

**DANVILLE PUBLIC SCHOOLS**  
**(A Component Unit of the City of Danville, Virginia)**

**FINANCIAL REPORT**

**June 30, 2021**



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## **FINANCIAL SECTION**

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**The Financial Section contains  
the Basic Financial Statements.**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the  
School Board  
Danville Public Schools  
Danville, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Danville Public Schools (the "Schools"), a component unit of the City of Danville, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Schools' basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

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*Your Success is Our Focus*

## Report on the Financial Statements (Continued)

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Schools as of June 30, 2021, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Adoption of New Accounting Standard and Restatement**

In 2021 the Schools adopted GASB Statement No. 84, *Fiduciary Activities*. The effect of this standard was that School Activity Funds, previously not included in the accompanying financial report, are now reported as a special revenue fund. The effects of this change are reported as a restatement of beginning fund balance and net position in Note 17 to the financial statements. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that certain supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022 on our consideration of the Schools' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, 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'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 Schools' internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
February 10, 2022

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# **BASIC FINANCIAL STATEMENTS**

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## DANVILLE PUBLIC SCHOOLS

## STATEMENT OF NET POSITION

June 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents (Note 3)	\$ 767,143
Investments (Note 3)	754,391
Due from other governments (Note 4)	4,740,673
Due from primary government	2,105,858
Other receivables (Note 8)	290,676
Inventories	90,363
Prepaid expenses	180,548
<b>LONG TERM ASSETS</b>	
Capital assets:	
Non-depreciable (Note 6)	2,176,690
Depreciable, net (Note 6)	17,736,823
Total assets	<u>28,843,165</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions (Notes 9, 10, and 11)	18,480,317
Deferred outflows related to other postemployment benefits (Note 12)	1,833,517
Total deferred outflows of resources	<u>20,313,834</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and other liabilities	1,656,590
Accrued salaries and payroll taxes	3,497,981
Accrued interest	63,824
Unearned grants	66,642
Long-term liabilities due within one year (Notes 7 and 13)	1,059,074
<b>LONG-TERM LIABILITIES</b>	
Net pension liability (Notes 9, 10, and 11)	61,597,754
Net other postemployment benefit liability (Note 12)	8,788,164
Other long-term liabilities due in more than one year (Notes 7 and 13)	4,372,417
Total liabilities	<u>81,102,446</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions (Notes 9, 10, and 11)	5,308,828
Deferred inflows related to other postemployment benefits (Note 12)	478,444
Total deferred inflows of resources	<u>5,787,272</u>
<b>NET POSITION</b>	
Net investment in capital assets	16,205,513
Unrestricted	(53,938,232)
Total net position	<u>\$ (37,732,719)</u>

The Notes to Financial Statements are an integral part of this statement.

## DANVILLE PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instructional services:					
General instruction	\$ 58,219,080	\$ 162,444	\$ 33,074,578	\$ -	\$ (24,982,058)
Support services:					
Administration, attendance, and health	5,125,516	-	424,097	-	(4,701,419)
Pupil transportation	3,225,555	-	-	-	(3,225,555)
Operations and maintenance	8,386,045	-	-	-	(8,386,045)
Noninstructional services:					
Technology	3,826,280	-	456,045	-	(3,370,235)
Facilities	2,457,490	-	-	-	(2,457,490)
Cafeteria and other	4,810,447	22,257	2,070,939	-	(2,717,251)
Capital lease interest	86,269	-	-	-	(86,269)
<b>Total governmental activities</b>	<b>\$ 86,136,682</b>	<b>\$ 184,701</b>	<b>\$ 36,025,659</b>	<b>\$ -</b>	<b>(49,926,322)</b>
General revenues:					
Appropriation from the City of Danville					22,688,376
Noncategorical state aid					24,427,230
Investment income					33,264
Miscellaneous					1,438,089
<b>Total general revenues</b>					<b>48,586,959</b>
<b>Change in net position</b>					<b>(1,339,363)</b>
<b>Net position – beginning, as restated (Note 17)</b>					<b>(36,393,356)</b>
<b>Net position – ending</b>					<b>\$ (37,732,719)</b>

The Notes to Financial Statements are an integral part of this statement.

## DANVILLE PUBLIC SCHOOLS

## BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021

	<u>General</u>	<u>Special Grants</u>	<u>Student Activity Funds</u>	<u>Textbooks</u>	<u>Cafeteria</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,365	\$ -	\$ 398,140	\$ -	\$ 367,638	\$ -	\$ 767,143
Investments	-	-	-	445,623	308,768	-	754,391
Due from other funds (Note 5)	2,373,184	-	-	1,777,166	-	-	4,150,350
Due from other governments	1,312,053	3,096,670	-	-	331,950	-	4,740,673
Due from primary government	2,082,193	-	-	-	-	23,665	2,105,858
Other receivables	289,915	-	-	-	761	-	290,676
Inventories	-	-	-	-	90,363	-	90,363
Prepaid expenses	180,548	-	-	-	-	-	180,548
Total assets	<u>\$ 6,239,258</u>	<u>\$ 3,096,670</u>	<u>\$ 398,140</u>	<u>\$ 2,222,789</u>	<u>\$ 1,099,480</u>	<u>\$ 23,665</u>	<u>\$ 13,080,002</u>
<b>LIABILITIES</b>							
Accounts payable and other liabilities	\$ 468,862	\$ 312,145	\$ -	\$ 815,934	\$ 35,984	\$ 23,665	\$ 1,656,590
Accrued salaries and payroll taxes	3,232,193	197,750	-	2,563	65,475	-	3,497,981
Due to other funds (Note 5)	25,769	2,520,133	-	-	1,604,448	-	4,150,350
Unearned grants	-	66,642	-	-	-	-	66,642
Total liabilities	<u>3,726,824</u>	<u>3,096,670</u>	<u>-</u>	<u>818,497</u>	<u>1,705,907</u>	<u>23,665</u>	<u>9,371,563</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	<u>693,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693,197</u>
<b>FUND BALANCES</b>							
Nonspendable	180,548	-	-	-	90,363	-	270,911
Assigned	1,638,689	-	398,140	1,404,292	-	-	3,441,121
Unassigned	-	-	-	-	(696,790)	-	(696,790)
Total fund balances	<u>1,819,237</u>	<u>-</u>	<u>398,140</u>	<u>1,404,292</u>	<u>(606,427)</u>	<u>-</u>	<u>3,015,242</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,239,258</u>	<u>\$ 3,096,670</u>	<u>\$ 398,140</u>	<u>\$ 2,222,789</u>	<u>\$ 1,099,480</u>	<u>\$ 23,665</u>	<u>\$ 13,080,002</u>

The Notes to Financial Statements are an integral part of this statement.

DANVILLE PUBLIC SCHOOLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2021

<b>Total Fund Balances – Governmental Funds</b>		\$ 3,015,242
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.		19,913,513
Receivables on the Statement of Net Position that do not provide current financial resources are reported as deferred inflows of resources in the funds.		693,197
Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to:		
Pensions	\$ 18,480,317	
Other postemployment benefits	1,833,517	
Deferred inflows related to:		
Pensions	(5,308,828)	
Other postemployment benefits	(478,444)	
Net pension liability	(61,597,754)	
Other postemployment benefits liability	(8,788,164)	
		(55,859,356)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Lease purchase agreement	(3,708,000)	
Accrued interest	(63,824)	
Entering retirement in phases plan	(173,109)	
Compensated absences	(1,550,382)	
		(5,495,315)
<b>Net Position – Governmental Activities</b>		<u><u>\$ (37,732,719)</u></u>

The Notes to Financial Statements are an integral part of this statement.

## DANVILLE PUBLIC SCHOOLS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2021**

	<u>General</u>	<u>Special Grants</u>	<u>School Activity Funds</u>	<u>Textbooks</u>	<u>Cafeteria</u>	<u>Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>							
Charges for services	\$ 33,917	\$ -	\$ 128,527	\$ -	\$ 22,257	\$ -	\$ 184,701
Revenue from the use of money and property	31,862	171	-	683	548	-	33,264
Miscellaneous	567,571	870,518	-	-	-	-	1,438,089
Intergovernmental:							
City of Danville	20,587,412	-	-	-	-	2,100,964	22,688,376
Commonwealth of Virginia	46,075,826	2,299,067	-	422,634	84,989	-	48,882,516
Federal government	504,224	8,269,675	-	-	2,694,325	-	11,468,224
Total revenues	<u>67,800,812</u>	<u>11,439,431</u>	<u>128,527</u>	<u>423,317</u>	<u>2,802,119</u>	<u>2,100,964</u>	<u>84,695,170</u>
<b>EXPENDITURES</b>							
Instructional services:							
General instruction	48,199,524	9,318,827	-	1,067,146	-	-	58,585,497
Support services:							
Administration, attendance, and health	4,906,281	137,419	-	-	-	-	5,043,700
Pupil transportation	2,895,059	139,484	-	-	-	-	3,034,543
Operations and maintenance	8,194,812	190,793	-	-	-	-	8,385,605
Noninstructional services:							
Technology	2,817,671	315,697	-	-	-	-	3,133,368
Facilities	6,082	1,338,396	-	-	-	2,100,964	3,445,442
Cafeteria and other	-	(1,017)	135,480	-	4,606,068	-	4,740,531
Debt service:							
Lease payments	204,000	-	-	-	-	-	204,000
Interest payments	89,780	-	-	-	-	-	89,780
Total expenditures	<u>67,313,209</u>	<u>11,439,599</u>	<u>135,480</u>	<u>1,067,146</u>	<u>4,606,068</u>	<u>2,100,964</u>	<u>86,662,466</u>
Excess (deficiency) of revenues over expenditures	<u>487,603</u>	<u>(168)</u>	<u>(6,953)</u>	<u>(643,829)</u>	<u>(1,803,949)</u>	<u>-</u>	<u>(1,967,296)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in (Note 5)	-	-	-	152,470	-	-	152,470
Transfers out (Note 5)	(152,470)	-	-	-	-	-	(152,470)
Total other financing sources (uses)	<u>(152,470)</u>	<u>-</u>	<u>-</u>	<u>152,470</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	335,133	(168)	(6,953)	(491,359)	(1,803,949)	-	(1,967,296)
<b>FUND BALANCES – beginning</b>	<u>1,484,104</u>	<u>168</u>	<u>405,093</u>	<u>1,895,651</u>	<u>1,197,522</u>	<u>-</u>	<u>4,982,538</u>
<b>FUND BALANCES – ending</b>	<u>\$ 1,819,237</u>	<u>\$ -</u>	<u>\$ 398,140</u>	<u>\$ 1,404,292</u>	<u>\$ (606,427)</u>	<u>\$ -</u>	<u>\$ 3,015,242</u>

The Notes to Financial Statements are an integral part of this statement.

DANVILLE PUBLIC SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021

Net Change in Fund Balances – Total Governmental Funds \$ (1,967,296)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation \$(2,035,130) exceeds capital outlays \$(2,915,737). 880,607

The net effect of the gain on disposals involving capital assets does not provide or use current financial resources and are not reported as revenues or expenditures in the governmental funds. (4,723)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. 102,149

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions	\$ 6,234,363	
Pension expense	<u>(6,971,838)</u>	(737,475)

Governmental funds report other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of these benefits earned net of employee contributions is reported as other postemployment benefit expense.

Employer other postemployment benefit contributions	658,766	
Other postemployment benefit expense	<u>(624,891)</u>	33,875

Transactions involving debt principal and cash flows relating to other long-term items are expenditures in the governmental funds, however, these transactions increase or decrease long-term items in the Statement of Net Position.

Lease purchase principal	204,000	
Change in accrued interest	<u>3,509</u>	207,509

Some expenses reported in the Statement of Activities, such as compensated absences and retirement obligations, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(9,417)	
Entering retirement in phases plan	<u>155,408</u>	145,991

Change in Net Position – Governmental Activities \$ (1,339,363)

The Notes to Financial Statements are an integral part of this statement.

## DANVILLE PUBLIC SCHOOLS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 53,000	\$ 53,000	\$ 33,917	\$ (19,083)
Revenue from the use of money and property	106,000	106,000	31,862	(74,138)
Miscellaneous	601,339	601,339	567,571	(33,768)
Intergovernmental:				
City of Danville	28,054,159	28,054,159	20,587,412	(7,466,747)
Commonwealth of Virginia	46,240,560	46,240,560	46,075,826	(164,734)
Federal government	300,000	300,000	504,224	204,224
Total revenues	<u>75,355,058</u>	<u>75,355,058</u>	<u>67,800,812</u>	<u>(7,554,246)</u>
<b>EXPENDITURES</b>				
Instructional services:				
General instruction	50,574,469	50,565,780	48,199,524	2,366,256
Support services:				
Administration, attendance, and health	5,740,819	5,880,153	4,906,281	973,872
Pupil transportation	2,741,293	3,609,619	2,895,059	714,560
Operations and maintenance	9,276,749	8,739,009	8,194,812	544,197
Noninstructional services:				
Technology	3,215,810	3,285,719	2,817,671	468,048
Facilities	-	493,000	6,082	486,918
Contingency	3,359,668	2,335,528	-	2,335,528
Debt service:				
Lease payments	-	-	204,000	(204,000)
Interest payments	-	-	89,780	(89,780)
Total expenditures	<u>74,908,808</u>	<u>74,908,808</u>	<u>67,313,209</u>	<u>7,595,599</u>
Excess of revenues over expenditures	446,250	446,250	487,603	41,353
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(446,250)	(446,250)	(152,470)	293,780
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 335,133</u>	<u>\$ 335,133</u>

The Notes to Financial Statements are an integral part of this statement.

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 1. Organization and Nature of Operations

##### Financial reporting entity

Danville Public Schools (the “Schools”) are organized as an independently governed school system for the operation of the public schools in the City of Danville, Virginia (the “City”). Board members are elected as authorized by the City charter.

The Schools receive funding from taxes collected and allocated by the City, tuition and fees, and state and federal aid. School construction projects are funded by general obligation bonds approved by the Danville City Council (the “Council”) and other state funding sources. The Schools themselves have no power to levy and collect taxes or to increase the budget. The Council annually appropriates funds to the Schools for educational expenditures, levies taxes, and issues debt on behalf of the Schools. The legal liability for general obligation debt remains with the City. Because of this relationship, the Schools are considered a component unit of the City.

#### Note 2. Summary of Significant Accounting Policies

##### A. Basis of Presentation

*Government-wide Financial Statements:* The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Schools. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The Schools do not operate any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) grants and contributions that are restricted to meeting the operational requirements of a particular function; and 3) capital grants and contributions, including special assessments that are clearly identifiable with a specific function. Other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:* The accounts of the Schools are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

(Continued)

**DANVILLE PUBLIC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation (Continued)**

The Schools report the following major governmental funds:

General Fund: The primary operating fund of the Schools. It accounts for all financial resources except those required to be accounted for in another fund.

Special Grants Fund: A special revenue fund used to account for revenue sources (other than those for capital projects) that are legally restricted to expenditures for specific purposes. The primary source of grant funding is the Federal Government with the majority of the remainder coming from the Commonwealth of Virginia.

School Activity Funds: A special revenue fund used to account for revenue from the School Activity Funds. As described in Note 17, in 2021 these funds were included in this annual financial report upon the adoption of GASB statement No. 84.

Textbooks Fund: A special revenue fund used to account for revenue legally restricted to expenditures for textbooks and related items.

Cafeteria Fund: A special revenue fund used to account for revenue legally restricted to expenditures for the Schools' cafeteria operations.

Capital Projects Fund: Used to account for activity in capital projects.

During the course of operations, the Schools have activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, they are eliminated from the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. While the fund financial statements report these amounts as transfers in and out, they are eliminated from the government-wide financial statements.

**B. Measurement Focus and Basis of Accounting**

"Measurement focus" refers to what is reported; "basis of accounting" refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

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

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 2. Summary of Significant Accounting Policies (Continued)

##### **B. Measurement Focus and Basis of Accounting (Continued)**

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both “measurable” and “available.” Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Schools consider revenues to be available if collected within 45 days of the end of the current fiscal period for most non-grant revenues. Reimbursement basis grants are recognized as revenue when all eligibility requirements are met and are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, post-employment benefits, claims and judgments, and retirement benefits are recorded only when payment is due.

##### **C. Encumbrances**

Encumbrance accounting, which is the recording of purchase orders, contracts, and other monetary commitments in order to reserve the applicable portion of an appropriation, is used as an extension of formal budgetary control in all of the funds. Encumbrances outstanding at year end are reported as an assignment of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Annual appropriations that are not spent, encumbered, or designated at year end lapse.

##### **D. Cash, Cash Equivalents, and Investments**

Cash balances include demand deposits and cash on hand. Investments include amounts in investment pools which are carried at amortized cost, i.e., a stable net asset value.

##### **E. Due from Primary Government**

Amounts due from the primary government represent the Schools expenditures for the current fiscal year requested but not yet received from the City.

##### **F. Inventories**

Inventories consist of various consumable supplies and food commodities maintained by the Food Nutrition Service office. Commodities received from the USDA are valued at estimated fair value while other inventories are carried at cost.

##### **G. Prepaid Expenses**

Prepays represent costs applicable to future periods.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**H. Capital Assets**

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent capitalization thresholds have been met.

All capital assets over the \$5,000 capitalization threshold are recorded at historical cost (or estimated historical cost). Donated capital assets are recorded at fair value as of the date received. The Schools do not possess any infrastructure. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extended an asset's life are expensed.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	3-20 years

Local governments in Virginia may have a tenancy in common with their school systems whenever the locality incurs a financial obligation, excluding capital leases, for school property which is payable over more than one fiscal year. The City reports this debt in its financial statements. The capital assets acquired by such debt are reported by the City until such time as the outstanding indebtedness is retired, at which time, the net book value is transferred to and reported by the Schools.

**I. Compensated Absences**

The Schools' employees are entitled to certain compensated absences (vacation and sick pay) based on length of employment. Compensated absences either vest or accumulate and are accrued when they are earned in the government-wide financial statements. Expenditures are recorded in governmental funds when the obligation is due and payable.

The Schools record accrued sick leave at \$1.00 per day multiplied by the number of years the employee has in service with the Schools, up to a maximum of \$35 each day and 200 days. Accrued vacation is recorded based on the employees' current rate of pay. The maximum amount of accrued vacation an employee can accumulate is 30 days at which time it is rolled into sick leave. Sick leave is only paid out upon retirement or death. Therefore, the Schools only accrue sick leave for employees 50 years of age or older.

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 2. Summary of Significant Accounting Policies (Continued)

##### J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement that presents financial position reports a separate section for *deferred outflows of resources*. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement that presents financial position reports a separate section for *deferred inflows of resources*. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Schools have the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and other postemployment benefits (OPEB) are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors as well as changes in actuarial assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Unavailable revenue is reported only in the governmental funds balance sheet for receivables not collected within 45 days of year end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.
- Changes in proportion and differences between employer contributions and proportionate share of employer contributions in the Virginia Retirement System's teacher cost sharing pool or OPEB cost sharing pool plans. This difference is deferred and recognized in expense over the average remaining service life of the employees who are subject to the plan, and may be reported as a deferred outflow or inflow as appropriate.

##### K. Use of Estimates

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

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 2. Summary of Significant Accounting Policies (Continued)

##### **L. Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Schools' Plans and the additions to/deductions from the Schools' Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### **M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Schools are bound to observe constraints imposed upon the use of the resources.

***Nonspendable*** – includes amounts associated with inventories and prepaids because they are not in a spendable form.

***Restricted*** – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

***Committed*** – amounts constrained to specific purposes by the School Board, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraints.

***Assigned*** – amounts the School Board intends to use for a specified purpose; intent can be expressed by the governing body.

***Unassigned*** – includes the residual amounts for the general fund and includes all spendable amounts not contained in the other classifications.

The Schools establish (and modify or rescind) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendments of the budget. Assigned fund balance is established through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

The Schools have a revenue spending policy that provides guidance for programs with multiple revenue sources. The Budget Manager will use resources in the following hierarchy: federal funds, state funds, local non-School funds, and School funds. The Budget Manager has the authority to deviate from this policy if it is considered to be in the best interest of the Schools.

When both restricted and unrestricted resources are available for use, it is the Schools' policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 2. Summary of Significant Accounting Policies (Continued)

##### M. Fund Balance (Continued)

The Schools consider restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balances are available unless prohibited by legal constraints or contracts. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the Schools consider committed fund balance to be spent first, then assigned fund balance, and finally unassigned fund balance.

##### N. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation less outstanding capital lease obligations. Net position is reported as restricted when there are limitations imposed on its use by grantors, laws, or regulations.

##### O. Budgetary Information

The majority of funding for the Schools is provided by the City, the Commonwealth of Virginia, and the federal government. The *Code of Virginia* requires the Superintendent to submit a budget to the City Council, after approval by the School Board. The timeline for the budget is as follows:

- In January, the Superintendent submits a proposed budget to the School Board. The proposed budget is discussed in a series of work sessions, regular School Board meetings, and public hearings.
- In April, the School Board adopts the operating budget and forwards it to the City Council for inclusion in the City's planning budget. The submission includes the general fund.
- In May, after public hearings, the City Council determines the level of funding for the Schools.
- Based on the approved funding level, the Schools make changes, if necessary, to the operating budget and approves the revised budget in June. The approved budget is the basis for operating the Schools in the next fiscal year. The legal level of budgetary control rests at the fund level; however, management control is exercised at the budgetary line item level.

The Schools use the following procedures in establishing the budgetary data reflected in the financial statements:

Budgets are adopted on a modified accrual basis of accounting. The general fund budget is legally adopted. Budgets for the special revenue funds are adopted only for management control. The Schools are authorized to transfer budgeted amounts from the general fund to the special grants fund for cash deficits in that fund. Budgeted amounts shown are as originally adopted, and as amended by the Schools during the course of the year. Appropriations within the capital projects funds or special grants fund are continued until completion of applicable projects or grants, even when such projects or grants extend more than one fiscal year. All other appropriations lapse at year end.

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 3. Deposits and Investments

##### Deposits

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

##### Investments

The Schools' current investment policy limits investments to the Virginia Local Government Investment Pool (LGIP). All investments of the Schools were held at LGIP at June 30. The State Treasurer's Office of the Commonwealth of Virginia has regulatory oversight over the LGIP. The Schools' fair value of investments in the LGIP is the same as the pooled value of its shares. As required by State statutes, the Policy requires that commercial paper has a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard and Poor's, and Fitch Investor's Services, provided that the issuing corporation has a net worth of at least \$50,000,000 and its long-term debt is rated "A" or better by Moody's and Standard and Poor's. Banker's acceptances and Certification of Deposits maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard and Poor's and "P-1" by Moody's Investor Service.

The Virginia LGIP issues a publicly available comprehensive annual financial report that includes basic financial statements and required supplementary information for LGIP. A copy of that report may be obtained from their website at <https://www.trsvirginia.gov/Cash/lgip.aspx> or by writing to the Virginia Department of the Treasury at 101 North 14<sup>th</sup> Street, Richmond, VA 23219.

Deposits and investments consist of the following:

Petty cash	\$	1,175
Deposits		765,968
Virginia LGIP		754,391
		<hr/>
	\$	1,521,534
		<hr/>
Statement of net position:		
Cash and cash equivalents	\$	767,143
Investments		754,391
		<hr/>
	\$	1,521,534
		<hr/>

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 4. Due From Other Governments**

Due from other governments consists of the following:

	<u>General Fund</u>	<u>Special Grants Fund</u>	<u>Cafeteria Fund</u>	<u>Governmental Activities</u>
Commonwealth of Virginia:				
Sales tax	\$ 1,312,053	\$ -	\$ -	\$ 1,312,053
State operated detention home	-	244,094	-	244,094
Federal government:				
Title I – local education agencies	-	560,500	-	560,500
Title VI-B	-	20,191	-	20,191
Title II – Part A	-	168,427	-	168,427
Perkins CTE secondary program	-	51,252	-	51,252
Lunch program	-	-	331,950	331,950
CARES Act Relief	-	709,257	-	709,257
Other	-	1,342,949	-	1,342,949
	<u>\$ 1,312,053</u>	<u>\$ 3,096,670</u>	<u>\$ 331,950</u>	<u>\$ 4,740,673</u>

**Note 5. Interfund Transactions**

Balances due to/from other funds consist of the following:

<u>Due To (Fund)</u>	<u>Due From (Fund)</u>		
	<u>General Fund</u>	<u>Special Grants Fund</u>	<u>Total</u>
Special Grants Fund	\$ (2,520,133)	\$ 2,347,415	\$ (172,718)
Textbooks Fund	1,777,166	-	1,777,166
Cafeteria Fund	(1,604,448)	-	(1,604,448)
	<u>\$ (2,347,415)</u>	<u>\$ 2,347,415</u>	<u>\$ -</u>

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 5. Interfund Transactions (Continued)**

Interfund receivables and payables of individual funds result primarily from cash disbursements made by one fund for expenditures of another and to support operations of the Schools.

Interfund transfers are as follows:

<b>Transfer In Fund</b>	<b>Transfer Out Fund</b>	<b>Amount</b>
Textbooks	General Fund	\$ 152,470
		\$ 152,470

The primary purpose of the interfund transfers are to provide operational support.

**Note 6. Capital Assets**

The following is a summary of the changes in capital assets:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, nondepreciable				
Land	\$ 2,176,690	\$ -	\$ -	\$ 2,176,690
Total capital assets, nondepreciable	2,176,690	-	-	2,176,690
Capital assets, depreciable				
Buildings	59,871,532	1,801,389	-	61,672,921
Furniture and equipment	10,591,967	1,114,348	(88,133)	11,618,182
Total capital assets, depreciable	70,463,499	2,915,737	(88,133)	73,291,103
Less accumulated depreciation				
Buildings	45,944,566	951,651	-	46,896,217
Furniture and equipment	7,657,994	1,083,479	(83,410)	8,658,063
Total accumulated depreciation	53,602,560	2,035,130	(83,410)	55,554,280
Depreciable capital assets, net	16,860,939	880,607	(4,723)	17,736,823
Capital assets, net	\$ 19,037,629	\$ 880,607	\$ (4,723)	\$ 19,913,513

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 6. Capital Assets (Continued)**

Depreciation was charged to governmental functions as follows:

General instruction	\$	85,270
Administration, attendance, and health		2,952
Pupil transportation		186,904
Operations and maintenance		14,028
Technology		691,880
Cafeteria		69,496
Facilities		984,600
		\$ 2,035,130

**Note 7. Long-Term Liabilities**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 1,540,965	\$ 718,417	\$ 709,000	\$ 1,550,382	\$ 713,000
Lease purchase agreement	3,912,000	-	204,000	3,708,000	220,000
ERIP (Note 13)	328,517	-	155,408	173,109	126,074
	\$ 5,781,482	\$ 718,417	\$ 1,068,408	\$ 5,431,491	\$ 1,059,074

Long-term liabilities are liquidated using general fund, cafeteria fund, and special grants fund resources.

The lease purchase agreement was executed on October 18, 2017 in the amount of \$4,242,000 to finance the energy performance contract for the purpose of the purchase and installation of specified energy saving equipment designed to save energy and reduce related costs for identified property and buildings owned by the Schools. The Schools recorded a liability for this agreement at the time it was executed. The obligation bears interest at 2.295% with principal and interest due annually from October 2018 through October 2032. The related equipment was purchased and installed over the fiscal years ended June 30, 2018 and 2019.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 7. Long-Term Liabilities (Continued)**

Aggregate maturities are as follows:

<b>Year Ending June 30,</b>	<b>Lease Purchase Agreement</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 220,000	\$ 85,099
2023	236,000	80,050
2024	253,000	74,633
2025	271,000	68,827
2026	289,000	62,608
2027-2030	1,297,000	180,226
2031-2033	1,142,000	53,428
	\$ 3,708,000	\$ 604,871

**Note 8. Risk Management**

Workers' compensation

The Schools are a member of the School Systems of Virginia Group Self-Insurance Association (the "Association"), a public entity risk pool for workers' compensation insurance. All members of the Association have agreed to assume any liability under the Virginia Workers' Compensation Act of any and all members. The Association has operated at a profit and has declared dividends on a regular basis since the Schools entered the pool in 1982. The Schools have elected to have the Association hold the Board's dividends as a reserve against possible future claims. At June 30, 2021, the cumulative amount held in escrow amounted to \$260,154. This amount is included on the Statement of Net Position with other receivables. During the current fiscal year, the Schools paid \$204,736 in workers' compensation claims.

General liability and other

The Schools carry commercial insurance for all other risks of loss, including theft, auto liability, physical damage, and general liability insurance. General liability and business automobile has a \$1,000,000 limit. Boiler and machinery coverage has a \$5,000,000 per accident limit and the blanket buildings and contents insurance has a \$207,000,000 limit. Crime coverage has a \$250,000 limit. The Schools maintain an additional \$5,000,000 umbrella policy over general liability. Total premiums for the current fiscal year were \$235,022.

There have been no significant reductions in insurance coverage since the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

(Continued)

DANVILLE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Note 9. Defined Benefit Pension Plan – School Nonprofessionals

**Plan Description**

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

**Employees Covered by Benefit Terms**

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

	<u>Members</u>
Inactive members or their beneficiaries currently receiving benefits	<u>47</u>
Inactive members:	
Vested inactive members	3
Non-vested inactive members	16
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	<u>25</u>
Active members	<u>66</u>
Total covered employees	<u><u>138</u></u>

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Defined Benefit Pension Plan – School Nonprofessionals (Continued)**

**Contributions**

The school division's contractually required contribution rate for the year ended June 30, 2021 was 4.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

Contributions to the pension plan from the school division were \$106,726 and \$90,525 for the years ended June 30, 2021 and June 30, 2020, respectively.

**Net Pension Liability**

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

**Actuarial Assumptions**

The total pension liability for General Employees in the school division's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

- \* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Defined Benefit Pension Plan – School Nonprofessionals (Continued)**

**Actuarial Assumptions (Continued)**

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

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.39	0.75
Real Assets	14.00	5.01	0.70
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00%		4.64
	Inflation		2.50
			<u>7.14%</u>
		*Expected arithmetic nominal return	

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 9. Defined Benefit Pension Plan – School Nonprofessionals (Continued)

##### Long-Term Expected Rate of Return (Continued)

The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

##### 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 member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, 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.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Defined Benefit Pension Plan – School Nonprofessionals (Continued)**

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
Balances at June 30, 2019	\$ 8,626,891	\$ 8,698,181	\$ (71,290)
Changes for the year:			
Service cost	204,705	-	204,705
Interest	566,894	-	566,894
Benefit changes	-	-	-
Differences between expected and actual experience	(185,806)	-	(185,806)
Assumption changes	-	-	-
Contributions – employer	-	72,809	(72,809)
Contributions – employee	-	107,505	(107,505)
Net investment income	-	164,621	(164,621)
Benefit payments, including refunds of employee contributions	(456,911)	(456,911)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(5,724)	5,724
Other changes	-	(193)	193
Net changes	128,882	(117,893)	246,775
Balances at June 30, 2020	\$ 8,755,773	\$ 8,580,288	\$ 175,485

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

The following presents the net pension liability of the school division using the discount rate of 6.75%, as well as what 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:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
School division's net pension liability (asset)	\$ 1,105,030	\$ 175,485	\$ (614,623)

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 9. Defined Benefit Pension Plan – School Nonprofessionals (Continued)**

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

For the year ended June 30, 2021, the school division recognized pension expense (benefit) of \$168,059. At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,244	\$ 120,611
Change in assumptions	65,976	-
Net difference between projected and actual earnings on pension plan investments	256,207	-
Employer contributions subsequent to the measurement date	106,726	-
Total	\$ 443,153	\$ 120,611

The \$106,726 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to Pension Expense</b>
2022	\$ 19,071
2023	25,863
2024	88,287
2025	82,595

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 9. Defined Benefit Pension Plan – School Nonprofessionals (Continued)

##### Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

##### Payables to the Pension Plan

At June 30, 2021, \$10,352 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

#### Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

##### General Information about the Teacher Cost Sharing Plan

###### *Plan Description*

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those referenced in Note 9.

###### *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 contribution rate for the year ended June 30, 2021 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$6,127,637 and \$5,856,953 for the years ended June 30, 2021 and June 30, 2020, respectively.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

At June 30, 2021, the school division reported a liability of \$61,422,269 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. For the year ended June 30, 2020, the school division's proportion was 0.4221% as compared to 0.4231% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$6,533,239. 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, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,600,291
Change in assumptions	4,192,840	-
Net difference between projected and actual earnings on pension plan investments	4,671,844	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,044,843	1,587,926
Employer contributions subsequent to the measurement date	6,127,637	-
Total	\$ 18,037,164	\$ 5,188,217

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

The \$6,127,637 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2022	\$ 92,914
2023	1,962,392
2024	2,787,165
2025	1,956,628
2026	(77,789)
Thereafter	-

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee Retirement Plan</b>
Total pension liability	\$ 51,001,855
Plan fiduciary net position	36,449,229
Employers’ net pension liability	\$ 14,552,626
Plan fiduciary net position as a percentage of the total pension liability	71.47%

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

**Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

*Net Pension Liability (Continued)*

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.

*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 of the school division 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:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
School division’s proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 90,120,263</u>	<u>\$ 61,422,269</u>	<u>\$ 37,685,400</u>

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

*Payables to the Pension Plan*

At June 30, 2021, \$229,050 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 11. Summary of VRS Pension Plans**

The Schools participate in two pension plans as described in Notes 9 and 10. Following is a summary of key pension-related financial statement elements lifted from those notes.

	<u><b>Governmental Activities</b></u>
<b>Deferred outflows of resources:</b>	
Difference between expected and actual experience	
VRS – nonprofessionals	\$ 14,244
Changes in assumptions	
VRS – nonprofessionals	65,976
VRS Teacher cost sharing plan	4,192,840
Net difference between projected and actual earnings on pension plan investments	
VRS – nonprofessionals	256,207
VRS teacher cost sharing plan	4,671,844
Changes in proportion and differences between employer contributions and proportionate share of contributions	
VRS Teacher cost sharing plan	3,044,843
Contributions subsequent to measurement date	
VRS – nonprofessionals	106,726
VRS Teacher cost sharing plan	6,127,637
	<u>\$ 18,480,317</u>
<b>Net pension liability:</b>	
VRS Teacher cost sharing plan	\$ 61,422,269
VRS – nonprofessionals	175,485
	<u>\$ 61,597,754</u>
<b>Deferred inflows of resources:</b>	
Difference between expected and actual experience	
VRS – nonprofessionals	\$ 120,611
VRS teacher cost sharing plan	3,600,291
Changes in proportion and related differences –	
VRS Teacher cost sharing plan	1,587,926
	<u>\$ 5,308,828</u>

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### **Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Schools also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

##### **Plan Descriptions**

###### Group Life Insurance Program

All full-time teachers and other employees are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

###### Teacher Employee Health Insurance Credit Program

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

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution – general employees	\$10,584
June 30, 2021 Contribution – teachers	\$201,102
June 30, 2020 Contribution – general employees	\$10,438
June 30, 2020 Contribution – teachers	\$198,344

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.</i>
Total rate:	1.21% of covered employee compensation.
June 30, 2021 Contribution	\$447,080
June 30, 2020 Contribution	\$448,252

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

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

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

Group Life Insurance Program

General Employees

June 30, 2021 proportionate share of liability	\$ 193,585
June 30, 2020 proportion	0.01160%
June 30, 2019 proportion	0.01151%
June 30, 2021 expense	\$ 11,796

Teachers

June 30, 2021 proportionate share of liability	\$ 3,036,948
June 30, 2020 proportion	0.18200%
June 30, 2019 proportion	0.18300%
June 30, 2021 expense	\$ 132,108

Teacher Health Insurance Credit Program

June 30, 2021 proportionate share of liability	\$ 5,557,631
June 30, 2020 proportion	0.42603%
June 30, 2019 proportion	0.42705%
June 30, 2021 expense	\$ 479,793

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

Group Life Insurance Program – General Employees

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,417	\$ 1,738
Change in assumptions	9,681	4,042
Net difference between projected and actual earnings on OPEB plan investments	5,815	-
Changes in proportion	20,914	2,202
Employer contributions subsequent to the measurement date	10,584	-
	<u>\$ 59,411</u>	<u>\$ 7,982</u>

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

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

Group Life Insurance Program – Teachers

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 194,792	\$ 27,277
Change in assumptions	151,882	63,413
Net difference between projected and actual earnings on OPEB plan investments	91,227	-
Changes in proportion	187,065	91,839
Employer contributions subsequent to the measurement date	201,102	-
	\$ 826,068	\$ 182,529

Teacher Health Insurance Credit Program

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 74,220
Change in assumptions	109,867	30,365
Net difference between projected and actual earnings on OPEB plan investments	24,629	-
Changes in proportion	366,462	183,348
Employer contributions subsequent to the measurement date	447,080	-
	\$ 948,038	\$ 287,933

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

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

The deferred outflows of resources related to OPEB resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>		
	<u>Group Life Insurance Program – General Employees</u>	<u>Group Life Insurance Program – Teachers</u>	<u>Teacher Health Insurance Credit Program</u>
2022	\$ 7,330	\$ 62,040	\$ 24,658
2023	8,972	87,803	27,100
2024	10,966	119,846	26,282
2025	10,515	135,360	39,526
2026	2,904	35,237	64,936
Thereafter	158	1,151	30,523

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Net OPEB Liabilities**

The net OPEB liabilities represent each program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>	<b>Teacher Employee HIC OPEB Plan</b>
Total OPEB Liability	\$ 3,523,937	\$ 1,448,676
Plan fiduciary net position	1,855,102	144,160
Employers’ net OPEB liability	1,668,835	1,304,516
Plan fiduciary net position as a percentage of total OPEB liability	52.64%	9.95%

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis.

**Discount Rate**

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%, because the expectation is that all future benefit payments will be funded by the Plans’ fiduciary net position.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liabilities of the Schools, as well as what the Schools’ net OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
GLI Net OPEB liability – general employees	\$ 254,482	\$ 193,585	\$ 144,130
GLI Net OPEB liability – teachers	3,992,301	3,036,948	2,261,112
Teacher HIC Net OPEB liability	6,221,189	5,557,631	4,993,655

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the OPEB Plan**

At June 30, 2021, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

• Group Life Insurance – general employees	\$	2,185
• Group Life Insurance – teachers		11,334
• Teacher Employee Health Insurance Credit		14,086

**Summary of OPEB Amounts**

Following is a summary of key financial statement elements lifted from the OPEB plans described above.

**Deferred outflows of resources**

OPEB contributions subsequent to measurement date:		
GLI – general employees	\$	10,584
GLI – teachers		201,102
HIC – teachers		447,080
Changes in proportion and related differences – cost sharing plans:		
GLI – general employees		20,914
GLI – teachers		187,065
HIC – teachers		366,462
Changes in assumptions		
GLI – general employees		9,681
GLI – teachers		151,882
HIC – teachers		109,867
Net difference between projected and actual earnings on OPEB plan investments:		
GLI – general employees		5,815
GLI – teachers		91,227
HIC – teachers		24,629
Difference between expected and actual experience:		
GLI – general employees		12,417
GLI – teachers		194,792
		\$ 1,833,517

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Summary of OPEB Amounts (Continued)**

<b>Net OPEB liability</b>	
GLI – general employees	\$ 193,585
GLI – teachers	3,036,948
HIC – teachers	5,557,631
	\$ 8,788,164
 <b>Deferred inflows of resources</b>	
Difference between expected and actual experience:	
GLI – general employees	\$ 1,738
GLI – teachers	27,277
HIC – teachers	74,220
Changes in assumptions	
GLI – general employees	4,042
GLI – teachers	63,413
HIC – teachers	30,365
Changes in proportion and related differences – cost sharing plans:	
GLI – general employees	2,202
GLI – teachers	91,839
HIC – teachers	183,348
	\$ 478,444

**Note 13. Entering Retirement In Phases Plan**

Effective January 1, 2007, the Schools replaced an existing early leave benefit plan with an Entering Retirement in Phases Plan (ERIP). ERIP is only available to individuals who were full-time employees on June 30, 2007. Each employee’s date of birth and years of full-time service as of July 1, 2007 determined that employee’s ERIP group. The benefits and requirements of each group were revised on July 16, 2015, and are now as follows:

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 13. Entering Retirement In Phases Plan (Continued)**

**ERIP Qualifications and Benefits by Group**

<b>Group</b>	<b>Qualifications For ERIP</b>	<b>Benefits Under ERIP</b>	<b>Requirements To Earn Benefits Under ERIP</b>	<b>Years After Initial Qualification Each Individual May Delay Taking ERIP</b>
A	Age 50+, 10+ years DPS (last 5 consecutive) and 25+ years VRS	4 years, 15% of final compensation	Work 15% no sick leave buy-out allowed	15 years, or July 1, 2008, whichever occurs later for an individual
B	Age 53+ and 15+ years DPS (last 5 consecutive)	3 years, 15% of final compensation	Work 15% no sick leave buy-out allowed	12 years
C	Age 55+ and 15+ years DPS (last 5 consecutive)	35 years, 15% of final compensation	Work 15%, no buy-out allowed	10 years
D	Age 55+ and 20+ years DPS (last 5 consecutive)	2 years, 10% of final compensation	Work 10%, no buy-out allowed	10 years

Prior to the July 16, 2015 revision, the plan allowed participants to use sick leave to “buy out” the work requirement. This created a future benefit for these individuals, i.e., a liability for the future payouts. The plan no longer allows new participants entering the plan (retiring) to use sick leave to eliminate the work requirement, thus effectively freezing the plan. The liability, with a calculated discount rate of 3.50%, was \$173,109 at June 30, 2021 and will continue to decline each year as participants who had retired and entered the plan prior to July 16, 2015 continue to receive their final pay-outs.

**Note 14. Commitments and Contingencies**

The Schools receive financial assistance from numerous federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability. In the opinion of the Schools’ management, no material refunds will be required as a result of expenditures disallowed (if any) by the grantor agencies.

The Schools are subject to occasional litigation in the course of business. At this time the Schools are unable to estimate the amount of loss, if any, that may occur from events during or subsequent to year end.

During May of 2021, the Schools executed an addendum to a five year operating lease that was entered into during October of 2019 for the administration building. The minimum yearly lease payments through the end of the term are \$280,560.

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 15. 403(b) Retirement Plan**

The Schools have a 403(b) retirement plan which covers substantially all employees. Under the plan, employees may elect to defer a portion of their compensation up to the maximum amount allowed by the *Internal Revenue Code*. The Schools have not elected to make any contributions to this plan on behalf of their employees.

**Note 16. Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Schools are bound to observe constraints imposed upon the use of the resources as presented below:

	<u>General Fund</u>	<u>Special Grants Fund</u>	<u>School Activity Fund</u>	<u>Textbooks Fund</u>	<u>Cafeteria Fund</u>	<u>Capital Projects Fund</u>
Fund balances:						
Nonspendable:						
Prepaid expenses	\$ 180,548	\$ -	\$ -	\$ -	\$ -	\$ -
Inventories	-	-	-	-	90,363	-
Total nonspendable	<u>180,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,363</u>	<u>-</u>
Assigned:						
Instructional services:						
General instruction	525,984	-	398,140	1,404,292	-	-
Support services:						
Administration, attendance, and health	985,542	-	-	-	-	-
Pupil transportation	65,755	-	-	-	-	-
Operations and maintenance	51,837	-	-	-	-	-
Operation of noninstructional services:						
Technology	5,528	-	-	-	-	-
Facilities	4,043	-	-	-	-	-
Total assigned	<u>1,638,689</u>	<u>-</u>	<u>398,140</u>	<u>1,404,292</u>	<u>-</u>	<u>-</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(696,790)</u>	<u>-</u>
Total fund balances	<u>\$ 1,819,237</u>	<u>\$ -</u>	<u>\$ 398,140</u>	<u>\$ 1,404,292</u>	<u>\$ (606,427)</u>	<u>\$ -</u>

(Continued)

**DANVILLE PUBLIC SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 17. Restatement**

In 2021 the Schools adopted GASB Statement No. 84, *Fiduciary Activities*. In accordance with this standard the School Activity funds, which previously were not included in these financial statements, are now reported as a special revenue fund. Fund balance and net position have been restated for the balance of those funds as of July 1, 2020, as follows:

	<b>School Activity Funds</b>	<b>Governmental Activities Net Position</b>
Beginning balance, as previously reported	\$ -	\$ (36,798,449)
Inclusion of School Activity funds	405,093	405,093
Beginning balance, as restated	\$ 405,093	\$ (36,393,356)

**Note 18. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95**, *Postponement of the Effective Dates of Certain Authoritative Guidance* due to the COVID-19 pandemic.

In June 2017, the GASB issued **Statement No. 87**, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 18. New Accounting Standards (Continued)

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. This Statement 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.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

(Continued)

## DANVILLE PUBLIC SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

#### Note 19. COVID-19 Uncertainty

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

The Schools’ operations are heavily dependent on the City’s ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the City received revenue during fiscal year 2021. As such, our financial condition and liquidity will be negatively impacted for the fiscal years 2021 and 2022.

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

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## DANVILLE PUBLIC SCHOOLS

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS –**  
**NONPROFESSIONAL EMPLOYEES**  
**June 30, 2021**

	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 204,705	\$ 190,357	\$ 174,350	\$ 186,119	\$ 189,058	\$ 186,876	\$ 212,808
Interest on total pension liability	566,894	552,528	546,294	519,760	529,082	525,413	494,905
Difference between expected and actual experience	(185,806)	48,564	(140,555)	116,563	(478,030)	(322,695)	-
Changes in assumptions	-	224,954	-	(71,319)	-	-	-
Benefit payments, including refunds of employee contributions	(456,911)	(565,540)	(416,515)	(327,611)	(418,969)	(255,375)	(288,413)
Net change in total pension liability	128,882	450,863	163,574	423,512	(178,859)	134,219	419,300
<b>Total pension liability – beginning</b>	<b>8,626,891</b>	<b>8,176,028</b>	<b>8,012,454</b>	<b>7,588,942</b>	<b>7,767,801</b>	<b>7,633,582</b>	<b>7,214,282</b>
<b>Total pension liability – ending</b>	<b>8,755,773</b>	<b>8,626,891</b>	<b>8,176,028</b>	<b>8,012,454</b>	<b>7,588,942</b>	<b>7,767,801</b>	<b>7,633,582</b>
<b>Plan Fiduciary Net Position</b>							
Contributions – employer	72,809	73,060	79,096	75,562	154,870	156,811	169,720
Contributions – employee	107,505	103,220	91,413	85,108	87,249	88,856	89,035
Net investment income	164,621	555,378	599,557	902,372	125,624	330,257	986,601
Benefit payments, including refunds of employee contributions	(456,911)	(565,540)	(416,515)	(327,611)	(418,969)	(255,375)	(288,413)
Administrative expenses	(5,724)	(5,785)	(5,276)	(5,271)	(4,691)	(4,474)	(5,283)
Other	(193)	(347)	(530)	(800)	(55)	(69)	52
Net change in plan fiduciary net position	(117,893)	159,986	347,745	729,360	(55,972)	316,006	951,712
<b>Plan fiduciary net position – beginning</b>	<b>8,698,181</b>	<b>8,538,195</b>	<b>8,190,450</b>	<b>7,461,090</b>	<b>7,517,062</b>	<b>7,201,056</b>	<b>6,249,344</b>
<b>Plan fiduciary net position – ending</b>	<b>8,580,288</b>	<b>8,698,181</b>	<b>8,538,195</b>	<b>8,190,450</b>	<b>7,461,090</b>	<b>7,517,062</b>	<b>7,201,056</b>
<b>Net pension liability (asset) – ending</b>	<b>\$ 175,485</b>	<b>\$ (71,290)</b>	<b>\$ (362,167)</b>	<b>\$ (177,996)</b>	<b>\$ 127,852</b>	<b>\$ 250,739</b>	<b>\$ 432,526</b>
Plan fiduciary net position as a percentage of total pension liability	98%	101%	104%	102%	98%	97%	94%
Covered payroll	\$ 2,370,974	\$ 2,249,743	\$ 1,927,099	\$ 1,763,226	\$ 1,788,926	\$ 2,145,082	\$ 1,778,846
Net pension liability as a percentage of covered payroll	7%	-3%	-19%	-10%	7%	12%	24%

The plan years above are reported in the Schools' financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the Schools' fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## DANVILLE PUBLIC SCHOOLS

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS –  
NONPROFESSIONAL EMPLOYEES  
June 30, 2021**

<b>School Division Fiscal Year Ended June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Schools – Nonprofessional Employees</b>					
2021	\$ 106,726	\$ 106,726	\$ -	\$ 2,508,185	4.26 %
2020	90,525	90,525	-	2,370,974	3.82
2019	86,013	86,013	-	2,249,743	3.82
2018	87,044	87,044	-	1,927,099	4.52
2017	75,562	75,562	-	1,763,226	4.29
2016	157,146	157,146	-	1,788,926	8.78
2015	157,999	157,999	-	2,145,082	7.37

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

The covered payroll amounts above are for the school division's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

## DANVILLE PUBLIC SCHOOLS

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY –**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2021**

<b>School Division Fiscal Year Ended June 30,</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2021	42.21 %	\$ 61,422,269	\$ 37,348,749	164.46 %	71.47 %
2020	42.31	55,684,997	35,879,963	155.20	73.51
2019	38.57	45,360,000	31,410,746	144.41	74.81
2018	39.64	48,745,000	31,339,331	155.54	72.92
2017	41.42	58,050,000	31,568,468	183.89	68.28
2016	42.64	53,666,000	32,356,641	165.86	70.68
2015	44.88	54,235,000	32,833,731	165.18	70.88

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

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the school division's fiscal year.

## DANVILLE PUBLIC SCHOOLS

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS –  
VRS TEACHER RETIREMENT PLAN  
June 30, 2021**

<b>School Division Fiscal Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2021	\$ 6,127,637	\$ 6,127,637	\$ -	\$ 36,937,510	16.59 %
2020	5,856,953	5,856,953	-	37,348,749	15.68
2019	5,611,419	5,611,419	-	35,879,963	15.64
2018	5,124,075	5,124,075	-	31,410,746	16.31
2017	4,510,278	4,510,278	-	31,339,331	14.39
2016	4,439,145	4,439,145	-	31,568,468	14.06
2015	4,596,302	4,596,302	-	32,356,641	14.21

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

The covered payroll amounts above are for the school division's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

## DANVILLE PUBLIC SCHOOLS

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**June 30, 2021**

<b>School Division</b>	<b>Employer's</b>	<b>Employer's</b>	<b>Employer's</b>	<b>Employer's</b>	<b>Plan Fiduciary</b>
<b>Fiscal Year</b>	<b>Proportion of</b>	<b>Share of the</b>	<b>Share of the</b>	<b>Proportionate</b>	<b>Net Position as</b>
<b>Ended June 30,</b>	<b>the Net OPEB</b>	<b>Net OPEB</b>	<b>Net OPEB</b>	<b>Share of the</b>	<b>a Percentage of</b>
<b></b>	<b>Liability</b>	<b>Liability</b>	<b>Liability</b>	<b>Share of the</b>	<b>the Total</b>
<b></b>	<b></b>	<b></b>	<b>Employer's</b>	<b>Net OPEB</b>	<b>OPEB Liability</b>
<b></b>	<b></b>	<b></b>	<b>Covered</b>	<b>Liability as a</b>	<b></b>
<b></b>	<b></b>	<b></b>	<b>Payroll</b>	<b>Percentage of</b>	<b></b>
<b></b>	<b></b>	<b></b>	<b></b>	<b>its Covered</b>	<b></b>
<b></b>	<b></b>	<b></b>	<b></b>	<b>Payroll</b>	<b></b>
<b>Virginia Retirement System – Health Insurance Credit – Teachers</b>					
2021	0.4260 %	\$ 5,557,631	\$ 37,348,749	14.88 %	9.95 %
2020	0.4271	5,590,000	35,879,963	15.58	8.97
2019	0.3883	4,930,000	31,410,746	15.70	8.08
2018	0.4000	5,040,000	31,339,331	16.08	7.04
<b>Virginia Retirement System – Group Life Insurance – General Employees</b>					
2021	0.0116 %	\$ 193,585	\$ 2,370,974	8.16 %	52.64 %
2020	0.0115	187,000	2,249,743	8.31	52.00
2019	0.0102	154,000	1,927,099	7.99	51.22
2018	0.0096	145,000	1,763,226	8.22	48.86
<b>Virginia Retirement System – Group Life Insurance – Teachers</b>					
2021	0.1820 %	\$ 3,036,948	\$ 37,348,749	8.13 %	52.64 %
2020	0.1830	2,978,000	35,879,963	8.30	52.00
2019	0.1657	2,517,000	31,410,746	8.01	51.22
2018	0.1703	2,564,000	31,339,331	8.18	48.86

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

## DANVILLE PUBLIC SCHOOLS

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**June 30, 2021**

<u>School Division</u> <u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions</u> <u>in Relation to</u> <u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Employer's</u> <u>Covered</u> <u>Payroll</u>	<u>Contributions</u> <u>as a Percentage</u> <u>of Covered</u> <u>Payroll</u>
<b>Virginia Retirement System – Health Insurance Credit – Teachers</b>					
2021	\$ 447,080	\$ 447,080	\$ -	\$ 36,937,510	1.21 %
2020	448,252	448,252	-	37,348,749	1.20
2019	429,856	429,856	-	35,879,963	1.20
2018	386,288	386,288	-	31,410,746	1.23
<b>Virginia Retirement System – Group Life Insurance – General Employees</b>					
2021	\$ 10,584	\$ 10,584	\$ -	\$ 2,508,185	0.42 %
2020	10,438	10,438	-	2,370,974	0.44
2019	9,978	9,978	-	2,249,743	0.44
2018	8,733	8,733	-	1,927,099	0.45
<b>Virginia Retirement System – Group Life Insurance – Teachers</b>					
2021	\$ 201,102	\$ 201,102	\$ -	\$ 36,937,510	0.54 %
2020	198,344	198,344	-	37,348,749	0.53
2019	189,587	189,587	-	35,879,963	0.53
2018	165,932	165,932	-	31,410,746	0.53

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

## DANVILLE PUBLIC SCHOOLS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2021

#### Note 1. Changes of Benefit Terms

##### Other Postemployment Benefits (OPEB)

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

#### Note 2. Changes of Assumptions

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

##### Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

# **COMPLIANCE SECTION**

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**INDEPENDENT AUDITOR’S 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  
Danville Public Schools  
Danville, Virginia

We have audited, 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, the financial statements of the governmental activities and each major fund of Danville Public Schools (the “Schools”), a component unit of the City of Danville, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated February 10, 2022.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2021-001 that we consider to be a material weakness.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses, as item 2021-002.**

## School's Response to Findings

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

## Purpose of this Report

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
February 10, 2022

**DANVILLE PUBLIC SCHOOLS**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2021**

As more fully described in the Independent Auditor’s 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*, we performed tests of the Schools’ compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Procurement Laws

*State Agency Requirements*

Education  
Virginia Retirement System

**DANVILLE PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2021**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2021-001: Cafeteria Adjustment (Material Weakness)**

*Condition:*

The May State reimbursement for meals was not recorded as a receivable or revenue in the cafeteria fund.

*Recommendation:*

We recommend controls be implemented to ensure that all receivables and revenue are appropriately recorded at the end of the period. This should include monitoring of reimbursements be made by parties outside of School Nutrition.

*Managements Response:*

To address this, School Nutrition sends copies of the monthly reimbursements filed to the Finance Department. Finance is tracking the amounts to make sure we receive the reimbursement information from School Nutrition in a timely manner. Finance is also tracking that payments are received from the VDOE in a timely manner.

**B. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2021-002: Commonwealth of Virginia Disclosure Statements**

*Condition:*

School Council officials did not file their statements of economic interest as required by the *Code of Virginia* by the January 31, 2021 deadline.

*Recommendation:*

Steps should be taken to ensure that these statements are filed and in a timely manner.

*Managements Response:*

To address this the clerk of the Board has given her contact information to the Ethics Advisory Council. The clerk will receive any notices of requirements that the Ethics Advisory Council forwards to clerks of the Board for disclosure statements. The clerk will contact all parties involved to ensure filings are made on time. Copies of disclosure statements will be kept on file at DPS.