,602           | \$ 28,122           | \$ 27,708           |
| Interest  | 191,291             | 186,773             | 181,007             | 182,965             | 181,160             | 174,748             | 177,953             |
| Differences between expected and actual experience                                | 12,056              | 96,673              | 84,571              | (28,124)            | 34,594              | 110,892             | -                   |
| Changes of assumptions  | -                   | 66,151              | -                   | 14,988              | -                   | -                   | -                   |
| Benefit payments, including refunds of employee contributions                     | (254,211)           | (243,935)           | (239,292)           | (219,874)           | (225,257)           | (219,075)           | (283,803)           |
| <b>Net change in total pension liability</b>                                      | <b>\$ 16,399</b>    | <b>\$ 170,886</b>   | <b>\$ 84,695</b>    | <b>\$ (18,265)</b>  | <b>\$ 23,099</b>    | <b>\$ 94,687</b>    | <b>\$ (78,142)</b>  |
| <b>Total pension liability - beginning</b>  | <b>2,961,042</b>    | <b>2,790,156</b>    | <b>2,705,461</b>    | <b>2,723,726</b>    | <b>2,700,627</b>    | <b>2,605,940</b>    | <b>2,684,082</b>    |
| <b>Total pension liability - ending (a)</b>                                       | <b>\$ 2,977,441</b> | <b>\$ 2,961,042</b> | <b>\$ 2,790,156</b> | <b>\$ 2,705,461</b> | <b>\$ 2,723,726</b> | <b>\$ 2,700,627</b> | <b>\$ 2,605,940</b> |
| <b>Plan fiduciary net position</b>  |                     |                     |                     |                     |                     |                     |                     |
| Contributions - employer  | \$ 65,071           | \$ 62,570           | \$ 86,028           | \$ 40,529           | \$ 35,356           | \$ 35,509           | \$ 32,976           |
| Contributions - employee  | 44,966              | 42,088              | 40,796              | 19,781              | 18,070              | 18,376              | 17,626              |
| Net investment income   | 45,899              | 155,235             | 171,079             | 264,280             | 37,131              | 107,616             | 344,926             |
| Benefit payments  | (254,211)           | (243,935)           | (239,292)           | (219,874)           | (225,257)           | (219,075)           | (283,803)           |
| Administrator charges   | (1,643)             | (1,646)             | (1,544)             | (1,648)             | (1,565)             | (1,617)             | (2,044)             |
| Other   | (78)                | (97)                | (150)               | (231)               | (17)                | (23)                | 19                  |
| <b>Net change in plan fiduciary net position</b>                                  | <b>\$ (99,996)</b>  | <b>\$ 14,215</b>    | <b>\$ 56,917</b>    | <b>\$ 102,837</b>   | <b>\$ (136,282)</b> | <b>\$ (59,214)</b>  | <b>\$ 109,700</b>   |
| <b>Plan fiduciary net position - beginning</b>                                    | <b>2,429,940</b>    | <b>2,415,725</b>    | <b>2,358,808</b>    | <b>2,255,971</b>    | <b>2,392,253</b>    | <b>2,451,467</b>    | <b>2,341,767</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <b>\$ 2,329,944</b> | <b>\$ 2,429,940</b> | <b>\$ 2,415,725</b> | <b>\$ 2,358,808</b> | <b>\$ 2,255,971</b> | <b>\$ 2,392,253</b> | <b>\$ 2,451,467</b> |
| <b>School Division's net pension liability - ending (a) - (b)</b>                 | <b>\$ 647,497</b>   | <b>\$ 531,102</b>   | <b>\$ 374,431</b>   | <b>\$ 346,653</b>   | <b>\$ 467,755</b>   | <b>\$ 308,374</b>   | <b>\$ 154,473</b>   |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>78.25%</b>       | <b>82.06%</b>       | <b>86.58%</b>       | <b>87.19%</b>       | <b>82.83%</b>       | <b>88.58%</b>       | <b>94.07%</b>       |
| <b>Covered payroll</b>  | <b>\$ 1,060,397</b> | <b>\$ 985,389</b>   | <b>\$ 936,956</b>   | <b>\$ 427,785</b>   | <b>\$ 378,275</b>   | <b>\$ 374,688</b>   | <b>\$ 352,512</b>   |
| <b>School Division's net pension liability as a percentage of covered payroll</b> | <b>61.06%</b>       | <b>53.90%</b>       | <b>39.96%</b>       | <b>81.03%</b>       | <b>123.65%</b>      | <b>82.30%</b>       | <b>43.82%</b>       |

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, 2020

|  | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Employer's Proportion of the Net Pension Liability   | 0.15140%      | 0.14900%      | 0.15089%      | 0.15727%      | 0.16041%      | 0.16291%      | 0.17120%      |
| Employer's Proportionate Share of the Net Pension Liability  | \$ 22,031,221 | \$ 19,613,195 | \$ 17,745,000 | \$ 19,341,000 | \$ 22,480,000 | \$ 20,504,000 | \$ 20,689,000 |
| Employer's Covered Payroll   | 13,192,007    | 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 | 167.00%       | 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%        | 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 Plans  
For the Years Ended June 30, 2012 through June 30, 2021

| Date                                  | Contractually<br>Required<br>Contribution<br>(1) | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|---------------------------------------|--|---|---|---|---|
| <b>School Board (Nonprofessional)</b> |  |   |   |   |   |
| 2021                                  | \$ 77,577  | \$ 77,577   | \$ -  | \$ 1,191,594                            | 6.51%   |
| 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%   |
| <b>School Board (Professional)</b>    |  |   |   |   |   |
| 2021                                  | \$ 2,221,019                                     | \$ 2,221,019  | \$ -  | \$ 13,703,487                           | 16.21%  |
| 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%   |



City of Bristol, Virginia School Board  
(Component Unit of the City of Bristol, Virginia)  
Notes to Required Supplementary Information - Pension Plans  
For the Year Ended June 30, 2021

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019 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, 2020

| Date<br>(1) | Proportion of<br>the Total OPEB<br>Liability<br>(TPL)<br>(2) | Proportionate<br>Share of the TOL<br>(3) | Covered-employee<br>Payroll<br>(4) | Proportionate<br>Share of the TOL<br>as a Percentage of<br>Covered-employee<br>Payroll<br>(3)/(4)<br>(5) | OPEB Plan's<br>Fiduciary Net<br>Position as a<br>Percentage of Total<br>OPEB Liability<br>(6) |
|-------------|--|--|------------------------------------|--|---|
| 2020        | 38.97%   | \$ 1,579,400                             | \$ 12,635,900                      | 12.50%   | 0.00%   |
| 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)  
Notes to Required Supplementary Information - Health Insurance OPEB  
For the Year Ended June 30, 2021

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**School Board**

Valuation Date: 7/1/2020

Measurement Date: 7/1/2020

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 Actuarial Cost Method  |
| Discount Rate            | 2.45% as of July 1, 2020   |
| Inflation                | 2.50% per year as of July 1, 2020  |
| Healthcare Trend Rate    | 5.00% as of July 1, 2020   |
| Salary Increase Rates    | 2.50% per year as of July 1, 2020  |
| 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 Annual Report.   |
| Mortality Rates          | RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2020.  |

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, 2020

| Date | Employer's<br>Proportion of the<br>Net HIC OPEB<br>Liability (Asset) | Employer's<br>Proportionate<br>Share of the<br>Net HIC OPEB<br>Liability (Asset) | Employer's<br>Covered<br>Payroll | Employer's<br>Proportionate Share<br>of the Net HIC OPEB<br>Liability (Asset)<br>as a Percentage of<br>Covered Payroll<br>(3)/(4) | Plan Fiduciary<br>Net Position as a<br>Percentage of Total<br>HIC OPEB Liability |
|------|--|--|----------------------------------|---|--|
| (1)  | (2)  | (3)  | (4)                              | (5)   | (6)  |
| 2020 | 0.1495%  | \$ 1,950,122   | \$ 13,192,007                    | 14.78%  | 9.95%  |
| 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, 2012 through June 30, 2021

| Date                        | Contributions in<br>Relation to                  |  |   |   | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|-----------------------------|--|--|---|---|---|
|                             | Contractually<br>Required<br>Contribution<br>(1) | Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) |   |
| School Board (Professional) |  |  |   |   |   |
| 2021                        | \$ 165,812                                       | \$ 165,812                                       | \$ -  | \$ 13,703,487                           | 1.21%   |
| 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%   |

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, 2021

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019 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 Changes in Net OPEB Liability (Asset) and Related Ratios**  
**Health Insurance Credit (HIC) Plan**  
**For the Measurement Date of June 30, 2020**

|  | <u>2020</u>             |
|--|-------------------------|
| <b>Total HIC OPEB Liability</b>  |                         |
| Service cost   | \$ -                    |
| Interest   | -                       |
| Differences between expected and actual experience   | -                       |
| Changes of assumptions   | -                       |
| Benefit payments   | 67,264                  |
| <b>Net change in total HIC OPEB liability</b>  | \$ 67,264               |
| <b>Total HIC OPEB Liability - beginning</b>  | -                       |
| <b>Total HIC OPEB Liability - ending (a)</b>   | <u><u>\$ 67,264</u></u> |
| <br><b>Plan fiduciary net position</b>   |                         |
| Contributions - employer   | \$ -                    |
| Contributions - employee   | -                       |
| Net investment income  | -                       |
| Benefit payments   | -                       |
| Administrator charges  | -                       |
| Other  | -                       |
| <b>Net change in plan fiduciary net position</b>   | \$ -                    |
| <b>Plan fiduciary net position - beginning</b>   | -                       |
| <b>Plan fiduciary net position - ending (b)</b>  | <u><u>\$ -</u></u>      |
| <br><b>School Board's net HIC OPEB liability - ending (a) - (b)</b>                        | <br>\$ 67,264           |
| <br><b>Plan fiduciary net position as a percentage of the total<br/>HIC OPEB liability</b> | <br><br>0.00%           |
| <br><b>Covered payroll</b>   | <br>\$ -                |
| <br><b>School Board's net HIC OPEB liability as a percentage of<br/>covered payroll</b>    | <br><br>N/A             |

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not applicable as the School Board was not included in the plan prior to the 2020 valuation. 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 Credit (HIC) Plan  
For the Year Ended June 30, 2021

| Date         | Contributions in<br>Relation to                  |  |   |   | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|--------------|--|--|---|---|---|
|              | Contractually<br>Required<br>Contribution<br>(1) | Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) |   |
| School Board |  |  |   |   |   |
| 2021         | \$ 6,554   | \$ 6,554   | \$ -  | \$ 1,191,594                            | 0.55%   |

Schedule is intended to show information for 10 years but the School Board only joined the plan in 2021.



**City of Bristol, Virginia School Board**  
**(Component Unit of the City of Bristol, Virginia)**  
**Notes to Required Supplementary Information - Health Insurance Credit (HIC) Plan**  
**For the Year Ended June 30, 2021**

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019 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%  |

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, 2020

| Date<br>(1)                    | Employer's<br>Proportion of the<br>Net GLI OPEB<br>Liability<br>(2) | Employer's<br>Proportionate<br>Share of the<br>Net GLI OPEB<br>Liability<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Employer's<br>Proportionate Share<br>of the Net GLI OPEB<br>Liability<br>as a Percentage of<br>Covered Payroll<br>(3)/(4)<br>(5) | Plan Fiduciary<br>Net Position as a<br>Percentage of Total<br>GLI OPEB Liability<br>(6) |
|--------------------------------|---|---|---|--|---|
|                                |   |   |   |  |   |
| School Board (Nonprofessional) |   |   |   |  |   |
| 2020                           | 0.00510% \$   | 85,945 \$   | 1,060,397                               | 8.10%  | 52.64%  |
| 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)    |   |   |   |  |   |
| 2020                           | 0.06370% \$   | 1,062,715 \$  | 13,192,007                              | 8.06%  | 52.64%  |
| 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, 2012 through June 30, 2021

| Date                                  | Contractually<br>Required<br>Contribution<br>(1) | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|---------------------------------------|--|---|---|---|---|
| <b>School Board (Nonprofessional)</b> |  |   |   |   |   |
| 2021                                  | \$ 6,435   | \$ 6,435  | \$ -  | \$ 1,191,594                            | 0.54%   |
| 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%   |
| <b>School Board (Professional)</b>    |  |   |   |   |   |
| 2021                                  | \$ 73,999  | \$ 73,999   | \$ -  | \$ 13,703,487                           | 0.54%   |
| 2020                                  | 68,155   | 68,155  | -   | 13,192,007                              | 0.52%   |
| 2019                                  | 64,193   | 64,193  | -   | 12,344,683                              | 0.52%   |
| 2018                                  | 62,126   | 62,126  | -   | 11,947,307                              | 0.52%   |
| 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%   |

**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, 2021**

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019 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 Balance - Budget and Actual  
Nonmajor Special Revenue Fund - School Activity Fund  
For the Year Ended June 30, 2021

|   | <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>     |
| <b>REVENUES</b>   |                         |              |                |                       |
| Miscellaneous   | \$ -                    | \$ -         | \$ 280,295     | \$ -                  |
| Total revenues  | \$ -                    | \$ -         | \$ 280,295     | \$ -                  |
| <b>EXPENDITURES</b>                                       |                         |              |                |                       |
| Current:  |                         |              |                |                       |
| Instructional Costs                                       | \$ -                    | \$ -         | \$ 291,018     | \$ -                  |
| Total expenditures  | \$ -                    | \$ -         | \$ 291,018     | \$ -                  |
| Excess (deficiency) of revenues over (under) expenditures | \$ -                    | \$ -         | \$ (10,723)    | \$ -                  |
| Net change in fund balances                               | \$ -                    | \$ -         | \$ (10,723)    | \$ (10,723)           |
| Fund balances - beginning, as restated                    | -                       | -            | 152,271        | 152,271               |
| Fund balances - ending                                    | \$ -                    | \$ -         | \$ 141,548     | \$ 141,548            |

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, 2021

|   | <u>Budgeted Amounts</u> |              | <u>Actual</u>  | <u>Variance with</u>  |
|---|-------------------------|--------------|----------------|---|
|   | <u>Original</u>         | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u><br><u>Positive</u><br><u>(Negative)</u> |
| <b>REVENUES</b>   |                         |              |                |   |
| Revenue from the use of money and property                | \$ 5,000                | \$ 5,000     | \$ 3,557       | \$ (1,443)  |
| Total revenues  | \$ 5,000                | \$ 5,000     | \$ 3,557       | \$ (1,443)  |
| <b>EXPENDITURES</b>                                       |                         |              |                |   |
| Capital Projects  | \$ 444,000              | \$ 444,000   | \$ 29,355      | \$ 414,645  |
| Total expenditures  | \$ 444,000              | \$ 444,000   | \$ 29,355      | \$ 414,645  |
| Excess (deficiency) of revenues over (under) expenditures | \$ (439,000)            | \$ (439,000) | \$ (25,798)    | \$ 413,202  |
| Net change in fund balances                               | \$ (439,000)            | \$ (439,000) | \$ (25,798)    | \$ 413,202  |
| Fund balances - beginning                                 | 439,000                 | 439,000      | 627,039        | 188,039   |
| Fund balances - ending                                    | \$ -                    | \$ -         | \$ 601,241     | \$ 601,241  |

## **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, 2021

| <u>Fund, Major and Minor Revenue Source</u>     | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| <b>Operating Fund:</b>                          |                            |                         |               |   |
| Revenue from local sources:                     |                            |                         |               |   |
| Revenue from use of money and property:         |                            |                         |               |   |
| Revenue from use of money                       | \$ 5,000                   | \$ 5,000                | \$ 10,720     | \$ 5,720  |
| Total revenue from use of money and property    | \$ 5,000                   | \$ 5,000                | \$ 10,720     | \$ 5,720  |
| Charges for services:                           |                            |                         |               |   |
| Tuition   | \$ 7,000                   | \$ 7,000                | \$ 6,801      | \$ (199)  |
| Total charges for services                      | \$ 7,000                   | \$ 7,000                | \$ 6,801      | \$ (199)  |
| Miscellaneous:                                  |                            |                         |               |   |
| Miscellaneous                                   | \$ 347,930                 | \$ 377,030              | \$ 324,042    | \$ (52,988)   |
| Total miscellaneous                             | \$ 347,930                 | \$ 377,030              | \$ 324,042    | \$ (52,988)   |
| Recovered costs:                                |                            |                         |               |   |
| E-Rate savings                                  | \$ 97,920                  | \$ 97,920               | \$ 95,475     | \$ (2,445)  |
| Total recovered costs                           | \$ 97,920                  | \$ 97,920               | \$ 95,475     | \$ (2,445)  |
| Total revenue from local sources                | \$ 457,850                 | \$ 486,950              | \$ 437,038    | \$ (49,912)   |
| Intergovernmental:                              |                            |                         |               |   |
| Revenues from local governments:                |                            |                         |               |   |
| Contribution from the City of Bristol, Virginia | \$ 6,388,510               | \$ 6,388,510            | \$ 6,388,204  | \$ (306)  |
| Total revenues from local governments           | \$ 6,388,510               | \$ 6,388,510            | \$ 6,388,204  | \$ (306)  |
| Revenue from the Commonwealth:                  |                            |                         |               |   |
| Categorical aid:                                |                            |                         |               |   |
| Sales tax                                       | \$ 2,605,871               | \$ 2,840,573            | \$ 3,109,319  | \$ 268,746  |
| Basic school aid                                | 7,156,826                  | 7,173,539               | 7,173,539     | -   |
| Foster children                                 | 28,399                     | 16,300                  | 5,274         | (11,026)  |
| Remedial summer school                          | 142,399                    | 17,421                  | 17,421        | -   |
| Gifted and talented                             | 78,127                     | 77,945                  | 77,945        | -   |
| Remedial education                              | 408,323                    | 407,370                 | 407,370       | -   |
| Enrollment loss                                 | -                          | 250,150                 | -             | (250,150)   |
| Special education                               | 1,205,807                  | 1,202,993               | 1,202,993     | -   |
| Vocational education                            | 454,284                    | 453,235                 | 452,065       | (1,170)   |
| Social security                                 | 517,406                    | 516,199                 | 516,199       | -   |
| Retirement                                      | 1,204,333                  | 1,201,522               | 1,201,522     | -   |
| Project Graduation                              | 4,012                      | 4,012                   | 3,662         | (350)   |
| Early reading intervention                      | 61,759                     | 61,759                  | 54,706        | (7,053)   |
| Homebound Instruction                           | 12,981                     | 8,425                   | 8,425         | -   |
| Group Life Payments                             | 36,852                     | 36,766                  | 36,766        | -   |
| GED prep programs                               | 8,386                      | 8,386                   | 8,387         | 1   |
| Vocational education - equipment                | 8,173                      | 8,173                   | 7,112         | (1,061)   |

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, 2021

| <u>Fund, Major and Minor Revenue Source</u>         | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| <b>Operating Fund: (Continued)</b>                  |                            |                         |               |   |
| Intergovernmental: (Continued)                      |                            |                         |               |   |
| Revenue from the Commonwealth: (Continued)          |                            |                         |               |   |
| Categorical aid: (Continued)                        |                            |                         |               |   |
| SOL algebra readiness                               | \$ 47,469                  | \$ 47,356               | \$ 47,356     | \$ -  |
| At risk payments                                    | 1,149,727                  | 1,125,836               | 1,048,431     | (77,405)  |
| Primary class size payments                         | 571,742                    | 582,150                 | 582,150       | -   |
| Mentor teacher program                              | 1,475                      | 2,251                   | 2,251         | -   |
| English as a second language                        | 24,932                     | 22,938                  | 22,938        | -   |
| Hospitals, clinics, and detention homes             | 1,007,342                  | 1,057,178               | 1,047,476     | (9,702)   |
| Virginia preschool initiative payments              | 161,653                    | 161,653                 | 78,314        | (83,339)  |
| Middle school teacher corps                         | 5,000                      | 5,000                   | 5,000         | -   |
| Alternative education                               | 142,983                    | 142,983                 | 142,983       | -   |
| Textbook funds                                      | 158,421                    | 158,051                 | 158,051       | -   |
| Lottery funds                                       | 549,850                    | 562,196                 | 613,288       | 51,092  |
| Vocational occupation prep                          | 27,097                     | 8,342                   | 883           | (7,459)   |
| Technology mini grant                               | 464,000                    | 269,845                 | 37,845        | (232,000)   |
| Year round programs                                 | -                          | 116,667                 | 116,667       | -   |
| School security grants                              | 83,962                     | -                       | -             | -   |
| Other state funds                                   | 9,544                      | 158,191                 | 172,634       | 14,443  |
| Total categorical aid                               | \$ 18,339,135              | \$ 18,705,405           | \$ 18,358,972 | \$ (346,433)  |
| Total revenue from the Commonwealth                 | \$ 18,339,135              | \$ 18,705,405           | \$ 18,358,972 | \$ (346,433)  |
| Revenue from the federal government:                |                            |                         |               |   |
| Categorical aid:                                    |                            |                         |               |   |
| Title I, Part A - Improving basic programs          | \$ 1,698,680               | \$ 1,643,947            | \$ 1,367,981  | \$ (275,966)  |
| Title I, Part D - Neglected and delinquent children | 10,187                     | 2,185                   | -             | (2,185)   |
| Vocational education                                | 84,912                     | 104,063                 | 84,081        | (19,982)  |
| Title II, Part A - Improving teacher quality        | 182,383                    | 164,218                 | 95,008        | (69,210)  |
| Title VI-B, Special education                       | 794,778                    | 747,605                 | 796,009       | 48,404  |
| Title VI-B, Special education - preschool           | 20,346                     | 19,810                  | 18,389        | (1,421)   |
| 21st century learning grant                         | 333,604                    | 544,453                 | 450,503       | (93,950)  |
| Title III-english proficiency                       | 4,264                      | 5,902                   | 151           | (5,751)   |
| COVID-19 CARES Act grants                           | -                          | 16,139,116              | 3,832,349     | (12,306,767)  |
| School improvement grants                           | 245,499                    | 159,998                 | 73,242        | (86,756)  |
| Student support and academic achievement            | 123,907                    | 129,408                 | 107,610       | (21,798)  |
| Other federal categorical aid                       | 45,903                     | 116,694                 | 298,532       | 181,838   |
| Total categorical aid                               | \$ 3,544,463               | \$ 19,777,399           | \$ 7,123,855  | \$ (12,653,544)   |
| Total revenue from the federal government           | \$ 3,544,463               | \$ 19,777,399           | \$ 7,123,855  | \$ (12,653,544)   |
| Total Operating Fund                                | \$ 28,729,958              | \$ 45,358,264           | \$ 32,308,069 | \$ (13,050,195)   |

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, 2021

| <u>Fund, Major and Minor Revenue Source</u>  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| <b>Special Revenue Funds:</b>                |                            |                         |               |   |
| <b>School Textbook Fund:</b>                 |                            |                         |               |   |
| Revenue from local sources:                  |                            |                         |               |   |
| Revenue from use of money and property:      |                            |                         |               |   |
| Revenue from the use of money                | \$ 5,000                   | \$ 5,000                | \$ 2,805      | \$ (2,195)  |
| Total revenue from use of money and property | \$ 5,000                   | \$ 5,000                | \$ 2,805      | \$ (2,195)  |
| Total revenue from local sources             | \$ 5,000                   | \$ 5,000                | \$ 2,805      | \$ (2,195)  |
| Total School Textbook Fund                   | \$ 5,000                   | \$ 5,000                | \$ 2,805      | \$ (2,195)  |
| <b>Cafeteria Fund:</b>                       |                            |                         |               |   |
| Revenue from local sources:                  |                            |                         |               |   |
| Revenue from use of money and property:      |                            |                         |               |   |
| Revenue from the use of money                | \$ 1,800                   | \$ 1,800                | \$ 599        | \$ (1,201)  |
| Total revenue from use of money and property | \$ 1,800                   | \$ 1,800                | \$ 599        | \$ (1,201)  |
| Charges for services:                        |                            |                         |               |   |
| Cafeteria sales                              | \$ 104,250                 | \$ 104,250              | \$ 63,983     | \$ (40,267)   |
| Total charges for services                   | \$ 104,250                 | \$ 104,250              | \$ 63,983     | \$ (40,267)   |
| Total revenue from local sources             | \$ 106,050                 | \$ 106,050              | \$ 64,582     | \$ (41,468)   |
| Intergovernmental:                           |                            |                         |               |   |
| Revenue from the Commonwealth:               |                            |                         |               |   |
| Categorical aid:                             |                            |                         |               |   |
| School food program grant                    | \$ 25,000                  | \$ 25,000               | \$ 39,192     | \$ 14,192   |
| Total categorical aid                        | \$ 25,000                  | \$ 25,000               | \$ 39,192     | \$ 14,192   |
| Total revenue from the Commonwealth          | \$ 25,000                  | \$ 25,000               | \$ 39,192     | \$ 14,192   |
| Revenue from the federal government:         |                            |                         |               |   |
| Categorical aid:                             |                            |                         |               |   |
| School food program grant                    | \$ 1,535,750               | \$ 1,535,750            | \$ 2,176,245  | \$ 640,495  |
| Total categorical aid                        | \$ 1,535,750               | \$ 1,535,750            | \$ 2,176,245  | \$ 640,495  |
| Total revenue from the federal government    | \$ 1,535,750               | \$ 1,535,750            | \$ 2,176,245  | \$ 640,495  |
| Total Cafeteria Fund                         | \$ 1,666,800               | \$ 1,666,800            | \$ 2,280,019  | \$ 613,219  |

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, 2021

| <u>Fund, Major and Minor Revenue Source</u>  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| <b>Special Revenue Funds: (Continued)</b>    |                            |                         |               |   |
| <b>School Activity Fund:</b>                 |                            |                         |               |   |
| Revenue from local sources:                  |                            |                         |               |   |
| Miscellaneous:                               |                            |                         |               |   |
| Miscellaneous                                | \$ -                       | \$ -                    | \$ 280,295    | \$ 280,295  |
| Total miscellaneous                          | \$ -                       | \$ -                    | \$ 280,295    | \$ 280,295  |
| Total School Activity Fund                   | \$ -                       | \$ -                    | \$ 280,295    | \$ 280,295  |
| <b>Capital Projects Fund:</b>                |                            |                         |               |   |
| <b>Local Capital Projects Fund:</b>          |                            |                         |               |   |
| Revenue from local sources:                  |                            |                         |               |   |
| Revenue from use of money and property:      |                            |                         |               |   |
| Revenue from the use of money                | \$ 5,000                   | \$ 5,000                | \$ 3,557      | \$ (1,443)  |
| Total revenue from use of money and property | \$ 5,000                   | \$ 5,000                | \$ 3,557      | \$ (1,443)  |
| Total revenue from local sources             | \$ 5,000                   | \$ 5,000                | \$ 3,557      | \$ (1,443)  |
| Total Local Capital Projects Fund            | \$ 5,000                   | \$ 5,000                | \$ 3,557      | \$ (1,443)  |
| Total School Board                           | \$ 30,406,758              | \$ 47,035,064           | \$ 34,874,745 | \$ (12,160,319)   |

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, 2021

| <u>Fund, Function, Activity and Element</u> | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| <b>Operating Fund:</b>                      |                            |                         |                      |   |
| Administration                              | \$ 905,206                 | \$ 929,646              | \$ 908,066           | \$ 21,580   |
| Instructional Costs                         | 22,945,047                 | 36,126,132              | 25,538,502           | 10,587,630  |
| Attendance and Health Services              | 717,278                    | 843,996                 | 841,884              | 2,112   |
| Transportation                              | 832,431                    | 941,100                 | 1,079,197            | (138,097)   |
| Operations and Maintenance                  | 2,710,337                  | 2,965,768               | 2,434,222            | 531,546   |
| Capital Projects                            | 656,747                    | 3,374,267               | 388,791              | 2,985,476   |
| Debt Service                                | 272,282                    | 272,282                 | 272,282              | -   |
| Total Operating Fund                        | <u>\$ 29,039,328</u>       | <u>\$ 45,453,191</u>    | <u>\$ 31,462,944</u> | <u>\$ 13,990,247</u>  |
| <b>Special Revenue Funds:</b>               |                            |                         |                      |   |
| <b>School Textbook Fund:</b>                |                            |                         |                      |   |
| Instructional Costs                         | \$ 589,000                 | \$ 589,000              | \$ 7,242             | \$ 581,758  |
| Total School Textbook Fund                  | <u>\$ 589,000</u>          | <u>\$ 589,000</u>       | <u>\$ 7,242</u>      | <u>\$ 581,758</u>   |
| <b>Cafeteria Fund:</b>                      |                            |                         |                      |   |
| Food Services                               | \$ 1,648,493               | \$ 1,657,187            | \$ 1,948,482         | \$ (291,295)  |
| Capital Projects                            | 18,250                     | 8,250                   | 36,698               | (28,448)  |
| Total Cafeteria Fund                        | <u>\$ 1,666,743</u>        | <u>\$ 1,665,437</u>     | <u>\$ 1,985,180</u>  | <u>\$ (319,743)</u>   |
| <b>School Activity Fund:</b>                |                            |                         |                      |   |
| Instructional Costs                         | \$ -                       | \$ -                    | \$ 291,018           | \$ (291,018)  |
| Total School Activity Fund                  | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 291,018</u>    | <u>\$ (291,018)</u>   |
| <b>Capital Projects Fund:</b>               |                            |                         |                      |   |
| <b>Local Capital Projects Fund:</b>         |                            |                         |                      |   |
| Capital Projects                            | \$ 444,000                 | \$ 444,000              | \$ 29,355            | \$ 414,645  |
| Total Local Capital Projects Fund           | <u>\$ 444,000</u>          | <u>\$ 444,000</u>       | <u>\$ 29,355</u>     | <u>\$ 414,645</u>   |
| Total School Board                          | <u>\$ 31,739,071</u>       | <u>\$ 48,151,628</u>    | <u>\$ 33,775,739</u> | <u>\$ 14,375,889</u>  |

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**COMPLIANCE SECTION**

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**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***

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**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, 2021, 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 22, 2021.

**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 22, 2021





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

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**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, 2021. 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, 2021.

## 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 22, 2021

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, 2021

| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title                      | Federal<br>Assistance<br>Listing<br>Number | Pass-through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |              |
|--|--|---|-------------------------|--------------|
| Department of Agriculture:   |  |   |                         |              |
| Pass Through Payments from:  |  |   |                         |              |
| Child Nutrition Cluster:   |  |   |                         |              |
| State Department of Agriculture:   |  |   |                         |              |
| Food Distribution (Note C)   | 10.555                                     | Not available                                   | \$ 106,411              |              |
| State Department of Education:   |  |   |                         |              |
| COVID-19 National School Lunch Program   | 10.555                                     | APE40254  | \$ 14,843               | \$ 121,254   |
| State Department of Education:   |  |   |                         |              |
| COVID-19 School Breakfast Program  | 10.553                                     | APE40253  | \$ 11,392               |              |
| COVID-19 Summer Food Service Program for Children  | 10.559                                     | APE60175  | \$ 401,369              |              |
| Summer Food Service Program for Children   | 10.559                                     | APE40251  | 1,447,193               | 1,848,562    |
| Total Child Nutrition Cluster  |  |   |                         | \$ 1,981,208 |
| Fresh Fruit and Vegetable Program  | 10.582                                     | APE40252  |                         | 82,728       |
| Child Nutrition Direct Certification Performance Awards                                    | 10.589                                     | DOE86803  |                         | 24,941       |
| COVID-19 Child and Adult Care Food Program   | 10.558                                     | APE70027  | \$ 9,273                |              |
| Child and Adult Care Food Program  | 10.558                                     | APE70027  | 78,095                  | 87,368       |
| Total Department of Agriculture  |  |   |                         | \$ 2,176,245 |
| Department of Housing and Urban Development:   |  |   |                         |              |
| Pass Through Payments from:  |  |   |                         |              |
| City of Bristol, Virginia:   |  |   |                         |              |
| Community Development Block Grants/State's<br>Program and Non-Entitlement Grants in Hawaii | 14.228                                     | HCD50790  |                         | \$ 36,000    |
| Total Department of Housing and Urban Development  |  |   |                         | \$ 36,000    |
| Department of Health and Human Services:   |  |   |                         |              |
| Pass Through Payments from:  |  |   |                         |              |
| State Department of Education:   |  |   |                         |              |
| Temporary Assistance for Needy Families (TANF)   | 93.558                                     | APE40274  |                         | \$ 81,801    |
| Virginia Department of Medical Assistance Services:  |  |   |                         |              |
| Medicaid   | 93.000                                     | Not available                                   |                         | 180,731      |
| Total Department of Health and Human Services  |  |   |                         | \$ 262,532   |
| Department of Education:   |  |   |                         |              |
| Pass Through Payments from:  |  |   |                         |              |
| State Department of Education:   |  |   |                         |              |
| Title I Grants to Local Educational Agencies   | 84.010                                     | APE42901  |                         | \$ 1,367,981 |
| Special Education Cluster (IDEA):  |  |   |                         |              |
| Special Education - Grants to States   | 84.027                                     | APE43071  | \$ 796,009              |              |
| Special Education - Preschool Grants   | 84.173                                     | APE62521  | 18,389                  |              |
| Total Special Education Cluster (IDEA)   |  |   |                         | 814,398      |
| Career and Technical Education - Basic Grants to States                                    | 84.048                                     | APE61095  |                         | 84,081       |
| Supporting Effective Instruction State Grants  | 84.367                                     | APE61480  |                         | 95,008       |
| Twenty-First Century Community Learning Centers  | 84.287                                     | APE60565  |                         | 450,503      |
| COVID-19 Governor's Emergency Education Relief Fund  | 84.425C                                    | APE70038  | \$ 248,826              |              |
| COVID-19 Elementary and Secondary School Emergency Relief Fund                             | 84.425D                                    | APE60173  | 2,315,514               | 2,564,340    |
| Student Support and Academic Enrichment Program  | 84.424                                     | APE60281  |                         | 107,610      |
| School Improvement Grants  | 84.377                                     | APE43040  |                         | 73,242       |

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, 2021

| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>Assistance<br>Listing<br>Number | Pass-through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures     |
|---|--|---|-----------------------------|
| Department of Education: (continued)                                  |  |   |                             |
| Pass Through Payments from: (continued)                               |  |   |                             |
| State Department of Education: (continued)                            |  |   |                             |
| English Language Acquisition State Grants                             | 84.365                                     | Not available                                   | \$ 151                      |
| Total Department of Education   |  |   | <u>\$ 5,557,314</u>         |
| Department of Treasury:   |  |   |                             |
| Pass Through Payments from:   |  |   |                             |
| State Department of Education:  |  |   |                             |
| COVID-19 Coronavirus Relief Fund (CRF)                                | 21.019                                     | APE70056  | \$ 373,695                  |
| City of Bristol, Virginia:  |  |   |                             |
| COVID-19 Coronavirus Relief Fund (CRF)                                | 21.019                                     | SLT0022   | <u>894,314</u> \$ 1,268,009 |
| Total Expenditures of Federal Awards                                  |  |   | <u><u>\$ 9,300,100</u></u>  |

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, 2021. 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:

|   |                            |
|---|----------------------------|
| Operating Fund-Intergovernmental                      | \$ 31,871,031              |
| Less: Contribution from the City of Bristol, Virginia | (6,388,204)                |
| Less: Revenue from the Commonwealth                   | (18,358,972)               |
| Cafeteria Fund-Intergovernmental                      | 2,215,437                  |
| Less: Revenue from the Commonwealth                   | <u>(39,192)</u>            |
| Total School Board                                    | <u><u>\$ 9,300,100</u></u> |

City of Bristol, Virginia School Board  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021

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**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<br>reported in accordance with 2 CFR section,<br>200.516 (a)? | No         |
| Identification of major programs:  |            |

| CFDA #  | Name of Federal Program or Cluster                             |
|---------|--|
| 21.019  | COVID-19 Coronavirus Relief Funds                              |
| 84.425C | COVID-19 Governor's Emergency Education Relief Fund            |
| 84.425D | COVID-19 Elementary and Secondary School Emergency Relief Fund |

|   |           |
|---|-----------|
| Dollar threshold used to distinguish between Type A<br>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.

City of Bristol, Virginia School Board  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021

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**Status of Prior Audit Findings**

There were no findings in the prior year.