

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2022

THE SCHOOL BOARD OF THE CITY OF FRANKLIN
(A Component Unit of the City of Franklin, Virginia)
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Financial Report
Year Ended June 30, 2022

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

BOARD MEMBERS

Robert Holt, Ward 1
Arwen Councill, Ward 2
Tonya Smith, Ward 3
Marchelle F. Williams, Ward 4

Brittany S. Powell, Ward 5
Jerry McCreary, Ward 6
Carrie Johnson, At Large

ADMINISTRATIVE/FISCAL OFFICERS

Tamara Sterling, Superintendent of Schools

Jeffrey Ryder, Assistant Superintendent of Operations

Angela Edwards, Finance Specialist

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Independent Auditors' Report

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the School Board of the City of Franklin, Virginia, a component unit of the City of Franklin, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School Board of the City of Franklin, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of School Board of the City of Franklin, Virginia, as of June 30, 2022, and the changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of School Board of the City of Franklin, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 20 to the financial statements, in 2022, the School Board of the City of Franklin, Virginia adopted new accounting guidance, GASB Statement Nos. 87, *Leases*, and 92, *Omnibus*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2022, the School Board of the City of Franklin, Virginia restated beginning balances to reflect the requirements of GASB Statement No. 87. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about School Board of the City of Franklin, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School Board of the City of Franklin, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about School Board of the City of Franklin, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board of the City of Franklin, Virginia's basic financial statements. The accompanying supporting schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2022, on our consideration of the School Board of the City of Franklin, Virginia'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 the School Board of the City of Franklin, Virginia'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 of the City of Franklin, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 7, 2022

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit Of The City of Franklin, Virginia)

Exhibit 1

Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,268,289
Receivables (net of allowance for uncollectibles):	
Accounts receivable	12,030
Inventory	23,608
Due from other governmental units	491,833
Net pension asset	785,250
Net OPEB asset	10,856
Capital assets (net of accumulated depreciation):	
Land improvements	114,399
Buildings	6,359,025
Infrastructure	4,771,998
Leased equipment	1,129,416
Machinery and equipment	1,422,693
Construction in progress	119,335
Total assets	<u>\$ 17,508,732</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 2,670,082
OPEB related items	358,214
Total deferred outflows of resources	<u>\$ 3,028,296</u>
LIABILITIES	
Accounts payable	\$ 215,784
Accrued liabilities	856,492
Long-term liabilities:	
Due within one year	204,218
Due in more than one year	9,116,189
Total liabilities	<u>\$ 10,392,683</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 6,146,297
OPEB related items	671,709
Total deferred inflows of resources	<u>\$ 6,818,006</u>
NET POSITION	
Net investment in capital assets	\$ 12,669,558
Restricted for:	
Net pension asset	785,250
Net OPEB asset	10,856
City of Franklin, Virginia rollover funds	577,200
Unrestricted	(10,716,525)
Total net position	<u><u>\$ 3,326,339</u></u>

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit Of The City of Franklin, Virginia)

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental activities:					
Instruction	\$ 10,852,371	\$ 39,685	\$ 13,714,053	\$ -	\$ 2,901,367
Administration, attendance and health	1,842,353	-	-	-	(1,842,353)
Pupil transportation	620,420	-	-	-	(620,420)
Operation and maintenance	2,066,181	-	-	-	(2,066,181)
Food services	1,261,177	44,490	1,050,330	-	(166,357)
Technology	945,064	-	-	-	(945,064)
Interest on long-term debt	48,185	-	-	-	(48,185)
Total governmental activities	\$ 17,635,751	\$ 84,175	\$ 14,764,383	\$ -	\$ (2,787,193)
General revenues:					
Unrestricted revenues from use of money and property				\$	8
Miscellaneous					648,453
Payment from City of Franklin					4,830,237
Total general revenues				\$	5,478,698
Change in net position				\$	2,691,505
Net position - beginning					634,834
Net position - ending				\$	3,326,339

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

FUND FINANCIAL STATEMENTS

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit Of The City of Franklin, Virginia)

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2022

	School Operating	Cafeteria	Textbook	School Activity Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,479,862	\$ 615,631	\$ 127,244	\$ 45,552	\$ 2,268,289
Receivables (net of allowance for uncollectibles):					
Accounts receivable	-	12,030	-	-	12,030
Inventory	-	23,608	-	-	23,608
Due from other governmental units	453,410	38,423	-	-	491,833
Total assets	<u>\$ 1,933,272</u>	<u>\$ 689,692</u>	<u>\$ 127,244</u>	<u>\$ 45,552</u>	<u>\$ 2,795,760</u>
LIABILITIES					
Accounts payable	\$ 176,958	\$ 38,826	\$ -	\$ -	\$ 215,784
Accrued liabilities	802,730	53,762	-	-	856,492
Total liabilities	<u>\$ 979,688</u>	<u>\$ 92,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,072,276</u>
FUND BALANCE					
Nonspendable:					
Inventory	\$ -	\$ 23,608	\$ -	\$ -	\$ 23,608
Restricted:					
City of Franklin, Virginia rollover funds	577,200	-	-	-	577,200
Assigned:					
Education	-	573,496	127,244	45,552	746,292
Unassigned	376,384	-	-	-	376,384
Total fund balances	<u>\$ 953,584</u>	<u>\$ 597,104</u>	<u>\$ 127,244</u>	<u>\$ 45,552</u>	<u>\$ 1,723,484</u>
Total liabilities and fund balances	<u>\$ 1,933,272</u>	<u>\$ 689,692</u>	<u>\$ 127,244</u>	<u>\$ 45,552</u>	<u>\$ 2,795,760</u>

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit Of The City of Franklin, Virginia)

Exhibit 4

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,723,484
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. The
amounts reported below are net of accumulated depreciation.

Land improvements	\$	114,399	
Buildings		6,359,025	
Infrastructure		4,771,998	
Leased equipment		1,129,416	
Machinery and equipment		1,422,693	
Construction in progress		<u>119,335</u>	13,916,866

The net pension asset is not an available resource and, therefore, is and, not reported in the funds - Nonprofessional group	785,250
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The net OPEB asset is not an available resource and, therefore, is and, not reported in the funds - Nonprofessional group	10,856
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Deferred outflows of resources are not available to pay for current period
expenditures and, therefore, are not reported in the funds.

Pension related items	\$	2,670,082	
OPEB related items		<u>358,214</u>	3,028,296

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

Net pension liability	\$	(5,959,730)	
Leases payable		(1,247,308)	
Compensated absences		(280,135)	
Net OPEB liabilities		<u>(1,833,234)</u>	(9,320,407)

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

Pension related items	\$	(6,146,297)	
OPEB related items		<u>(671,709)</u>	(6,818,006)

Net position of governmental activities	\$	<u><u>3,326,339</u></u>
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The notes to financial statements are an integral part of this statement.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit Of The City of Franklin, Virginia)

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>School Operating</u>	<u>Cafeteria</u>	<u>Textbook</u>	<u>School Activity Funds</u>	<u>Total</u>
REVENUES					
Revenue from the use of					
money and property	\$ -	\$ -	\$ 8	\$ -	\$ 8
Charges for services	39,685	44,490	-	-	84,175
Miscellaneous	282,616	97,651	-	268,186	648,453
Intergovernmental:					
Local government	4,830,237	-	-	-	4,830,237
Commonwealth	9,148,790	53,488	-	-	9,202,278
Federal	4,565,263	996,842	-	-	5,562,105
Total revenues	<u>\$ 18,866,591</u>	<u>\$ 1,192,471</u>	<u>\$ 8</u>	<u>\$ 268,186</u>	<u>\$ 20,327,256</u>
EXPENDITURES					
Current:					
Education:					
Instruction	\$ 12,919,499	\$ -	\$ 198,785	\$ 314,508	\$ 13,432,792
Administration, attendance and health	1,709,323	-	-	-	1,709,323
Pupil transportation	575,622	-	-	-	575,622
Operations and maintenance	2,040,000	-	-	-	2,040,000
Food services	-	1,170,112	-	-	1,170,112
Technology	1,016,845	-	-	-	1,016,845
Debt service:					
Principal retirement	164,462	-	-	-	164,462
Interest and other fiscal charges	48,185	-	-	-	48,185
Total expenditures	<u>\$ 18,473,936</u>	<u>\$ 1,170,112</u>	<u>\$ 198,785</u>	<u>\$ 314,508</u>	<u>\$ 20,157,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 392,655</u>	<u>\$ 22,359</u>	<u>\$ (198,777)</u>	<u>\$ (46,322)</u>	<u>\$ 169,915</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 70,992	\$ -	\$ 70,992
Transfers out	(70,992)	-	-	-	(70,992)
Total other financing sources (uses)	<u>\$ (70,992)</u>	<u>\$ -</u>	<u>\$ 70,992</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 321,663	\$ 22,359	\$ (127,785)	\$ (46,322)	\$ 169,915
Fund balances - beginning	631,921	574,745	255,029	91,874	1,553,569
Fund balances - ending	<u>\$ 953,584</u>	<u>\$ 597,104</u>	<u>\$ 127,244</u>	<u>\$ 45,552</u>	<u>\$ 1,723,484</u>

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit Of The City of Franklin, Virginia)

Exhibit 6

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, 2022

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

Net change in fund balances - total governmental funds	\$	169,915
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	1,927,611	
Depreciation		<u>(1,552,213)</u>	375,398

The issuance of long-term debt (e.g. bonds, 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 issuance costs, 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 paid on leases	164,462
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in pension related items	\$	1,845,820	
Change in OPEB related items		147,878	
Change in compensated absences		<u>(11,968)</u>	<u>1,981,730</u>

Change in net position of governmental activities	\$	<u><u>2,691,505</u></u>
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The notes to financial statements are an integral part of this statement.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022

Note 1—Summary of Significant Accounting Policies:

The School Board of the City of Franklin, Virginia (the “School Board”) was established in 1963 to provide educational opportunities to the residents of the City of Franklin (the “City”). The accounting principles of the School Board conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

A. Financial Reporting Entity

The School Board is a component unit of the City of Franklin, Virginia and, accordingly, the financial position and results of operations of the School Board are presented in the financial statements included in the Annual Comprehensive Financial Report of the City. All members of the School Board were appointed. The majority of the School Board’s funding is provided by annual appropriations from the Commonwealth of Virginia with the City being the second major source of funding. The City Council approves the School Board’s operating budget but is prohibited from exercising any control over specific expenditures.

B. Individual Component Unit Disclosures

Blended Component Unit - The School Board has no blended component units to be included for the fiscal year ended June 30, 2022.

Discretely Presented Component Unit - The School Board has no discretely presented component units to be included for the fiscal year ended June 30, 2022.

C. Other Related Organizations

Included in the School Board’s Financial Report

None

Excluded from the School Board’s Financial Report

None

D. Financial Statement Presentation

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Financial Statement Presentation: (Continued)

Government-wide and Fund Financial Statements: (Continued)

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 primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. 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.

Statement of Activities - The government-wide 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 plan revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Plan 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Governments provide budgetary comparison information in their annual reports, including the original budget, and a comparison of final budget and actual results.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the School Board are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The School Board reports the following governmental funds:

School Operating Fund - The Operating Fund is the primary operating fund of the School Board. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from state and federal distributions and contributions from the City of Franklin, Virginia. The Operating Fund is considered a major fund for reporting purposes.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

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

1. Governmental Funds (Continued)

Special Revenue Funds - The Special Revenue Funds account for and report the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Funds consist of the Cafeteria, Textbook, and School Activity Funds. The Cafeteria and Textbook Funds are considered major funds for reporting purposes, while the School Activity Funds is considered a nonmajor fund.

F. Budgets and Budgetary Accounting

The budgetary data reflected in the financial statements was established by the School Board using the following procedures, which comply with legal requirements:

- i. On or before April 1, the School Board submits to the City Council of the City of Franklin proposed operating budgets for the Operating Fund. The operating budgets include proposed expenditures and the means of financing them.
- ii. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. An appropriation ordinance must be adopted by the City Council prior to May 1 or as soon thereafter as is practicable.

The School Board and Superintendent are authorized to make transfers between functions and budgetary line items, respectively. However, City Council must approve any budget revisions at the fund level once the appropriation ordinance has been adopted. The legal level of budgetary control for the Operating Fund is the fund level or the level at which management cannot make transfers or over-expenditures in excess of appropriations without the approval of the School Board. However, management control is exercised over the budget at the individual revenue and expenditure budgetary line item level. Adopted budgets may be amended or superseded by actions of City Council. Appropriations, except for encumbrances and committed fund balances, lapse at year end. Encumbrances and reserved fund balances outstanding at year end are reappropriated in the succeeding year.

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

H. Investments

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.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

I. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

J. Inventory

Inventory in the Cafeteria Fund is stated at cost (which is determined using the first-in first-out method). The inventory consists of expendable items held for consumption and is recorded as an expenditure when used (consumption method). Donated inventory is valued at prices determined by the United States Department of Agriculture.

K. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

L. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the School Board as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use assets, the measurement of which is discussed in Note 6). 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.

The other tangible and intangible property, plant and equipment and the right to use lease assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Land improvements	20-50
Infrastructure	10-30
Leased equipment	5-10
Machinery and equipment	3-50

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

M. Leases

The School Board leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The School Board recognizes lease liabilities and intangible right-to-use lease assets (leased equipment) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The leased equipment is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School Board uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the School Board uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The School Board monitors changes in circumstances that would require a remeasurement or modification of its leases. The School Board will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

N. Accrued Liabilities

Teachers may elect to have their salaries paid over twelve months although they are earned during the ten-month school year. Salaries that are earned but unpaid at June 30 are included in accrued liabilities.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Unearned Revenue

Revenue from grants is recognized when the related expenditure is made. Amounts received for various grant programs for which expenditures have not been made are recorded as unearned revenue. There is no unearned revenue as of June 30, 2022.

P. Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts. In the event of termination, other than retirement, School Board employees are reimbursed for accumulated vacation days based on years of service and are not reimbursed for accumulated sick leave. Upon retirement, School Board employees are reimbursed for accumulated vacation days and accumulated sick leave.

For Governmental Funds, the cost of accumulated vacation and sick leave expected to be paid in the next twelve months is recorded as a fund liability and amounts expected to be paid after twelve months are recorded in the Government-wide Financial Statements.

Q. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

R. Reversion of Unused Appropriation to City of Franklin

Since Operating Fund appropriations, except for encumbrances and restrictions of fund balance, lapse at year-end, any unused appropriation reverts to the City of Franklin in the following year.

S. Use of Estimates

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

T. Deferred Outflows/Inflows of Resources

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 Board has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset/liability and net OPEB asset/liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

U. Pensions

For purposes of measuring the net pension liability (asset), 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.

V. Other Postemployment Benefits (OPEB)

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, HIC, Teacher HIC, VLDP, and Teacher VLDP 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.

W. Net Position

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

X. Net Position Flow Assumption

Sometimes the School Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund 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 restricted - net position to have been depleted before unrestricted - net position is applied.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

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

Note 2—Deposits:

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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 2—Deposits:

Investments

Statutes authorize the Authority 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).

The School Board had no investments at June 30, 2022.

Note 3—Due from Other Governmental Units:

Amounts due from other governments consist principally of cost reimbursements due from the Commonwealth of Virginia and from federal and state grants. Such amounts are generally received in the succeeding month. The following is a summary of amounts due from other governments at June 30, 2022:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
School Operating Fund:			
CARES Act ESSERF	\$ 85,901	\$ -	\$ 85,901
Title I	59,247	-	59,247
Special Education Cluster	25,487	-	25,487
Vocational education	36,227	-	36,227
Title II-A	6,080	-	6,080
Other federal funds	74,307	-	74,307
Sales Tax	-	166,161	166,161
School Operating Fund Total	<u>\$ 287,249</u>	<u>\$ 166,161</u>	<u>\$ 453,410</u>
Special Revenue Fund-Cafeteria	<u>38,423</u>	<u>-</u>	<u>38,423</u>
Total	<u>\$ 325,672</u>	<u>\$ 166,161</u>	<u>\$ 491,833</u>

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 4—Capital Assets:

The following is a summary of changes in capital assets during the fiscal year.

	Restated Balance July 1, 2021	Adjustments	Adjusted Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated:						
Construction in progress	\$ 463,710	\$ -	\$ 463,710	\$ 1,632,555	\$ 1,976,930	\$ 119,335
Total capital assets not being depreciated	\$ 463,710	\$ -	\$ 463,710	\$ 1,632,555	\$ 1,976,930	\$ 119,335
Capital assets being depreciated:						
Land improvements	\$ 233,365	\$ -	\$ 233,365	\$ 38,940	\$ -	\$ 272,305
Buildings	13,558,233	-	13,558,233	1,290,753	-	14,848,986
Infrastructure	5,376,314	-	5,376,314	882,529	-	6,258,843
Leased equipment	1,258,961	152,809	1,411,770	-	-	1,411,770
Machinery and equipment	6,545,423	-	6,545,423	59,764	-	6,605,187
Total capital assets being depreciated	\$ 26,972,296	\$ 152,809	\$ 27,125,105	\$ 2,271,986	\$ -	\$ 29,397,091
Accumulated depreciation:						
Land improvements	\$ 138,986	\$ -	\$ 138,986	\$ 18,920	\$ -	\$ 157,906
Buildings	7,991,949	-	7,991,949	498,012	-	8,489,961
Infrastructure	1,241,668	-	1,241,668	245,177	-	1,486,845
Leased equipment	-	-	-	282,354	-	282,354
Machinery and equipment	4,674,744	-	4,674,744	507,750	-	5,182,494
Total accumulated depreciation	\$ 14,047,347	\$ -	\$ 14,047,347	\$ 1,552,213	\$ -	\$ 15,599,560
Total capital assets being depreciated, net	\$ 12,924,949	\$ 152,809	\$ 13,077,758	\$ 719,773	\$ -	\$ 13,797,531
School Board capital assets, net	\$ 13,388,659	\$ 152,809	\$ 13,541,468	\$ 2,352,328	\$ 1,976,930	\$ 13,916,866

Per Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, the City has a “tenancy in common” with the School Board for any school property purchased with a financial obligation payable over more than one fiscal year. For financial reporting purposes, the legislation permits the City to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 5—Long-term Obligations:

The following is a summary of changes in long-term obligations transactions for fiscal year ending June 30, 2022:

	Balance July 1, 2021	Adjustments	Adjusted Balance July 1, 2021	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2022	Amounts Payable Within One Year
Compensated absences	\$ 268,167	\$ -	\$ 268,167	\$ 38,785	\$ 26,817	\$ 280,135	\$ 28,014
Net pension liability	10,477,891	-	10,477,891	3,825,383	8,343,544	5,959,730	-
Net OPEB liabilities	1,956,079	-	1,956,079	677,162	800,007	1,833,234	-
Leases payable	1,258,961	152,809	1,411,770	-	164,462	1,247,308	176,204
Total	\$ 13,961,098	\$ 152,809	\$ 14,113,907	\$ 4,541,330	\$ 9,334,830	\$ 9,320,407	\$ 204,218

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Leases Payable	
	Principal	Interest
2023	\$ 176,204	\$ 42,578
2024	188,574	35,599
2025	201,604	28,123
2026	182,404	20,493
2027	189,163	13,115
2028	203,128	5,218
2029	106,231	4
Total	\$ 1,247,308	\$ 145,130

	Amount Outstanding
Leases payable:	
\$1,633,726 obligation for energy efficient equipment, issued January 1, 2018 payable in varying quarterly installments through December 6, 2028, interest at 4.01%.	\$ 1,129,452
\$138,018 copier lease, issued August 11, 2020 payable in monthly installments of \$2,480 through August 11, 2025, interest at 3%.	89,795
\$43,131 copier lease, issued August 11, 2020 payable in monthly installments of \$775 through August 11, 2025, interest at 3%.	28,061
Total leases payable	\$ 1,247,308

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 6—Leases Payable:

The School Board has entered into lease agreements as lessee for financing the acquisition of energy efficient equipment as well as two copiers. At the commencement of a lease, the School Board initially measures the lease liability at the present value of payments expected to be made during the lease term. The School Board recognizes a lease liability and an intangible right-to-use asset (leased equipment) in the financial statements.

The assets acquired through leases are as follows:

	Primary Government
Capital Assets:	
Leased equipment	\$ 1,411,771
Less: accumulated depreciation	(282,354)
Total net capital assets	<u>\$ 1,129,417</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2022, are as follows:

Year Ended June 30	Primary Government
2023	218,782
2024	224,173
2025	229,727
2026	202,897
2027	202,278
2028	208,346
2029	106,235
Total minimum lease payments	<u>\$ 1,392,438</u>
Less: amount representing interest	(145,130)
Present value of minimum lease payments	<u>\$ 1,247,308</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 7—Interfund Transfers:

Interfund transfers for the year ended June 30, 2022 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Component Unit-School Board:		
School Operating	\$ -	\$ 70,992
Textbook	70,992	-
Total	<u>\$ 70,992</u>	<u>\$ 70,992</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 the School Operating Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 8—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City of Franklin School Board (nonprofessional employees) 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 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.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Benefit Structures (Continued)

- 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 equal 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.

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 as elected by the employer. 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 as elected by the employer. 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.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	School Board (nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	1
Non-vested inactive members	9
Long-term disability (LTD)	1
Inactive members active elsewhere in VRS	6
Total inactive members	17
Active members	19
Total covered employees	48

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, 2022 was 0.00% 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 \$0 and \$4,833 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability (Asset)

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 asset was measured as of June 30, 2021. The total pension liabilities used to calculate the net pension assets were determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

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, 2020, 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, 2021.

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

Actuarial Assumptions - General Employees:

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (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, 2021, the alternate rate was the employer contribution rate used in FY 2012 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, 2021, 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, 2021 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.

Changes in Net Pension Liability (Asset)

	School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 1,745,980	\$ 1,980,795	\$ (234,815)
Changes for the year:			
Service cost	\$ 35,960	\$ -	\$ 35,960
Interest	115,649	-	115,649
Differences between expected and actual experience	(172,995)	-	(172,995)
Assumption changes	32,953	-	32,953
Contributions - employer	-	(8)	8
Contributions - employee	-	23,508	(23,508)
Net investment income	-	539,798	(539,798)
Benefit payments, including refunds	(65,322)	(65,322)	-
Administrative expenses	-	(1,347)	1,347
Other changes	-	51	(51)
Net changes	\$ (53,755)	\$ 496,680	\$ (550,435)
Balances at June 30, 2021	\$ 1,692,225	\$ 2,477,475	\$ (785,250)

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (591,450)	\$ (785,250)	\$ (947,715)

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

For the year ended June 30, 2022, the School Board (nonprofessional) recognized pension expense of \$(234,065). At June 30, 2022, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 181,623
Change in assumptions	20,181	-
Net difference between projected and actual earnings on pension plan investments	-	267,596
Total	\$ 20,181	\$ 449,219

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

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

\$0 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>School Board (nonprofessional)</u>
2023	\$ (192,527)
2024	(92,396)
2025	(62,606)
2026	(81,509)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions 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, 2022 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 \$1,097,787 and \$1,086,028 for the years ended June 30, 2022 and June 30, 2021, respectively.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Contributions (Continued)

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2022, the school division reported a liability of \$5,959,730 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.07677% as compared to 0.07200% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$(470,578). 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.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	-	\$ 507,614
Change in assumptions	1,044,129	-
Net difference between projected and actual earnings on pension plan investments	-	3,755,662
Changes in proportion and differences between employer contributions and proportionate share of contributions	507,985	1,433,802
Employer contributions subsequent to the measurement date	1,097,787	-
Total	<u>\$ 2,649,901</u>	<u>\$ 5,697,078</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

\$1,097,787 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, 2023. 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>	
2023	\$ (1,267,053)
2024	(1,018,034)
2025	(890,783)
2026	(971,381)
2027	2,287

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 53,381,141
Plan Fiduciary Net Position	45,617,878
Employers' Net Pension Liability (Asset)	<u>\$ 7,763,263</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%
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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.

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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 11,501,956	\$ 5,959,730	\$ 1,400,509

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 8—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

	School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	\$ 20,181	\$ 449,219	\$ (785,250)	\$ (234,065)
School Board Professional	2,649,901	5,697,078	5,959,730	(470,578)
Totals	<u>\$ 2,670,082</u>	<u>\$ 6,146,297</u>	<u>\$ 5,174,480</u>	<u>\$ (704,643)</u>

Note 9—Commitments and Contingencies:

Federal plans in which the School Board participates were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major plans and certain other plans were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant plans to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant plan expenditures, if any, would be immaterial.

Note 10—Risk Management:

The School Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board reports all of its risk management activities in its Operating Fund and pays all premiums from Operating Fund resources. The School Board maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, workers' compensation, employer's liability, health care and certain other risks with commercial insurance companies. All premiums are budgeted for and paid with Operating Fund resources. All unemployment and health care claims are paid through a third-party administrator through resources from the Operating Fund. There have been no reductions in insurance coverages from the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 11—Litigation:

At June 30, 2022, 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 to such entities.

Note 12—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, seatbelt 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 \$8,722 as of June 30, 2022.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 12—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% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 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 GLI Plan from the entity were \$3,803 and \$2,928 for the years ended June 30, 2022 and June 30, 2021, respectively, for the School Board (nonprofessional); and \$37,564 and \$37,337 for the years ended June 30, 2022 and June 30, 2021, respectively, for the School Board (professional).

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, 2022, liabilities of \$30,620 and \$389,915 were reported for School Board (nonprofessional) and School Board (professional), respectively, for the proportionate shares of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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 Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .00260% and .003350% as compared to .00236% and .03086% at June 30, 2020, for School Board (nonprofessional) and School Board (professional), respectively.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$2,375 and (\$8,040) for School Board (nonprofessional) and School Board (professional), respectively. 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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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 12—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 the GLI Plan OPEB: (Continued)

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
School Board (nonprofessional)		
Differences between expected and actual experience \$	3,492	\$ 233
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,308
Change in assumptions	1,688	4,190
Changes in proportionate share	5,088	-
Employer contributions subsequent to the measurement date	<u>3,803</u>	<u>-</u>
Total	<u>\$ 14,071</u>	<u>\$ 11,731</u>
School Board (professional)		
Differences between expected and actual experience \$	44,471	\$ 2,971
Net difference between projected and actual earnings on GLI OPEB program investments	-	93,064
Change in assumptions	21,496	53,349
Changes in proportionate share	32,383	92,255
Employer contributions subsequent to the measurement date	<u>37,564</u>	<u>-</u>
Total	<u>\$ 135,914</u>	<u>\$ 241,639</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 12—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 the GLI Plan OPEB: (Continued)

\$3,803 and \$37,564, for School Board (nonprofessional) and School Board (professional), respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>School Board (nonprofessional)</u>	<u>School Board (professional)</u>
2023	\$ (388)	\$ (43,223)
2024	(48)	(36,916)
2025	(33)	(28,422)
2026	(1,279)	(33,625)
2027	285	(1,103)
Thereafter	-	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Comprehensive Annual Financial Report.

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 12–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 12–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 12–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GL Net OPEB Liability (Asset)	\$	<u>1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 12—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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 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, 2021, 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, 2021 on, employers are assumed to continue 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.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board (nonprofessional) proportionate share of the GLI Program Net OPEB Liability	\$ 44,737	\$ 30,620	\$ 19,220
School Board (professional) proportionate share of the GLI Program Net OPEB Liability	569,680	389,915	244,747

GLI Plan Fiduciary Net Position

Detailed information about the VRS Plan's Fiduciary Net Position is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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 SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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.

Employees Covered by Benefit Terms

As of the June 30, 2020 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	5
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>5</u>
Active members	19
Total covered employees	<u><u>24</u></u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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's contractually required employer contribution rate for the year ended June 30, 2022 was 0.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. 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 to the HIC Plan were \$1,110 and \$860 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

Net HIC OPEB Liability

The School Board's net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

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 Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

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, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 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 HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 35,626	\$ 32,194	\$ 3,432
Changes for the year:			
Service cost	\$ 562	\$ -	\$ 562
Interest	2,311	-	2,311
Benefit changes	-	-	-
Differences between expected and actual experience	(3,825)	-	(3,825)
Assumption changes	(211)	-	(211)
Contributions - employer	-	860	(860)
Net investment income	-	8,189	(8,189)
Benefit payments	(2,766)	(2,766)	-
Administrative expenses	-	(92)	92
Net changes	\$ (3,929)	\$ 6,191	\$ (10,120)
Balances at June 30, 2021	\$ 31,697	\$ 38,385	\$ (6,688)

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

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'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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's Net HIC OPEB Liability	\$ (3,690)	\$ (6,688)	\$ (9,264)

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, 2022, the School Board recognized HIC Plan OPEB expense of \$(1,336). At June 30, 2022, 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 of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 371	\$ 4,925
Net difference between projected and actual earnings on HIC OPEB plan investments	-	3,873
Change in assumptions	267	170
Employer contributions subsequent to the measurement date	1,110	-
Total	\$ 1,748	\$ 8,968

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

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)

\$1,110 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, 2023. 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:

Year Ended June 30

2023	\$ (1,815)
2024	(2,061)
2025	(2,293)
2026	(2,015)
2027	(146)
Thereafter	-

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—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 SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 14–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

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

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 who retire, 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 Plan (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, 2022 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 \$83,436 and \$82,682 for the years ended June 30, 2022 and June 30, 2021, respectively.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 14—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

At June 30, 2022, the school division reported a liability of \$991,686 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, 2021 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the VRS Teacher Employee HIC Plan was .07726% as compared to .07230% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$40,596. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 17,305
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	13,063
Change in assumptions	26,807	3,986
Change in proportionate share	55,491	202,216
Employer contributions subsequent to the measurement date	83,436	-
Total	\$ <u>165,734</u>	\$ <u>236,570</u>

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 14–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

\$83,436 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, 2023. 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>		
2023	\$	(41,382)
2024		(41,531)
2025		(38,779)
2026		(27,776)
2027		(10,189)
Thereafter		5,385

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, 2020, 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, 2021.

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

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 14—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, 2021, NOL amounts for the VRS Teacher Employee HIC Plan are as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,477,874
Plan Fiduciary Net Position		194,305
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,283,569</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		13.15%

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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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 14-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 14—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, 2021, 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, 2021 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	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	1,116,363	\$ 991,686	\$ 886,179

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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Financial Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 15—Virginia Local Disability Program (VLDP) (OPEB Plan):

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

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

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

Benefit Amounts

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 15—Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) 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. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2022 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision VDLP. 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 VRS Political Subdivision VDLP were \$4,404 and \$2,787 for the years ended June 30, 2022 and June 30, 2021, respectively.

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2022, the School reported a liability of \$(846) for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2021 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The School Board's proportion of the Net VLDP OPEB Liability was based on the School Board's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School Board's proportion of the VLDP was 0.08359% as compared to 0.0658% at June 30, 2020.

For the year ended June 30, 2022, the School Board recognized VLDP OPEB expense of \$2,362. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	503	\$ 1,268
Net difference between projected and actual earnings on VLDP OPEB program investments	-	472
Change in assumptions	29	229
Changes in proportionate share	206	-
Employer contributions subsequent to the measurement date	4,404	-
Total	<u>\$ 5,142</u>	<u>\$ 1,969</u>

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 15—Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB (Continued)

\$4,404 reported as deferred outflows of resources related to the VLDP OPEB resulting from the School Board’s contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2023	\$	(151)
2024		(149)
2025		(157)
2026		(343)
2027		(125)
Thereafter		(306)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 15—Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 15—Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

		Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$	5,156
Plan Fiduciary Net Position		6,166
Political Subdivision VLDP Net OPEB Liability (Asset)	\$	<u>(1,010)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		119.59%

The total Political Subdivision VLDP 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 Political Subdivision VLDP 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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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 15—Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VLDP 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 at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the School Board for the VLDP 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, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 15—Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Discount Rate: (Continued)

Based on those assumptions, the VLDP 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 VLDP OPEB liability.

Sensitivity of the School Board's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School Board (nonprofessional)'s proportionate share of the VLDP Net OPEB Liability		\$ (453)	\$ (846)	\$ (1,186)

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Annual Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan):

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the VLDP.

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 16—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

The Teacher VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. These employees include teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The Teacher VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) 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, 2022 was 0.47% of covered employee compensation for employees in the VRS Teacher VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. 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 VLDP were \$16,679 and \$14,473 for the years ended June 30, 2022 and June 30, 2021, respectively.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 16—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Teacher VLDP OPEB Liabilities, Teacher VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher VLDP OPEB

At June 30, 2022, the school division reported an asset of \$3,322 for its proportionate share of the Teacher VLDP Net OPEB Liability. The Net Teacher VLDP OPEB Liability was measured as of June 30, 2021 and the total Teacher VLDP OPEB liability used to calculate the Net Teacher VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net Teacher VLDP OPEB Liability was based on the school division's actuarially determined employer contributions to the Teacher VLDP OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the Teacher VLDP was 0.45762% as compared to 0.42070% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized Teacher VLDP OPEB expense of \$10,756. Since there was a change in proportionate share between measurement dates a portion of the Teacher VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the Teacher VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,611	\$ 1,790
Net difference between projected and actual earnings on Teacher VLDP OPEB program investments	-	2,563
Change in assumptions	1,749	-
Changes in proportionate share	101	1,056
Employer contributions subsequent to the measurement date	<u>16,679</u>	<u>-</u>
Total	<u>\$ 20,140</u>	<u>\$ 5,409</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 16—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Teacher VLDP OPEB Liabilities, Teacher VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher VLDP OPEB (Continued)

\$16,679 reported as deferred outflows of resources related to the Teacher VLDP OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher VLDP OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher VLDP OPEB will be recognized in the Teacher VLDP OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2023	\$	(601)
2024		(604)
2025		(600)
2026		(698)
2027		15
Thereafter		540

Actuarial Assumptions

The total Teacher VLDP OPEB liability for the Teacher VLDP was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 16—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 16—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Net Teacher VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher VLDP represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher VLDP is as follows (amounts expressed in thousands):

		Teacher VLDP OPEB Plan
		<hr/>
Total Teacher VLDP OPEB Liability	\$	4,884
Plan Fiduciary Net Position		5,590
Teacher VLDP Net OPEB Liability (Asset)	\$	<hr/> <hr/> (706)

Plan Fiduciary Net Position as a Percentage of the
Total Teacher VLDP OPEB Liability 114.46%

The total Teacher VLDP 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 VLDP 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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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 16—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher VLDP 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 at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the school division for the Teacher VLDP 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, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 16—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Discount Rate (Continued)

rates. Based on those assumptions, the Teacher VLDP 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 VLDP OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the Teacher VLDP Net OPEB Liability		\$ (484)	\$ (3,222)	\$ (5,629)

Teacher VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Teacher VLDP's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17—Health Insurance (Single-employer Defined Benefit Plan)

Plan Description

The School Board provides postemployment medical coverage for retired employees through a single-employer defined benefit plan. The School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

Benefits Provided

Employees who retire from the School Board with service eligible for VRS benefits (Plan 1 - Age 50 and 10 years of service or Age 55 and 5 years of service; Plan 2 - age 60 and 5 years of service; Hazardous duty - age 50 and 5 years of service) and who are participating in the medical coverage are eligible to elect post-retirement coverage. Retirees are eligible to remain on the medical plan with 100% of the premium paid by the retiree. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree. Retirees' coverage ceases at eligibility for Medicare.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 17—Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Plan Membership

At July 1, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	140
Total retirees and spouses with coverage	<u>7</u>
Total	<u><u>147</u></u>

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.

Total OPEB Liability

The School Board's total OPEB liabilities were measured as of June 30, 2022. The total OPEB liabilities were determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuations report was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Healthcare Cost Trend Rates	5.20% for FY2022, graded down to 4.00% over 51 years
Salary Increases	2.50%
Discount Rate	3.54%

Discount Rate

The discount rate has been set equal to 3.54% and represents the 20-year tax-exempt municipal bond yield as of July 1, 2020.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Notes to Financial Statements
At June 30, 2022 (Continued)

Note 17—Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Changes in Total OPEB Liability

Changes in Total OPEB Liability	
	Total OPEB Liability
Balances at June 30, 2021	\$ 451,192
Changes for the year:	
Service cost	\$ 34,117
Interest	10,135
Changes in assumptions	(42,027)
Benefit payments	(32,404)
Net changes	\$ (30,179)
Balances at June 30, 2022	\$ 421,013

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current discount rate:

Rate		
1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
\$ 451,189	\$ 421,013	\$ 392,471

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liabilities of the School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate used of 5.20%:

Rates		
1% Decrease (4.20%)	Healthcare Cost Trend (5.20%)	1% Increase (6.20%)
\$ 371,560	\$ 421,013	\$ 479,163

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 17—Health Insurance (Single-employer Defined Benefit Plan): (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the School Board recognized OPEB expense in the amount of (\$14,837). Deferred Outflows of Resources and Deferred Inflows of Resources were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 131,583
Changes in assumptions	15,465	33,840
Total	<u>\$ 15,465</u>	<u>\$ 165,423</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future reporting periods as follows:

Year Ended June 30

2021	\$ (58,198)
2022	(33,745)
2023	(27,627)
2024	(27,627)
2025	(2,761)
Thereafter	-

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

Note 18—Aggregate OPEB Information:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability (Asset)</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan (Note 11)				
School Board Nonprofessional	\$ 14,071	\$ 11,731	\$ 30,620	\$ 2,375
School Board Professional	135,914	241,639	389,915	(8,040)
Health Insurance Credit Plan (Note 12)	1,748	8,968	(6,688)	(1,336)
Teacher Health Insurance Credit Plan (Note 13)	165,734	236,570	991,686	40,596
Virginia Local Disability Plan (Note 14)	5,142	1,969	(846)	2,362
Teacher Virginia Local Disability Plan (Note 15)	20,140	5,409	(3,322)	10,756
School Stand-Alone Plan (Note 16)	15,465	165,423	421,013	(14,837)
Totals	<u>\$ 358,214</u>	<u>\$ 671,709</u>	<u>\$ 1,822,378</u>	<u>\$ 31,876</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 19–Upcoming Pronouncements:

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

Statement No. 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 fiscal years 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 fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2022 (Continued)

Note 20—Adoption of New Accounting Principles And Restatement of Net Position:

The School Board implemented the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. This statement 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 implementation of this Statement resulted in a restatement of net position as follows.

	Governmental Activities
Balance, July 1, 2021, as previously stated	\$ 503,850
Implementation of GASB 87	<u>130,984</u>
Balance, July 1, 2021, as restated	<u><u>\$ 634,834</u></u>

The School Board implemented the provisions of Governmental Accounting Standards Board Statement No. 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. This statement 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 implementation of this Statement did not result in a restatement of net position.

Note 21—COVID-19 Pandemic Funding and Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the School Board, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. The School Board believes it is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and the School Board 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 2022, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit Of The City of Franklin, Virginia)

Exhibit 7

School Operating Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 200	\$ 200	\$ 39,685	\$ 39,485
Miscellaneous	115,194	290,004	282,616	(7,388)
Intergovernmental:				
Local government	4,830,237	4,830,237	4,830,237	-
Commonwealth	8,596,581	9,053,581	9,148,790	95,209
Federal	4,640,064	11,850,973	4,565,263	(7,285,710)
Total revenues	\$ 18,182,276	\$ 26,024,995	\$ 18,866,591	\$ (7,158,404)
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 13,141,137	\$ 14,317,761	\$ 12,919,499	\$ 1,398,262
Administration, attendance and health	1,211,305	2,293,565	1,709,323	584,242
Pupil transportation	700,061	596,805	575,622	21,183
Operations and maintenance	1,824,011	7,236,610	2,040,000	5,196,610
Food services	-	129,674	-	129,674
Technoloy	1,019,549	1,164,367	1,016,845	147,522
Debt service:				
Principal retirement	164,462	164,462	164,462	-
Interest and other fiscal charges	48,198	48,198	48,185	13
Total expenditures	\$ 18,108,723	\$ 25,951,442	\$ 18,473,936	\$ 7,477,506
Excess (deficiency) of revenues over (under) expenditures	\$ 73,553	\$ 73,553	\$ 392,655	\$ 319,102
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (73,553)	\$ (73,553)	\$ (70,992)	\$ 2,561
Total other financing sources (uses)	\$ (73,553)	\$ (73,553)	\$ (70,992)	\$ 2,561
Net change in fund balances	\$ -	\$ -	\$ 321,663	\$ 321,663
Fund balances - beginning	-	-	631,921	631,921
Fund balances - ending	\$ -	\$ -	\$ 953,584	\$ 953,584

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
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Exhibit 8

Cafeteria Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ -	\$ -	\$ 44,490	\$ 44,490
Miscellaneous	1,079	1,079	97,651	96,572
Intergovernmental:				
Commonwealth	15,593	15,593	53,488	37,895
Federal	995,671	995,671	996,842	1,171
Total revenues	\$ 1,012,343	\$ 1,012,343	\$ 1,192,471	\$ 180,128
EXPENDITURES				
Current:				
Education:				
Food services	\$ 1,012,343	\$ 1,012,343	\$ 1,170,112	\$ (157,769)
Total expenditures	\$ 1,012,343	\$ 1,012,343	\$ 1,170,112	\$ (157,769)
Net change in fund balances	\$ -	\$ -	\$ 22,359	\$ 22,359
Fund balances - beginning	-	-	574,745	574,745
Fund balances - ending	\$ -	\$ -	\$ 597,104	\$ 597,104

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
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Exhibit 9

Textbook Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ 14	\$ 14	\$ 8	\$ (6)
Total revenues	\$ 14	\$ 14	\$ 8	\$ (6)
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 73,567	\$ 73,567	\$ 198,785	\$ (125,218)
Total expenditures	\$ 73,567	\$ 73,567	\$ 198,785	\$ (125,218)
Excess (deficiency) of revenues over (under) expenditures	\$ (73,553)	\$ (73,553)	\$ (198,777)	\$ (125,224)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 75,536	\$ 70,992	\$ (4,544)
Total other financing sources (uses)	\$ -	\$ 75,536	\$ 70,992	\$ (4,544)
Net change in fund balances	\$ (73,553)	\$ 1,983	\$ (127,785)	\$ (129,768)
Fund balances - beginning	-	-	255,029	255,029
Fund balances - ending	\$ (73,553)	\$ 1,983	\$ 127,244	\$ 125,261

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
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Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Component Unit School Board (Nonprofessional)

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2021

	<u>2021</u>	<u>2020</u>
Total pension liability		
Service cost	\$ 35,960	\$ 38,741
Interest	115,649	129,027
Differences between expected and actual experience	(172,995)	(298,266)
Changes of assumptions	32,953	-
Benefit payments	(65,322)	(70,058)
Net change in total pension liability	<u>\$ (53,755)</u>	<u>\$ (200,556)</u>
Total pension liability - beginning	<u>1,745,980</u>	<u>1,946,536</u>
Total pension liability - ending (a)	<u><u>\$ 1,692,225</u></u>	<u><u>\$ 1,745,980</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ (8)	\$ 21,147
Contributions - employee	23,508	21,812
Net investment income	539,798	37,605
Benefit payments	(65,322)	(70,058)
Refunds of contributions	-	-
Administrator charges	(1,347)	(1,279)
Other	51	(45)
Net change in plan fiduciary net position	<u>\$ 496,680</u>	<u>\$ 9,182</u>
Plan fiduciary net position - beginning	<u>1,980,795</u>	<u>1,971,613</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,477,475</u></u>	<u><u>\$ 1,980,795</u></u>
 School Division's net pension liability (asset) - ending (a) - (b)	 \$ (785,250)	 \$ (234,815)
 Plan fiduciary net position as a percentage of the total pension liability	 146.40%	 113.45%
 Covered payroll	 \$ 537,311	 \$ 485,278
 School Division's net pension liability (asset) as a percentage of covered payroll	 -146.14%	 -48.39%

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.

2019	2018	2017	2016	2015	2014
\$ 35,438	\$ 45,828	\$ 47,678	\$ 47,491	\$ 48,778	\$ 47,021
124,077	124,787	122,651	122,398	118,981	114,045
50,803	(48,609)	(38,551)	(77,469)	(29,062)	-
50,719	-	(12,055)	-	-	-
(174,059)	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
\$ 86,978	\$ 31,760	\$ 31,571	\$ 2,960	\$ 48,388	\$ 70,270
1,859,558	1,827,798	1,796,227	1,793,267	1,744,879	1,674,609
\$ 1,946,536	\$ 1,859,558	\$ 1,827,798	\$ 1,796,227	\$ 1,793,267	\$ 1,744,879
\$ 20,202	\$ 27,277	\$ 28,347	\$ 43,846	\$ 41,701	\$ 46,023
20,302	19,115	19,721	19,491	18,929	19,200
125,501	138,802	208,126	29,837	75,954	230,671
(174,059)	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
-	-	-	-	-	-
(1,364)	(1,212)	(1,217)	(1,071)	(1,055)	(1,253)
(79)	(123)	(184)	(13)	(15)	12
\$ (9,497)	\$ 93,613	\$ 166,641	\$ 2,630	\$ 45,205	\$ 203,857
1,981,110	1,887,497	1,720,856	1,718,226	1,673,021	1,469,164
\$ 1,971,613	\$ 1,981,110	\$ 1,887,497	\$ 1,720,856	\$ 1,718,226	\$ 1,673,021
\$ (25,077)	\$ (121,552)	\$ (59,699)	\$ 75,371	\$ 75,041	\$ 71,858
101.29%	106.54%	103.27%	95.80%	95.82%	95.88%
\$ 445,056	\$ 411,802	\$ 428,732	\$ 419,188	\$ 391,523	\$ 384,283
-5.63%	-29.52%	-13.92%	17.98%	19.17%	18.70%

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Schedule of Employer's Share of Net Pension Liability (Asset) VRS Teacher Retirement Plan
Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2021

	<u>2021</u>	<u>2020</u>
Employer's Proportion of the Net Pension Liability	0.07677%	0.07200%
Employer's Proportionate Share of the Net Pension Liability	\$ 5,959,730	\$ 10,477,891
Employer's Covered Payroll	6,833,198	6,337,909
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	87.22%	165.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%	71.47%

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

Exhibit 11

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.07987%	0.08655%	0.09610%	0.10034%	0.10104%	0.10813%
\$ 10,511,346	\$ 10,178,000	\$ 11,818,000	\$ 14,062,000	\$ 12,717,000	\$ 13,067,000
6,746,816	7,048,968	7,636,068	7,645,748	6,781,114	7,889,430
155.80%	144.39%	154.77%	183.92%	187.54%	165.63%
73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 12

Schedule of Employer Contributions

Pension Plans

For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (Nonprofessional)					
2022	\$ -	\$ -	\$ -	\$ 693,948	0.00%
2021	4,833	4,833	-	537,311	0.90%
2020	24,409	24,409	-	485,278	5.03%
2019	22,387	22,387	-	445,056	5.03%
2018	29,278	29,278	-	411,802	7.11%
2017	30,483	30,483	-	428,732	7.11%
2016	44,719	44,719	-	418,188	10.69%
2015	41,697	41,697	-	391,523	10.65%
2014	46,037	46,037	-	384,283	11.98%
2013	45,365	45,365	-	378,677	11.98%
Component Unit School Board (Professional)					
2022	\$ 1,097,787	\$ 1,097,787	\$ -	\$ 6,895,539	15.92%
2021	1,086,028	1,086,028	-	6,833,198	15.89%
2020	993,784	993,784	-	6,337,909	15.68%
2019	1,057,678	1,057,678	-	6,746,816	15.68%
2018	1,150,064	1,150,064	-	7,048,968	16.32%
2017	1,246,206	1,246,206	-	7,636,068	16.32%
2016	1,068,615	1,068,615	-	7,645,748	13.98%
2015	1,081,012	1,081,012	-	6,781,114	15.94%
2014	481,906	481,906	-	5,390,447	8.94%
2013	498,285	498,285	-	5,573,658	8.94%

All contributions are from Virginia Retirement System records.

Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Schedule of Board's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
School Board (Nonprofessional):					
2021	0.00260% \$	30,620 \$	542,148	5.65%	67.45%
2020	0.00236%	39,385	485,278	8.12%	52.64%
2019	0.00227%	36,939	445,056	8.30%	52.00%
2018	0.00217%	33,000	411,802	8.01%	51.22%
2017	0.00233%	36,000	430,203	8.37%	48.86%
School Board (Professional):					
2021	0.03350% \$	389,915 \$	6,914,197	5.64%	67.45%
2020	0.03086%	515,003	6,350,666	8.11%	52.64%
2019	0.03466%	564,011	6,794,021	8.30%	52.00%
2018	0.03732%	567,000	7,095,851	7.99%	51.22%
2017	0.04145%	624,000	7,646,683	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.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 15

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board (Nonprofessional):					
2022	\$ 3,803	\$ 3,803	\$ -	\$ 704,348	0.54%
2021	2,928	2,928	-	542,148	0.54%
2020	2,523	2,523	-	485,278	0.52%
2019	2,314	2,314	-	445,056	0.52%
2018	2,142	2,142	-	411,802	0.52%
2017	2,237	2,237	-	430,203	0.52%
2016	2,222	2,222	-	419,188	0.53%
2015	2,077	2,077	-	391,874	0.53%
2014	2,036	2,036	-	384,283	0.53%
2013	2,007	2,007	-	378,677	0.53%
School Board (Professional):					
2022	\$ 37,564	\$ 37,564	\$ -	\$ 6,956,252	0.54%
2021	37,337	37,337	-	6,914,197	0.54%
2020	33,023	33,023	-	6,350,666	0.52%
2019	35,329	35,329	-	6,794,021	0.52%
2018	36,851	36,851	-	7,095,851	0.52%
2017	39,763	39,763	-	7,646,683	0.52%
2016	40,663	40,663	-	7,672,284	0.53%
2015	39,863	39,863	-	7,521,373	0.53%
2014	42,098	42,098	-	7,943,035	0.53%
2013	39,632	39,632	-	7,477,751	0.53%

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 17

Schedule of Changes in Total OPEB Liability and Related Ratios
OPEB - Health Insurance Plan
For the Measurement Dates of June 30, 2018 through June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 34,117	\$ 32,279	\$ 33,362	\$ 31,736	\$ 38,938
Interest	10,135	12,796	18,757	20,012	25,284
Effect of economic/demographic gains (losses)	-	(126,384)	-	(202,093)	-
Effect of assumption changes or inputs	(42,027)	8,129	35,010	(226)	(18,679)
Benefit payments	(32,404)	(44,442)	(41,375)	(27,440)	(55,357)
Net change in total OPEB liability	\$ (30,179)	\$ (117,622)	\$ 45,754	\$ (178,011)	\$ (9,814)
Total OPEB liability - beginning	451,192	568,814	523,060	701,071	710,885
Total OPEB liability - ending	\$ 421,013	\$ 451,192	\$ 568,814	\$ 523,060	\$ 701,071
 Covered employee payroll	 \$ 6,001,573	 \$ 6,001,573	 \$ 6,656,676	 \$ 6,656,676	 \$ 6,647,800
 School Boards total OPEB liability (asset) as a percentage of covered employee payroll	 7.02%	 7.52%	 8.55%	 7.86%	 10.55%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 18

Notes to Required Supplementary Information
OPEB - Health Insurance Plan
For the Year Ended June 30, 2022

Valuation Date: 7/1/2020
Measurement Date: 6/30/2022

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.54%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.20% graded down to 4.00% over 51 years.
Salary Increase Rates	The salary increase rate was an inflation rate of 2.50%, productivity component of 1.00%, and a variable merit component that is dependent on years of service.
Retirement Age	The average age of retirement is 65.
Mortality Rates	The mortality rates for pre-retirement participants was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. The mortality rates for disabled retirees was calculated using the RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and 130% of rates for females.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 19

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, 2021

Date	Employer's Proportion of the Net HIC OPEB Liability	Employer's Proportionate Share of the Net HIC OPEB Liability	Employer's Covered Payroll	Employer's	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
				Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
School Board - Professional:					
2021	0.07726% \$	991,686 \$	6,833,198	14.51%	13.15%
2020	0.07230%	943,035	6,337,909	14.88%	9.95%
2019	0.08044%	1,053,038	6,746,816	15.61%	8.97%
2018	0.08722%	1,108,000	7,054,104	15.71%	8.08%
2017	0.09670%	1,227,000	7,631,713	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 20

Schedule of Employer Contributions

Teacher Employee Health Insurance Credit (HIC) Plan

For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board - Professional:					
2022	\$ 83,436	\$ 83,436	\$ -	\$ 6,895,539	1.21%
2021	82,682	82,682	-	6,833,198	1.21%
2020	76,055	76,055	-	6,337,909	1.20%
2019	80,962	80,962	-	6,746,816	1.20%
2018	86,702	86,702	-	7,054,104	1.23%
2017	93,871	93,871	-	7,631,713	1.23%
2016	90,273	90,273	-	7,650,222	1.18%
2015	88,641	88,641	-	7,511,954	1.18%
2014	92,531	92,531	-	7,908,612	1.17%
2013	85,833	85,833	-	7,336,161	1.17%

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 22

Schedule of Changes in the Board's Net OPEB Liability and Related Ratios
Component Unit School Board (Nonprofessional)
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability					
Service cost	\$ 562	\$ 578	\$ 544	\$ 562	\$ 608
Interest	2,311	2,381	2,373	2,299	2,331
Changes of benefit terms	-	1,875	-	-	-
Differences between expected and actual experience	(3,825)	(3,047)	509	1,198	-
Changes of assumptions	(211)	-	735	-	(929)
Benefit payments	(2,766)	(2,856)	(2,741)	(3,241)	(1,720)
Net change in total pension liability	\$ (3,929)	\$ (1,069)	\$ 1,420	\$ 818	\$ 290
Total pension liability - beginning	35,626	36,695	35,275	34,457	34,167
Total pension liability - ending (a)	\$ 31,697	\$ 35,626	\$ 36,695	\$ 35,275	\$ 34,457
Plan fiduciary net position					
Contributions - employer	\$ 860	\$ 825	\$ 756	\$ 868	\$ 900
Contributions - employee					
Net investment income	8,189	660	2,045	2,370	3,542
Benefit payments	(2,766)	(2,856)	(2,741)	(3,241)	(1,720)
Administrator charges	(92)	(61)	(44)	(53)	(56)
Other	-	-	(2)	(183)	183
Net change in plan fiduciary net position	\$ 6,191	\$ (1,432)	\$ 14	\$ (239)	\$ 2,849
Plan fiduciary net position - beginning	32,194	33,626	33,612	33,851	31,002
Plan fiduciary net position - ending (b)	\$ 38,385	\$ 32,194	\$ 33,626	\$ 33,612	\$ 33,851
School Division's net pension liability (asset) - ending (a) - (b)	\$ (6,688)	\$ 3,432	\$ 3,069	\$ 1,663	\$ 606
Plan fiduciary net position as a percentage of the total pension liability	121.10%	90.37%	91.64%	95.29%	98.24%
Covered payroll	\$ 537,311	\$ 485,278	\$ 445,056	\$ 411,802	\$ 430,203
School Division's net pension liability (asset) as a percentage of covered payroll	-1.24%	0.71%	0.69%	0.40%	0.14%

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.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 23

Schedule of Employer Contributions

Health Insurance Credit (HIC) Plan

For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board - Nonprofessional:					
2022	\$ 1,110	\$ 1,110	\$ -	\$ 693,948	0.16%
2021	860	860	-	537,311	0.16%
2020	825	825	-	485,278	0.17%
2019	756	756	-	445,056	0.17%
2018	865	865	-	411,802	0.21%
2017	903	903	-	430,203	0.21%
2016	964	964	-	419,188	0.23%
2015	901	901	-	391,874	0.23%
2014	1,076	1,076	-	384,283	0.28%
2013	1,057	1,057	-	377,456	0.28%

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate
Withdrawal Rates	Adjusted rates to better fit experience at each age and service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 25

Schedule of Board's Share of Net OPEB Liability

Virginia Local Disability Program (VLDP)

For the Measurement Dates of June 30, 2017 through June 30, 2021

Date	Employer's Proportion of the VLDP Net OPEB Liability (Asset)	Employer's Proportionate Share of the VLDP Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability
				Proportionate Share of the VLDP Net OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
School Board (Nonprofessional):					
2021	0.08359%	\$ (846)	\$ 335,766	-0.25%	119.46%
2020	0.06580%	657	245,151	0.27%	76.84%
2019	0.06310%	1,279	195,068	0.66%	49.19%
2018	0.06317%	-	153,384	0.00%	51.39%
2017	0.09421%	1,000	173,005	0.58%	38.40%

School Board (Professional):

2021	0.45762%	\$ (3,322)	\$ 3,079,324	-0.11%	114.46%
2020	0.42070%	3,375	2,488,571	0.14%	78.28%
2019	0.54769%	3,184	2,626,346	0.12%	74.12%
2018	0.63101%	5,000	2,352,849	0.21%	46.18%
2017	0.71370%	4,000	2,014,073	0.20%	31.96%

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.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 26

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board (Nonprofessional):					
2022	\$ 4,404	\$ 4,404	\$ -	\$ 530,659	0.83%
2021	2,787	2,787	-	335,766	0.83%
2020	1,765	1,765	-	245,151	0.72%
2019	1,209	1,209	-	195,068	0.62%
2018	920	920	-	153,384	0.60%
2017	1,038	1,038	-	173,005	0.60%
2016	881	881	-	146,862	0.60%
2015	399	399	-	66,432	0.60%
2014	8	8	-	1,414	0.57%

School Board (Professional):

2022	\$ 16,679	\$ 16,679	\$ -	\$ 3,548,638	0.47%
2021	14,473	14,473	-	3,079,324	0.47%
2020	10,203	10,203	-	2,488,571	0.41%
2019	10,768	10,768	-	2,626,346	0.41%
2018	7,264	7,264	-	2,352,849	0.31%
2017	6,244	6,244	-	2,014,073	0.31%
2016	4,616	4,616	-	1,591,555	0.29%
2015	2,336	2,336	-	805,456	0.29%
2014	85	85	-	29,193	0.29%

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Exhibit 27

Notes to Required Supplementary Information
Virginia Local Disability Program (VLDP)
For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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OTHER SUPPLEMENTARY INFORMATION

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SUPPORTING SCHEDULES

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Special pupil fees	\$ 200	\$ 200	\$ 39,685	\$ 39,485
Miscellaneous:				
Miscellaneous	\$ 115,194	\$ 290,004	\$ 282,616	\$ (7,388)
Total revenue from local sources	\$ 115,394	\$ 290,204	\$ 322,301	\$ 32,097
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Franklin, Virginia	\$ 4,830,237	\$ 4,830,237	\$ 4,830,237	\$ -
Total revenues from local governments	\$ 4,830,237	\$ 4,830,237	\$ 4,830,237	\$ -
Revenue from the Commonwealth:				
Other categorical aid:				
Share of state sales tax	\$ 1,656,744	\$ 1,656,744	\$ 2,027,832	\$ 371,088
Basic school aid	3,811,892	4,076,892	2,879,551	(1,197,341)
Remedial education	270,883	270,883	263,065	(7,818)
Gifted and talented	36,255	36,255	35,208	(1,047)
GED prep funding (ISAEP)	8,386	8,386	8,233	(153)
Special education	385,803	385,803	374,669	(11,134)
Textbook payment	73,515	73,515	55,669	(17,846)
Vocational education	105,809	105,809	99,646	(6,163)
Vocational education - equipment	-	-	3,355	3,355
Group life fringe benefits	16,417	16,417	15,943	(474)
Social security fringe benefits	227,788	227,788	221,214	(6,574)
Retirement fringe benefits	530,822	530,822	515,502	(15,320)
Early reading intervention	42,734	42,734	70,385	27,651
Compensation supplement	-	-	237,915	237,915
Special education - regional	192,210	192,210	273,841	81,631
Regular - foster care	3,210	3,210	5,071	1,861
At risk payments	746,663	746,663	693,435	(53,228)
Primary class size	-	-	316,349	316,349
Virginia preschool initiative	-	-	221,927	221,927
Supplemental lottery	276,552	276,552	269,976	(6,576)
Algebra readiness	27,874	27,874	25,384	(2,490)
Project graduation	-	-	4,081	4,081
VPSA technology	128,000	320,000	226,973	(93,027)
English as a second language	20,296	20,296	13,192	(7,104)
Mentor teacher program	4,728	4,728	-	(4,728)
JVG grant	30,000	30,000	30,000	-
Workforce readiness	-	-	283	283
Industry certification costs	-	-	4,243	4,243
No loss funding	-	-	223,699	223,699
Other state funds	-	-	32,149	32,149
Total other categorical aid	\$ 8,596,581	\$ 9,053,581	\$ 9,148,790	\$ 95,209
Total revenue from the Commonwealth	\$ 8,596,581	\$ 9,053,581	\$ 9,148,790	\$ 95,209

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022 (continued)

Schedule 1
Page 2 of 3

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,343,000	\$ 1,288,907	\$ 813,037	\$ (475,870)
Title VI-B, special education flow-through	852,762	898,253	359,050	(539,203)
Adult basic education	22,000	22,404	21,229	(1,175)
JROTC	46,516	46,516	67,772	21,256
Title III	6,528	5,893	2,843	(3,050)
Title IV-A	144,191	145,851	129,455	(16,396)
Vocational education	45,900	49,943	48,589	(1,354)
Title VI-B, special education pre-school	44,551	5,908	14,295	8,387
Title II-A Teacher Quality	151,561	173,783	94,169	(79,614)
Title VI	43,168	40,845	13,605	(27,240)
Workforce opportunity	104,400	95,000	81,941	(13,059)
Virginia preschool initiative		41,530	-	(41,530)
CARES Act ESSER	1,830,000	8,624,211	2,913,784	(5,710,427)
Other federal funds	5,487	411,929	5,494	(406,435)
Total categorical aid	\$ 4,640,064	\$ 11,850,973	\$ 4,565,263	\$ (7,285,710)
Total revenue from the federal government	\$ 4,640,064	\$ 11,850,973	\$ 4,565,263	\$ (7,285,710)
Total School Operating Fund	\$ 18,182,276	\$ 26,024,995	\$ 18,866,591	\$ (7,158,404)
Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ -	\$ -	\$ 44,490	\$ 44,490
Miscellaneous:				
Miscellaneous	\$ 1,079	\$ 1,079	\$ 97,651	\$ 96,572
Total revenue from local sources	\$ 1,079	\$ 1,079	\$ 142,141	\$ 141,062
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 15,593	\$ 15,593	\$ 53,488	\$ 37,895
Total revenue from the Commonwealth	\$ 15,593	\$ 15,593	\$ 53,488	\$ 37,895
Revenue from the federal government:				
Categorical aid:				
School food	\$ 995,671	\$ 995,671	\$ 996,842	\$ 1,171
Total revenue from the federal government	\$ 995,671	\$ 995,671	\$ 996,842	\$ 1,171
Total Cafeteria Fund	\$ 1,012,343	\$ 1,012,343	\$ 1,192,471	\$ 180,128

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Tetbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 14	\$ 14	\$ 8	\$ (6)
Total Textbook Fund	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 8</u>	<u>\$ (6)</u>
School Activity Funds:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 268,186	\$ 268,186
Total School Activity Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,186</u>	<u>\$ 268,186</u>
Total governmental funds	<u>\$ 19,194,633</u>	<u>\$ 27,037,352</u>	<u>\$ 20,327,256</u>	<u>\$ (6,710,096)</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)

Schedule 2

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Operating Fund:				
Education:				
Instruction	\$ 13,141,137	\$ 14,317,761	\$ 12,919,499	\$ 1,398,262
Administration, attendance and health	1,211,305	2,293,565	1,709,323	584,242
Pupil transportation	700,061	596,805	575,622	21,183
Operations and maintenance	1,824,011	7,236,610	2,040,000	5,196,610
Food services	-	129,674	-	129,674
Technology	1,019,549	1,164,367	1,016,845	147,522
Total education	\$ 17,896,063	\$ 25,738,782	\$ 18,261,289	\$ 7,477,493
Debt service:				
Principal retirement	\$ 164,462	\$ 164,462	\$ 164,462	\$ -
Interest and other fiscal charges	48,198	48,198	48,185	13
Total debt service	\$ 212,660	\$ 212,660	\$ 212,647	\$ 13
Total School Operating Fund	\$ 18,108,723	\$ 25,951,442	\$ 18,473,936	\$ 7,477,506
Cafeteria Fund:				
Education:				
Food services	\$ 1,012,343	\$ 1,012,343	\$ 1,170,112	\$ (157,769)
Total Cafeteria Fund	\$ 1,012,343	\$ 1,012,343	\$ 1,170,112	\$ (157,769)
Textbook Fund:				
Education:				
Instruction	\$ 73,567	\$ 73,567	\$ 198,785	\$ (125,218)
Total Textbook Fund	\$ 73,567	\$ 73,567	\$ 198,785	\$ (125,218)
School Activity Funds:				
Education:				
Instruction	\$ -	\$ -	\$ 314,508	\$ (314,508)
Total School Activity Funds	\$ -	\$ -	\$ 314,508	\$ (314,508)
Total governmental funds	\$ 19,194,633	\$ 27,037,352	\$ 20,157,341	\$ 6,880,011

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of the School Board
City of Franklin, 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, the major fund, and the aggregate remaining fund information of the School Board of the City of Franklin, Virginia, a component unit of the City of Franklin, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School Board of the City of Franklin, Virginia's basic financial statements, and have issued our report dated October 7, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School Board of the City of Franklin, Virginia's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board of the City of Franklin, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board of the City of Franklin, Virginia'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board of the City of Franklin, Virginia's financial statements are free of 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 one instance of noncompliance that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs at item 2022-001.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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 School Board of the City of Franklin, Virginia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farnum, Cox Associates

Richmond, Virginia
October 7, 2022



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the School Board of the City of Franklin, Virginia, a component unit of the City of Franklin, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School Board of the City of Franklin, Virginia's major federal programs for the year ended June 30, 2022. The School Board of the City of Franklin, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School Board of the City of Franklin, Virginia 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School Board of the City of Franklin, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Board of the City of Franklin, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Board of the City of Franklin, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Board of the City of Franklin, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Board of the City of Franklin, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Board of the City of Franklin, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Board of the City of Franklin, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School Board of the City of Franklin, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 7, 2022

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Labor:			
Direct Payments:			
WIOA Cluster:			
WIOA Youth Activities	17.259	N/A	\$ 81,941
Total Department of Labor			\$ 81,941
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Health:			
Summer Food Service Program for Children	10.559	17901	\$ 109,298
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 143,179
Department of Education:			
National School Lunch Program	10.555	17901-40623	423,406
COVID-19 - National School Lunch Program	10.555	17901-40623	45,985
Total CFDA# 10.555			\$ 612,570
School Breakfast Program	10.553	17901-40591	263,505
Total Child Nutrition Cluster			\$ 985,373
Pass-Through Payments:			
Department of Education:			
Child and Adult Care Food Program	10.558	17901-70027	8,406
COVID-19 Pandemic EBT Administrative Costs	10.649	17901-86506	3,063
Total Department of Agriculture - pass-through payments			\$ 996,842
Total Department of Agriculture			\$ 996,842
Department of Education:			
Direct Payments:			
Adult Education - Basic Grants to States	84.002	N/A	\$ 26,723
English Language Acquisition State Grants	84.365	N/A	2,843
Pass-Through Payments:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	813,037
Special Education Cluster:			
Special Education - Grants to States (Idea Part B)	84.027	17901-43071	\$ 359,050
Special Education - Preschool Grants (Idea Preschool)	84.173	17901-62521	14,295
Total Special Education Cluster			373,345
Career and Technical Education - Basic Grants to States	84.048	17901-61095	48,589
Safe and Drug Free Schools and Communities - State Grants	84.186	17901-60511	
Rural Education	84.358	17901-43481	13,605
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	17901-61480	94,169
Student Support and Academic Enrichment Program	84.424	17901-60281	129,455
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	17901-70037	\$ 274
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	17901-60177	1,952,319
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	17901-50193	961,191
Total 84.425			2,913,784
Total Department of Education			\$ 4,415,550
Department of Defense:			
Direct Payments:			
ROTC	12.U01	N/A	\$ 67,772
Total Expenditures of Federal Awards			\$ 5,562,105

See accompanying notes to schedule of expenditures of federal awards.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School Board of the City of Franklin, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this 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 of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School Board of the City of Franklin, Virginia it is not intended to be and does not present the financial position, changes in net position, or cash flows of the School Board of the City of Franklin, Virginia.

Note 2 - 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 the 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 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
School Operating Fund	\$ 4,565,263
Cafeteria Fund	996,842
	<hr/>
Total federal expenditures per basic financial statements	\$ 5,562,105
	<hr/>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 5,562,105
	<hr/>

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The School Board did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The School Board has no loans or loan guarantees which are subject to reporting requirements for the current year.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditors' report issued on compliance
for major programs: unmodified

Any findings disclosed that are required to be
reported in accordance with 2 CFR section 200.516(a)? _____ yes ✓ no

Identification of major programs:

Assistance Listing Number(s)

84.010

84.425C/84.425D

Name of Federal Program or Cluster

Title I - Grants to Local Educational Agencies

Education Stabilization Fund (ESF)

Dollar threshold used to distinguish between type A
and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

✓ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section IV-Commonwealth of Virginia Findings and Questioned Costs

Finding 2022-001:

Criteria:

The Virginia Public Procurement Act specifies that all purchases of goods over \$200,000 be procured properly.

Condition:

The School Board entered into an agreement for \$238,670 for an HVAC system. However, there was no documentation to indicate that procurement had been performed to select a vendor.

Effect:

A vendor was chosen for an HVAC system greater than \$200,000 and no procurement procedures were performed.

Cause:

An oversight by the School Board led to the vendor being chosen without performing procurement.

Recommendation:

The School Board needs to adhere to the requirements of their purchasing policy as well as the requirements of the Virginia Public Procurement Act.

Management's Recommendation:

The School Board office is making corrective action for FY23.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

(A Component Unit of the City of Franklin, Virginia)

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022**

There were no prior audit findings.