

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2021

THE SCHOOL BOARD OF THE CITY OF FRANKLIN
(A Component Unit of the City of Franklin, Virginia)
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Financial Report
Year Ended June 30, 2021

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

BOARD MEMBERS

Robert Holt, Ward 1
Amy L. Phillips, Ward 2
Tonya Smith, Ward 3
Marchelle F. Williams, Ward 4

Andrea Shelton, Ward 5
Jerry McCreary, Ward 6
Carrie Johnson, At Large

ADMINISTRATIVE/FISCAL OFFICERS

Tamara Sterling, Superintendent of Schools
Jeffrey Ryder, Assistant Superintendent of Operations
Angela Edwards, Finance Specialist

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the School Board of the City of Franklin, Virginia, a component unit of the City of Franklin, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School Board of the City of Franklin, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School Board of City of Franklin, Virginia, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2021, the School Board of City of Franklin, Virginia, adopted new accounting guidance, GASB Statement Nos. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2021, the School Board of City of Franklin, Virginia, restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding progress on pages 79-80 and 81-100, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

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

Supplementary Information (Continued)

Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, on our consideration of the School Board of City of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School Board of the City of Franklin, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board of the City of Franklin, Virginia's internal control over financial reporting and compliance.

Robinson, Farnum, Cox Associates

Richmond, Virginia
October 25, 2021

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Exhibit 1

Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,166,824
Receivables (net of allowance for uncollectibles):	
Accounts receivable	44,882
Inventory	31,116
Due from other governmental units	655,864
Prepaid items	22,000
Net pension asset	234,815
Capital assets (net of accumulated depreciation):	
Land improvements	94,379
Buildings	5,566,284
Machinery and equipment	2,998,656
Infrastructure	4,134,646
Construction in progress	463,710
	<u>16,413,176</u>
Total assets	\$ <u>16,413,176</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 2,677,381
OPEB related items	276,395
	<u>2,953,776</u>
Total deferred outflows of resources	\$ <u>2,953,776</u>
LIABILITIES	
Accounts payable	\$ 416,603
Accrued liabilities	950,514
Long-term liabilities:	
Due within one year	156,326
Due in more than one year	13,804,772
	<u>15,328,215</u>
Total liabilities	\$ <u>15,328,215</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 2,930,820
OPEB related items	604,067
	<u>3,534,887</u>
Total deferred inflows of resources	\$ <u>3,534,887</u>
NET POSITION	
Net investment in capital assets	\$ 11,998,714
Restricted for:	
Net pension asset	234,815
Unrestricted	(11,729,679)
	<u>503,850</u>
Total net position	\$ <u>503,850</u>

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

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

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 10,041,891	\$ 3,650	\$ 10,937,059	\$ -	\$ 898,818
Administration, attendance and health	1,476,669	-	-	-	(1,476,669)
Pupil transportation	392,034	-	-	-	(392,034)
Operation and maintenance	2,312,744	-	-	-	(2,312,744)
Food services	1,243,433	6,118	1,344,272	-	106,957
Technology	553,800	-	-	-	(553,800)
Interest on long-term debt	50,006	-	-	-	(50,006)
Total governmental activities	\$ 16,070,577	\$ 9,768	\$ 12,281,331	\$ -	\$ (3,779,478)
General revenues:					
Unrestricted revenues from use of money and property				\$	14
Miscellaneous					333,077
Payment from City of Franklin					4,830,237
Total general revenues				\$	5,163,328
Change in net position				\$	1,383,850
Net position - beginning, as restated					(880,000)
Net position - ending				\$	503,850

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

FUND FINANCIAL STATEMENTS

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

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2021

	<u>School Operating</u>	<u>Cafeteria</u>	<u>Textbook</u>	<u>School Activity Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 1,337,686	\$ 564,497	\$ 172,767	\$ 91,874	\$ 2,166,824
Receivables (net of allowance for uncollectibles):					
Accounts receivable	34,642	10,072	168	-	44,882
Due from other funds	-	1,725	82,094	-	83,819
Prepaid items	22,000	-	-	-	22,000
Inventory	-	31,116	-	-	31,116
Due from other governmental units	595,122	60,742	-	-	655,864
Total assets	<u>\$ 1,989,450</u>	<u>\$ 668,152</u>	<u>\$ 255,029</u>	<u>\$ 91,874</u>	<u>\$ 3,004,505</u>
LIABILITIES					
Accounts payable	\$ 386,217	\$ 30,386	\$ -	\$ -	\$ 416,603
Accrued liabilities	887,493	63,021	-	-	950,514
Due to other funds	83,819	-	-	-	83,819
Total liabilities	<u>\$ 1,357,529</u>	<u>\$ 93,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,450,936</u>
FUND BALANCE					
Nonspendable:					
Prepaid items	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000
Inventory	-	31,116	-	-	31,116
Assigned:					
Education	-	543,629	255,029	91,874	890,532
Unassigned	609,921	-	-	-	609,921
Total fund balances	<u>\$ 631,921</u>	<u>\$ 574,745</u>	<u>\$ 255,029</u>	<u>\$ 91,874</u>	<u>\$ 1,553,569</u>
Total liabilities and fund balances	<u>\$ 1,989,450</u>	<u>\$ 668,152</u>	<u>\$ 255,029</u>	<u>\$ 91,874</u>	<u>\$ 3,004,505</u>

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

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

Exhibit 4

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,553,569
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. The
amounts reported below are net of accumulated depreciation.

Land improvements	\$	94,379	
Buildings		5,566,284	
Machinery and equipment		2,998,656	
Infrastructure		4,134,646	
Construction in progress		<u>463,710</u>	13,257,675

The net pension asset is not an available resource and, therefore, is and, not reported in the funds - Nonprofessional group			234,815
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Deferred outflows of resources are not available to pay for current period
expenditures and, therefore, are not reported in the funds.

Pension related items	\$	2,677,381	
OPEB related items		<u>276,395</u>	2,953,776

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

Net pension liability	\$	(10,477,891)	
Capital lease		(1,258,961)	
Compensated absences		(268,167)	
Net OPEB liabilities		<u>(1,956,079)</u>	(13,961,098)

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

Pension related items	\$	(2,930,820)	
OPEB related items		<u>(604,067)</u>	<u>(3,534,887)</u>

Net position of governmental activities			\$ <u><u>503,850</u></u>
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The notes to financial statements are an integral part of this statement.

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

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	School Operating	Cafeteria	Textbook	School Activity Funds	Total
REVENUES					
Revenue from the use of					
money and property	\$ -	\$ -	\$ 14	\$ -	\$ 14
Charges for services	3,650	6,118	-	-	9,768
Miscellaneous	176,367	12,079	-	144,631	333,077
Intergovernmental:					
Local government	4,830,237	-	-	-	4,830,237
Commonwealth	8,696,032	15,326	-	-	8,711,358
Federal	2,241,027	1,328,946	-	-	3,569,973
Total revenues	<u>\$ 15,947,313</u>	<u>\$ 1,362,469</u>	<u>\$ 14</u>	<u>\$ 144,631</u>	<u>\$ 17,454,427</u>
EXPENDITURES					
Current:					
Education:					
Instruction	\$ 10,681,753	\$ -	\$ 47,577	\$ 178,691	\$ 10,908,021
Administration, attendance and health	1,414,911	-	-	-	1,414,911
Pupil transportation	413,112	-	-	-	413,112
Operations and maintenance	2,477,744	-	-	-	2,477,744
Food services	-	1,186,764	-	-	1,186,764
Technology	797,401	-	-	-	797,401
Debt service:					
Principal retirement	119,399	-	-	-	119,399
Interest and other fiscal charges	50,006	-	-	-	50,006
Total expenditures	<u>\$ 15,954,326</u>	<u>\$ 1,186,764</u>	<u>\$ 47,577</u>	<u>\$ 178,691</u>	<u>\$ 17,367,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,013)</u>	<u>\$ 175,705</u>	<u>\$ (47,563)</u>	<u>\$ (34,060)</u>	<u>\$ 87,069</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 76,330	\$ -	\$ 76,330
Transfers out	<u>(76,330)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,330)</u>
Total other financing sources (uses)	<u>\$ (76,330)</u>	<u>\$ -</u>	<u>\$ 76,330</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (83,343)	\$ 175,705	\$ 28,767	\$ (34,060)	\$ 87,069
Fund balances - beginning, as restated	<u>715,264</u>	<u>399,040</u>	<u>226,262</u>	<u>125,934</u>	<u>1,466,500</u>
Fund balances - ending	<u><u>\$ 631,921</u></u>	<u><u>\$ 574,745</u></u>	<u><u>\$ 255,029</u></u>	<u><u>\$ 91,874</u></u>	<u><u>\$ 1,553,569</u></u>

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

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	87,069
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	1,289,915	
Depreciation		<u>(933,229)</u>	356,686

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal paid on capital lease			119,399
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in pension related items	\$	699,506	
Change in OPEB related items		159,759	
Change in compensated absences		<u>(38,569)</u>	<u>820,696</u>

Change in net position of governmental activities			\$ <u><u>1,383,850</u></u>
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The notes to financial statements are an integral part of this statement.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021

Note 1—Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit - The School Board has no blended component units to be included for the fiscal year ended June 30, 2021.

Discretely Presented Component Unit - The School Board has no discretely presented component units to be included for the fiscal year ended June 30, 2021.

C. Other Related Organizations

Included in the School Board’s Financial Report

None

Excluded from the School Board’s Financial Report

None

D. Financial Statement Presentation

Government-wide and Fund Financial Statements

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

D. Financial Statement Presentation: (Continued)

Government-wide and Fund Financial Statements: (Continued)

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

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

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

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

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

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

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

1. Governmental Funds

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

The School Board reports the following governmental funds:

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

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

1. Governmental Funds (Continued)

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

F. Budgets and Budgetary Accounting

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

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

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

G. Cash and Cash Equivalents

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

H. Investments

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

I. Receivables and Payables

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

J. Inventory

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

K. Prepaid Items

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

L. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	20-50
Infrastructure	10-30
Machinery and equipment	3-50

M. Accrued Liabilities

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

N. Unearned Revenue

Revenue from grants is recognized when the related expenditure is made. Amounts received for various grant programs for which expenditures have not been made are recorded as unearned revenue. There is no unearned revenue as of June 30, 2021.

O. Compensated Absences

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

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

P. Long-term Obligations

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

Q. Reversion of Unused Appropriation to City of Franklin

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

R. Use of Estimates

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

S. Deferred Outflows/Inflows of Resources

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

S. Deferred Outflows/Inflows of Resources (Continued)

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

T. Pensions

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

U. Other Postemployment Benefits (OPEB)

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

V. Net Position

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

W. Net Position Flow Assumption

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

X. Fund Balance

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

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

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

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

Note 2—Deposits:

Deposits

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 2—Deposits: (Continued)

Investments

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

The School Board had no investments at June 30, 2021.

Note 3—Due from Other Governmental Units:

Amounts due from other governments consist principally of cost reimbursements due from the Commonwealth of Virginia and from federal and state grants. Such amounts are generally received in the succeeding month. The following is a summary of amounts due from other governments at June 30, 2021:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
School Operating Fund:			
CARES Act ESSERF	\$ 202,773	\$ -	\$ 202,773
Title I	102,319	-	102,319
Special Education Cluster	66,287	-	66,287
Vocational education	39,039	-	39,039
Title II-A	15,584	-	15,584
Other federal funds	24,409	-	24,409
Sales Tax	-	144,711	144,711
School Operating Fund Total	<u>\$ 450,411</u>	<u>\$ 144,711</u>	<u>\$ 595,122</u>
Special Revenue Fund-Cafeteria	<u>60,742</u>	<u>-</u>	<u>60,742</u>
Total	<u>\$ 511,153</u>	<u>\$ 144,711</u>	<u>\$ 655,864</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 4—Capital Assets:

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

	Restated Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
School Board:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 463,710	\$ -	\$ 463,710
Total capital assets not being depreciated	\$ -	\$ 463,710	\$ -	\$ 463,710
Capital assets being depreciated:				
Land improvements	\$ 233,365	\$ -	\$ -	\$ 233,365
Buildings	13,558,233	-	-	13,558,233
Infrastructure	5,081,378	294,936	-	5,376,314
Machinery and equipment	7,625,549	531,269	-	8,156,818
Total capital assets being depreciated	\$ 26,498,525	\$ 826,205	\$ -	\$ 27,324,730
Accumulated depreciation:				
Land improvements	\$ 130,499	\$ 8,487	\$ -	\$ 138,986
Buildings	7,765,799	226,150	-	7,991,949
Infrastructure	1,133,186	108,482	-	1,241,668
Machinery and equipment	4,568,052	590,110	-	5,158,162
Total accumulated depreciation	\$ 13,597,536	\$ 933,229	\$ -	\$ 14,530,765
Total capital assets being depreciated, net	\$ 12,900,989	\$ (107,024)	\$ -	\$ 12,793,965
School Board capital assets, net	\$ 12,900,989	\$ 356,686	\$ -	\$ 13,257,675

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 5—Long-term Obligations:

The following is a summary of changes in long-term obligations transactions for fiscal year ending June 30, 2021:

	Balance July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2021	Amounts Payable Within One Year
Compensated absences	\$ 229,598	\$ 154,742	\$ 116,173	\$ 268,167	\$ 26,817
Net pension liability	10,511,346	4,707,258	4,740,713	10,477,891	-
Net OPEB liabilities	2,230,334	539,122	813,377	1,956,079	-
Capital lease	1,378,360	-	119,399	1,258,961	129,509
Total	<u>\$ 14,349,638</u>	<u>\$ 5,401,122</u>	<u>\$ 5,789,662</u>	<u>\$ 13,961,098</u>	<u>\$ 156,326</u>

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

Year Ending June 30,	Capital Lease	
	Principal	Interest
2022	\$ 129,509	\$ 44,978
2023	140,188	39,534
2024	151,462	33,651
2025	163,363	27,304
2026	175,919	20,468
2027	189,163	13,115
2028	203,127	5,219
2029	106,230	5
Total	<u>\$ 1,258,961</u>	<u>\$ 184,274</u>

Capital Lease:

\$1,633,726 obligation for energy efficient equipment, issued January 1, 2018 payable in varying quarterly installments through December 6, 2028, interest at 4.01%.

Amount Outstanding
<u>\$ 1,258,961</u>
<u>\$ 1,258,961</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 6—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of energy efficient equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government
Capital Assets:	
Equipment	\$ 1,611,395
Less: accumulated depreciation	(438,418)
	<u>1,172,977</u>
Total net capital assets	<u>\$ 1,172,977</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2021, are as follows:

Year Ended June 30	Primary Government
2022	\$ 174,487
2023	179,722
2024	185,113
2025	190,667
2026	196,387
2027	202,278
2028	208,346
2029	106,235
Total minimum lease payments	\$ 1,443,235
Less: amount representing interest	(184,274)
Present value of minimum lease payments	<u>\$ 1,258,961</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 7—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Component Unit-School Board:		
School Operating	\$ -	\$ 76,330
Textbook	76,330	-
	<u>76,330</u>	<u>-</u>
Total	\$ <u>76,330</u>	\$ <u>76,330</u>

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

Note 8—Due From/To Other Funds:

Interfund receivable and payable balances related to working capital loans at June 30, 2021 are presented below:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Due to/from other funds:		
School Operating	\$ -	\$ 83,819
Cafeteria	1,725	-
Textbook	82,094	-
	<u>83,819</u>	<u>-</u>
Total	\$ <u>83,819</u>	\$ <u>83,819</u>

Note 9—Pension Plan:

Plan Description

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

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

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

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:

	School Board (nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	14
Inactive members:	
Vested inactive members	1
Non-vested inactive members	7
Inactive members active elsewhere in VRS	6
Total inactive members	14
Active members	19
Total covered employees	47

Contributions

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

The School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 was 0.63% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board's nonprofessional employees were \$4,833 and \$24,409 for the years ended June 30, 2021 and June 30, 2020, respectively.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Net Pension Liability (Asset)

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The School Board's (nonprofessional) net pension asset was measured as of June 30, 2020. The total pension liabilities used to calculate the net pension assets were determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions - General Employees

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

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

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

Actuarial Assumptions - General Employees:

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset 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%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 1,946,536	\$ 1,971,613	\$ (25,077)
Changes for the year:			
Service cost	\$ 38,741	\$ -	\$ 38,741
Interest	129,027	-	129,027
Differences between expected and actual experience	(298,266)	-	(298,266)
Contributions - employer	-	21,147	(21,147)
Contributions - employee	-	21,812	(21,812)
Net investment income	-	37,605	(37,605)
Benefit payments, including refunds	(70,058)	(70,058)	-
Administrative expenses	-	(1,279)	1,279
Other changes	-	(45)	45
Net changes	\$ (200,556)	\$ 9,182	\$ (209,738)
Balances at June 30, 2020	\$ 1,745,980	\$ 1,980,795	\$ (234,815)

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board (nonprofessional) Net Pension Liability (Asset)	\$ (54,562)	\$ (234,815)	\$ (388,120)

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

For the year ended June 30, 2021, the School Board (nonprofessional) recognized pension expense of \$(43,300). At June 30, 2021, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,381	\$ 186,973
Change in assumptions	7,369	-
Net difference between projected and actual earnings on pension plan investments	59,563	-
Employer contributions subsequent to the measurement date	4,833	-
Total	<u>\$ 79,146</u>	<u>\$ 186,973</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

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

\$4,833 reported as deferred outflows of resources related to pensions resulting from the School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>School Board (nonprofessional)</u>
2022	\$ (95,423)
2023	(56,737)
2024	20,596
2025	18,904
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <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.

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,086,028 and \$993,784 for the years ended June 30, 2021 and June 30, 2020, respectively.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

At June 30, 2021, the school division reported a liability of \$10,477,891 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.07200% as compared to 0.07987% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$393,605. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 614,165
Change in assumptions	715,247	-
Net difference between projected and actual earnings on pension plan investments	796,960	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,129,682
Employer contributions subsequent to the measurement date	<u>1,086,028</u>	<u>-</u>
Total	<u>\$ 2,598,235</u>	<u>\$ 2,743,847</u>

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

\$1,086,028 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (686,300)
2023	(370,161)
2024	(126,209)
2025	6,403
2026	(55,373)

Actuarial Assumptions

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

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

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2021; 115% of rates for males and females.

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

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Net Pension Liability

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

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employers' Net Pension Liability (Asset)	\$	<u>14,552,626</u>

Plan Fiduciary Net Position as a Percentage
of the Total Pension Liability 71.47%

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

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

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

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

	<u>Rate</u>		
	<u>1% Decrease (5.75%)</u>	<u>Current Discount (6.75%)</u>	<u>1% Increase (7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 15,373,419	\$ 10,477,891	\$ 6,428,670

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Pension Plan Fiduciary Net Position

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

Primary Government and Component Unit School Board

Aggregate Pension Information

	School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	\$ 79,146	\$ 186,973	\$ (234,815)	\$ (43,300)
School Board Professional	2,598,235	2,743,847	10,477,891	393,605
Totals	<u>\$ 2,677,381</u>	<u>\$ 2,930,820</u>	<u>\$ 10,243,076</u>	<u>\$ 350,305</u>

Note 10—Commitments and Contingencies:

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

Note 11—Risk Management:

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 12—Litigation:

At June 30, 2021, there were no matters of litigation involving the School Board which would materially affect the School Board's financial position should any court decisions on pending matters not be favorable to such entities.

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$2,928 and \$2,523 for the years ended June 30, 2021 and June 30, 2020, respectively, for the School Board (nonprofessional); and \$37,337 and \$33,023 for the years ended June 30, 2021 and June 30, 2020, respectively, for the School Board (professional).

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

At June 30, 2021, liabilities of \$39,385 and \$515,003 were reported for School Board (nonprofessional) and School Board (professional), respectively, for the proportionate shares of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .00236% and .03086% as compared to .00227% and .03466% at June 30, 2019, for School Board (nonprofessional) and School Board (professional), respectively.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$2,013 and (\$10,129) for School Board (nonprofessional) and School Board (professional), respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
School Board (nonprofessional)		
Differences between expected and actual experience	\$ 2,526	\$ 354
Net difference between projected and actual earnings on GLI OPEB program investments	1,183	-
Change in assumptions	1,970	822
Changes in proportionate share	2,233	-
Employer contributions subsequent to the measurement date	<u>2,928</u>	<u>-</u>
Total	<u>\$ 10,840</u>	<u>\$ 1,176</u>
School Board (professional)		
Differences between expected and actual experience	\$ 33,033	\$ 4,625
Net difference between projected and actual earnings on GLI OPEB program investments	15,470	-
Change in assumptions	25,756	10,754
Changes in proportionate share	-	122,560
Employer contributions subsequent to the measurement date	<u>37,337</u>	<u>-</u>
Total	<u>\$ 111,596</u>	<u>\$ 137,939</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

\$2,928 and \$37,337, for School Board (nonprofessional) and School Board (professional), respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>School Board (nonprofessional)</u>	<u>School Board (professional)</u>
2022	\$ 1,104	\$ (22,011)
2023	1,438	(17,642)
2024	1,743	(11,675)
2025	1,757	(3,196)
2026	622	(7,319)
Thereafter	72	(1,837)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Comprehensive Annual Financial Report.

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; 115% of rates for males and females.

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

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

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 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 GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board (nonprofessional) proportionate share of the GLI Program Net OPEB Liability	\$ 51,774	\$ 39,385	\$ 29,324
School Board (professional) proportionate share of the GLI Program Net OPEB Liability	677,011	515,003	383,438

GLI Plan Fiduciary Net Position

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

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

Plan Description

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

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

Plan Description (Continued)

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>-</u>
Active members	19
Total covered employees	<u><u>25</u></u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School’s contractually required employer contribution rate for the year ended June 30, 2021 was 0.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School to the HIC Plan were \$860 and \$825 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset 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%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 36,695	\$ 33,626	\$ 3,069
Changes for the year:			
Service cost	\$ 578	\$ -	\$ 578
Interest	2,381	-	2,381
Benefit changes	1,875	-	1,875
Differences between expected and actual experience	(3,047)	-	(3,047)
Contributions - employer	-	825	(825)
Net investment income	-	660	(660)
Benefit payments	(2,856)	(2,856)	-
Administrative expenses	-	(61)	61
Net changes	\$ (1,069)	\$ (1,432)	\$ 363
Balances at June 30, 2020	\$ 35,626	\$ 32,194	\$ 3,432

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's Net HIC OPEB Liability	\$ 6,491	\$ 3,432	\$ 592

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

For the year ended June 30, 2021, the School Board recognized HIC Plan OPEB expense of \$2,476. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board’s HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 732	\$ 2,442
Net difference between projected and actual earnings on HIC OPEB plan investments	1,050	-
Change in assumptions	423	169
Employer contributions subsequent to the measurement date	860	-
Total	<u>\$ 3,065</u>	<u>\$ 2,611</u>

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

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

\$860 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2022	\$ (200)
2023	180
2024	(66)
2025	(298)
2026	(22)
Thereafter	-

HIC Plan Data

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$82,682 and \$76,055 for the years ended June 30, 2021 and June 30, 2020, respectively.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

At June 30, 2021, the school division reported a liability of \$943,035 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Plan was .07230% as compared to .08044% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$29,832. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 12,594
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	4,179	-
Change in assumptions	18,642	5,152
Change in proportionate share	-	250,202
Employer contributions subsequent to the measurement date	<u>82,682</u>	<u>-</u>
Total	<u>\$ 105,503</u>	<u>\$ 267,948</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

\$82,682 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	(47,396)
2023		(46,982)
2024		(47,121)
2025		(44,398)
2026		(33,409)
Thereafter		(25,821)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; 115% of rates for males and females.

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

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

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

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,055,629	\$ 943,035	\$ 847,338

Teacher Employee HIC OPEB Fiduciary Net Position

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

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

VLDP Notes

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

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Notes to Financial Statements
At June 30, 2021 (Continued)

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

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision’s contractually required employer contribution rate for the year ended June 30, 2021 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Political Subdivision VDLP were \$2,787 and \$1,765 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the School reported a liability of \$657 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2020 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The School Board’s proportion of the Net VLDP OPEB Liability was based on the School Board’s actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the School Board’s proportion of the VLDP was 0.0658% as compared to 0.06310% at June 30, 2019.

For the year ended June 30, 2021, the School Board recognized VLDP OPEB expense of \$1,895. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 532	\$ 771
Net difference between projected and actual earnings on VLDP OPEB program investments	70	-
Change in assumptions	30	44
Changes in proportionate share	26	-
Employer contributions subsequent to the measurement date	<u>2,787</u>	<u>-</u>
Total	<u>\$ 3,445</u>	<u>\$ 815</u>

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Notes to Financial Statements
At June 30, 2021 (Continued)

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

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

\$2,787 reported as deferred outflows of resources related to the VLDP OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	66
2023		64
2024		66
2025		60
2026		(86)
Thereafter		(327)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

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

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$ 4,317
Plan Fiduciary Net Position	3,317
Political Subdivision VLDP Net OPEB Liability (Asset)	<u>\$ 1,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	76.84%

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 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 VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by the School Board for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

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

Discount Rate: (Continued)

Based on those assumptions, the VLDP OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School Board (nonprofessional)’s proportionate share of the VLDP Net OPEB Liability	\$	881	\$ 657	\$ 462

VLDP OPEB Fiduciary Net Position

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

Note 17—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan):

Plan Description

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 17—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

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

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

VLDP Notes

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

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 0.47% of covered employee compensation for employees in the VRS Teacher VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee VLDP were \$14,473 and \$10,203 for the years ended June 30, 2021 and June 30, 2020, respectively.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 17—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

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

At June 30, 2021, the school division reported a liability of \$3,375 for its proportionate share of the Teacher VLDP Net OPEB Liability. The Net Teacher VLDP OPEB Liability was measured as of June 30, 2020 and the total Teacher VLDP OPEB liability used to calculate the Net Teacher VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Teacher VLDP OPEB Liability was based on the school division's actuarially determined employer contributions to the Teacher VLDP OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the Teacher VLDP was 0.42070% as compared to 0.054769% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized Teacher VLDP OPEB expense of \$9,085. Since there was a change in proportionate share between measurement dates a portion of the Teacher VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the Teacher VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,596	\$ 261
Net difference between projected and actual earnings on Teacher VLDP OPEB program investments	364	-
Change in assumptions	379	-
Changes in proportionate share	-	1,163
Employer contributions subsequent to the measurement date	<u>14,473</u>	<u>-</u>
Total	<u>\$ 16,812</u>	<u>\$ 1,424</u>

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Notes to Financial Statements
At June 30, 2021 (Continued)

Note 17—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

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

\$14,473 reported as deferred outflows of resources related to the Teacher VLDP OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher VLDP OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher VLDP OPEB will be recognized in the Teacher VLDP OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	110
2023		101
2024		98
2025		102
2026		12
Thereafter		492

Actuarial Assumptions

The total Teacher VLDP OPEB liability for the Teacher VLDP was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 17—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 17—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Net Teacher VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher VLDP represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher VLDP is as follows (amounts expressed in thousands):

	Teacher VLDP OPEB Plan
Total Teacher VLDP OPEB Liability	\$ 3,687
Plan Fiduciary Net Position	2,886
Teacher VLDP Net OPEB Liability (Asset)	<u>\$ 801</u>

Plan Fiduciary Net Position as a Percentage of the
Total Teacher VLDP OPEB Liability 78.28%

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

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THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 17—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset 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%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS- Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 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 Teacher VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the Teacher VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 17—Teacher Virginia Local Disability Program (VLDP) (OPEB Plan): (Continued)

Discount Rate (Continued)

rates. Based on those assumptions, the Teacher VLDP OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher VLDP OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the Teacher VLDP Net OPEB Liability	\$ 5,255	\$ 3,375	\$ 1,753

Teacher VLDP OPEB Fiduciary Net Position

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

Note 18—Health Insurance (Single-employer Defined Benefit Plan)

Plan Description

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

Benefits Provided

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 18—Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Plan Membership

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

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

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The School Board did not make any payments for OPEB and related benefits were not due during the year ended June 30, 2021.

Total OPEB Liability

The School Board's total OPEB liabilities were measured as of July 1, 2020. The total OPEB liabilities were determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Healthcare Cost Trend Rates	6.70% for FY2021, graded down to 4.00% over 53 years
Salary Increases	2.50%
Discount Rate	2.16%

Discount Rate

The discount rate has been set equal to 2.16% and represents the 20-year tax-exempt municipal bond yield as of July 1, 2020.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 18—Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Changes in Total OPEB Liability

Changes in Total OPEB Liability	
	<u>Total OPEB Liability</u>
Balances at June 30, 2020	\$ 568,814
Changes for the year:	
Service cost	\$ 32,279
Interest	12,796
Effect of economic/demographic gains (losses)	(126,384)
Changes in assumptions	8,129
Benefit payments	(44,442)
Net changes	\$ (117,622)
Balances at June 30, 2021	\$ 451,192

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (2.16%) than the current discount rate:

Rate		
1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
\$ 481,858	\$ 451,192	\$ 421,738

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

The following presents the total OPEB liabilities of the School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate used of 6.70%:

Rates		
1% Decrease (5.70%)	Healthcare Cost Trend (6.70%)	1% Increase (7.70%)
\$ 399,865	\$ 451,192	\$ 511,673

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 18—Health Insurance (Single-employer Defined Benefit Plan): (Continued)

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

For the year ended June 30, 2021, the School Board recognized OPEB expense in the amount of (\$9,329). Deferred Outflows of Resources and Deferred Inflows of Resources were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 191,166
Changes in assumptions	25,134	988
Total	<u>\$ 25,134</u>	<u>\$ 192,154</u>

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

Year Ended June 30

2021	\$ (50,848)
2022	(49,957)
2023	(25,504)
2024	(19,386)
2025	(19,386)
Thereafter	(1,939)

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

Note 19—Aggregate OPEB Information:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan (Note 11)				
School Board Nonprofessional	\$ 10,840	\$ 1,176	\$ 39,385	\$ 2,013
School Board Professional	111,596	137,939	515,003	(10,129)
Health Insurance Credit Plan (Note 12)	3,065	2,611	3,432	2,476
Teacher Health Insurance Credit Plan (Note 13)	105,503	267,948	943,035	29,832
Virginia Local Disability Plan (Note 14)	3,445	815	657	1,895
Teacher Virginia Local Disability Plan (Note 15)	16,812	1,424	3,375	9,085
School Stand-Alone Plan (Note 16)	25,134	192,154	451,192	(9,329)
Totals	<u>\$ 276,395</u>	<u>\$ 604,067</u>	<u>\$ 1,956,079</u>	<u>\$ 25,843</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 20–Upcoming Pronouncements:

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

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

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

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

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

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

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 20—Upcoming Pronouncements: (Continued)

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

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

Note 21—Adoption of Accounting Principles and Restatement of Net Position and Fund Balance:

The School Board implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The following adjustments were made to beginning net position and fund balance:

	<u>Net Position</u>	<u>Fund Balance</u>
	<u>Governmental</u>	<u>School</u>
	<u>Activities</u>	<u>Activity</u>
		<u>Funds</u>
Balance, July 1, 2020, as previously stated	\$ (3,015,760)	\$ -
Implementation of GASB 84 to record School Activity Funds	125,934	125,934
Removal of jointly owned assets:		
Original cost	4,888,086	-
Accumulated depreciation	(3,250,268)	-
Recording of capital lease equipment		
Original cost	1,611,395	-
Accumulated depreciation	(322,279)	-
Removal of 2020 deferred outflows related to OPEB health insurance plan	(917,108)	-
Balance, July 1, 2020, as restated	<u>\$ (880,000)</u>	<u>\$ 125,934</u>

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Notes to Financial Statements
At June 30, 2021 (Continued)

Note 22—COVID-19 Pandemic Funding and Subsequent Events:

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

ESF Funding

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit 7

School Operating Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ -	\$ (500)
Charges for services	1,248	1,248	3,650	2,402
Miscellaneous	164,050	304,118	176,367	(127,751)
Intergovernmental:				
Local government	5,082,395	4,830,237	4,830,237	-
Commonwealth	8,798,936	8,793,399	8,696,032	(97,367)
Federal	2,019,501	6,195,654	2,241,027	(3,954,627)
Total revenues	<u>\$ 16,066,630</u>	<u>\$ 20,125,156</u>	<u>\$ 15,947,313</u>	<u>\$ (4,177,843)</u>
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 11,075,165	\$ 15,046,584	\$ 10,681,753	\$ 4,364,831
Administration, attendance and health	1,387,551	1,512,191	1,414,911	97,280
Pupil transportation	630,061	446,800	413,112	33,688
Operations and maintenance	1,718,114	2,463,931	2,477,744	(13,813)
Food services	58,600	71,679	-	71,679
Technology	937,705	952,159	797,401	154,758
Debt service:				
Principal retirement	119,399	119,399	119,399	-
Interest and other fiscal charges	140,035	140,035	50,006	90,029
Total expenditures	<u>\$ 16,066,630</u>	<u>\$ 20,752,778</u>	<u>\$ 15,954,326</u>	<u>\$ 4,798,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (627,622)</u>	<u>\$ (7,013)</u>	<u>\$ 620,609</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (75,536)	\$ (76,330)	\$ (794)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (75,536)</u>	<u>\$ (76,330)</u>	<u>\$ (794)</u>
Net change in fund balances	\$ -	\$ (703,158)	\$ (83,343)	\$ 619,815
Fund balances - beginning	-	703,158	715,264	12,106
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631,921</u>	<u>\$ 631,921</u>

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

Exhibit 8

Cafeteria Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 77,068	\$ 77,068	\$ 6,118	\$ (70,950)
Miscellaneous	-	-	12,079	12,079
Intergovernmental:				
Commonwealth	31,065	31,065	15,326	(15,739)
Federal	914,986	962,493	1,328,946	366,453
Total revenues	\$ 1,023,119	\$ 1,070,626	\$ 1,362,469	\$ 291,843
EXPENDITURES				
Current:				
Education:				
Food services	\$ 1,023,119	\$ 1,070,626	\$ 1,186,764	\$ (116,138)
Total expenditures	\$ 1,023,119	\$ 1,070,626	\$ 1,186,764	\$ (116,138)
Net change in fund balances	\$ -	\$ -	\$ 175,705	\$ 175,705
Fund balances - beginning	-	-	399,040	399,040
Fund balances - ending	\$ -	\$ -	\$ 574,745	\$ 574,745

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

Textbook Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 14	\$ 14
Total revenues	\$ -	\$ -	\$ 14	\$ 14
EXPENDITURES				
Current:				
Education:				
Instruction	\$ -	\$ 75,536	\$ 47,577	\$ 27,959
Total expenditures	\$ -	\$ 75,536	\$ 47,577	\$ 27,959
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (75,536)	\$ (47,563)	\$ 27,973
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 75,536	\$ 76,330	\$ 794
Total other financing sources (uses)	\$ -	\$ 75,536	\$ 76,330	\$ 794
Net change in fund balances	\$ -	\$ -	\$ 28,767	\$ 28,767
Fund balances - beginning	-	-	226,262	226,262
Fund balances - ending	\$ -	\$ -	\$ 255,029	\$ 255,029

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (Nonprofessional)

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2020

	<u>2020</u>	<u>2019</u>
Total pension liability		
Service cost	\$ 38,741	\$ 35,438
Interest	129,027	124,077
Differences between expected and actual experience	(298,266)	50,803
Changes of assumptions	-	50,719
Benefit payments	(70,058)	(174,059)
Net change in total pension liability	<u>\$ (200,556)</u>	<u>\$ 86,978</u>
Total pension liability - beginning	<u>1,946,536</u>	<u>1,859,558</u>
Total pension liability - ending (a)	<u><u>\$ 1,745,980</u></u>	<u><u>\$ 1,946,536</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 21,147	\$ 20,202
Contributions - employee	21,812	20,302
Net investment income	37,605	125,501
Benefit payments	(70,058)	(174,059)
Administrator charges	(1,279)	(1,364)
Other	(45)	(79)
Net change in plan fiduciary net position	<u>\$ 9,182</u>	<u>\$ (9,497)</u>
Plan fiduciary net position - beginning	<u>1,971,613</u>	<u>1,981,110</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,980,795</u></u>	<u><u>\$ 1,971,613</u></u>
 School Division's net pension liability (asset) - ending (a) - (b)	 \$ (234,815)	 \$ (25,077)
 Plan fiduciary net position as a percentage of the total pension liability	 113.45%	 101.29%
 Covered payroll	 \$ 485,278	 \$ 445,056
 School Division's net pension liability (asset) as a percentage of covered payroll	 -48.39%	 -5.63%

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

Exhibit 10

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

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

Schedule of Employer's Share of Net Pension Liability (Asset) VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2020

	<u>2020</u>	<u>2019</u>
Employer's Proportion of the Net Pension Liability	0.07200%	0.07987%
Employer's Proportionate Share of the Net Pension Liability	\$ 10,477,891	\$ 10,511,346
Employer's Covered Payroll	6,337,909	6,746,816
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	165.32%	155.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%

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

Exhibit 11

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

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

Exhibit 12

Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (Nonprofessional)					
2021	\$ 4,833	\$ 4,833	\$ -	\$ 537,311	0.90%
2020	24,409	24,409	-	485,278	5.03%
2019	22,387	22,387	-	445,056	5.03%
2018	29,278	29,278	-	411,802	7.11%
2017	30,483	30,483	-	428,732	7.11%
2016	44,719	44,719	-	418,188	10.69%
2015	41,697	41,697	-	391,523	10.65%
2014	46,037	46,037	-	384,283	11.98%
2013	45,365	45,365	-	378,677	11.98%
2012	32,984	32,984	-	368,949	8.94%
Component Unit School Board (Professional)					
2021	\$ 1,086,028	\$ 1,086,028	\$ -	\$ 6,833,198	15.89%
2020	993,784	993,784	-	6,337,909	15.68%
2019	1,057,678	1,057,678	-	6,746,816	15.68%
2018	1,150,064	1,150,064	-	7,048,968	16.32%
2017	1,246,206	1,246,206	-	7,636,068	16.32%
2016	1,068,615	1,068,615	-	7,645,748	13.98%
2015	1,081,012	1,081,012	-	6,781,114	15.94%
2014	481,906	481,906	-	5,390,447	8.94%
2013	498,285	498,285	-	5,573,658	8.94%
2012	540,792	540,792	-	6,049,128	8.94%

All contributions are from Virginia Retirement System records.

Notes to Required Supplementary Information
 Pension Plans
 For the Year Ended June 30, 2021

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

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

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

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

Component Unit School Board - Professional Employees

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

Schedule of Board's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
School Board (Nonprofessional):					
2020	0.00236%	\$ 39,385	\$ 485,278	8.12%	52.64%
2019	0.00227%	36,939	445,056	8.30%	52.00%
2018	0.00217%	33,000	411,802	8.01%	51.22%
2017	0.00233%	36,000	430,203	8.37%	48.86%
School Board (Professional):					
2020	0.03086%	\$ 515,003	\$ 6,350,666	8.11%	52.64%
2019	0.03466%	564,011	6,794,021	8.30%	52.00%
2018	0.03732%	567,000	7,095,851	7.99%	51.22%
2017	0.04145%	624,000	7,646,683	8.16%	48.86%

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

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

Exhibit 15

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board (Nonprofessional):					
2021	\$ 2,928	\$ 2,928	\$ -	\$ 542,148	0.54%
2020	2,523	2,523	-	485,278	0.52%
2019	2,314	2,314	-	445,056	0.52%
2018	2,142	2,142	-	411,802	0.52%
2017	2,237	2,237	-	430,203	0.52%
2016	2,222	2,222	-	419,188	0.53%
2015	2,077	2,077	-	391,874	0.53%
2014	2,036	2,036	-	384,283	0.53%
2013	2,007	2,007	-	378,677	0.53%
2012	1,623	1,623	-	368,949	0.44%
School Board (Professional):					
2021	\$ 37,337	\$ 37,337	\$ -	\$ 6,914,197	0.54%
2020	33,023	33,023	-	6,350,666	0.52%
2019	35,329	35,329	-	6,794,021	0.52%
2018	36,851	36,851	-	7,095,851	0.52%
2017	39,763	39,763	-	7,646,683	0.52%
2016	40,663	40,663	-	7,672,284	0.53%
2015	39,863	39,863	-	7,521,373	0.53%
2014	42,098	42,098	-	7,943,035	0.53%
2013	39,632	39,632	-	7,477,751	0.53%
2012	32,558	32,558	-	7,399,629	0.44%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2021

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

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

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

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

Exhibit 17

Schedule of Changes in Total OPEB Liability and Related Ratios
OPEB - Health Insurance Plan
For the Measurement Dates of June 30, 2018 through June 30, 2021

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

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

Notes to Required Supplementary Information
 OPEB - Health Insurance Plan
 For the Year Ended June 30, 2021

Valuation Date: 7/1/2020
 Measurement Date: 6/30/2021

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.16%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.70% graded down to 4.00% over 53 years.
Salary Increase Rates	The salary increase rate was an inflation rate of 2.50%, productivity component of 1.00%, and a variable merit component that is dependent on years of service.
Retirement Age	The average age of retirement is 65.
Mortality Rates	The mortality rates for pre-retirement participants was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. The mortality rates for disabled retirees was calculated using the RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and 130% of rates for females.

Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

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

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

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

Exhibit 20

Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board - Professional:					
2021	\$ 82,682	\$ 82,682	-	\$ 6,833,198	1.21%
2020	76,055	76,055	-	6,337,909	1.20%
2019	80,962	80,962	-	6,746,816	1.20%
2018	86,702	86,702	-	7,054,104	1.23%
2017	93,871	93,871	-	7,631,713	1.23%
2016	90,273	90,273	-	7,650,222	1.18%
2015	88,641	88,641	-	7,511,954	1.18%
2014	92,531	92,531	-	7,908,612	1.17%
2013	85,833	85,833	-	7,336,161	1.17%
2012	78,293	78,293	-	7,249,378	1.08%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2021

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

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

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

Schedule of Changes in the Board's Net OPEB Liability and Related Ratios
Component Unit School Board (Nonprofessional)
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

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

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

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

Exhibit 23

Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board - Nonprofessional:					
2021	\$ 860	\$ 860	-	\$ 537,311	0.16%
2020	825	825	-	485,278	0.17%
2019	756	756	-	445,056	0.17%
2018	865	865	-	411,802	0.21%
2017	903	903	-	430,203	0.21%
2016	964	964	-	419,188	0.23%
2015	901	901	-	391,874	0.23%
2014	1,076	1,076	-	384,283	0.28%
2013	1,057	1,057	-	377,456	0.28%
2012	1,299	1,299	-	371,177	0.35%

Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2021

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change

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

Exhibit 25

Schedule of Board's Share of Net OPEB Liability
 Virginia Local Disability Program (VLDP)
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the VLDP Net OPEB Liability (2)	Employer's Proportionate Share of the VLDP Net OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the VLDP Net OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
School Board (Nonprofessional):					
2020	0.06580%	\$ 657	\$ 245,151	0.27%	76.84%
2019	0.06310%	1,279	195,068	0.66%	49.19%
2018	0.06317%	-	153,384	0.00%	51.39%
2017	0.09421%	1,000	173,005	0.58%	38.40%
School Board (Professional):					
2020	0.42070%	\$ 3,375	\$ 2,488,571	0.14%	78.28%
2019	0.54769%	3,184	2,626,346	0.12%	74.12%
2018	0.63101%	5,000	2,352,849	0.21%	46.18%
2017	0.71370%	4,000	2,014,073	0.20%	31.96%

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

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

Exhibit 26

Schedule of Employer Contributions
Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2012 through June 30, 2021

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

School Board (Professional):

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

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

Notes to Required Supplementary Information
 Virginia Local Disability Program (VLDP)
 For the Year Ended June 30, 2021

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

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

Component Unit School Board - Professional

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

Component Unit School Board - Nonprofessional

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

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OTHER SUPPLEMENTARY INFORMATION

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 500	\$ 500	\$ -	\$ (500)
Charges for services:				
Special pupil fees	\$ 1,248	\$ 1,248	\$ 3,650	\$ 2,402
Miscellaneous:				
Miscellaneous	\$ 164,050	\$ 304,118	\$ 176,367	\$ (127,751)
Total revenue from local sources	\$ 165,798	\$ 305,866	\$ 180,017	\$ (125,849)
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Franklin, Virginia	\$ 5,082,395	\$ 4,830,237	\$ 4,830,237	\$ -
Total revenues from local governments	\$ 5,082,395	\$ 4,830,237	\$ 4,830,237	\$ -
Revenue from the Commonwealth:				
Other categorical aid:				
Share of state sales tax	\$ 1,656,744	\$ 1,656,744	\$ 1,733,590	\$ 76,846
Basic school aid	3,316,964	3,544,094	3,203,530	(340,564)
Remedial education	278,332	284,612	271,242	(13,370)
Gifted and talented	37,251	38,092	36,303	(1,789)
GED prep funding (ISAEP)	8,386	8,386	8,387	1
Special education	395,709	404,638	385,629	(19,009)
Textbook payment	75,536	77,241	73,612	(3,629)
Vocational education	108,856	111,235	102,743	(8,492)
Vocational education - equipment	-	-	5,826	5,826
Group life fringe benefits	16,166	16,531	15,754	(777)
Social security fringe benefits	234,052	237,896	226,720	(11,176)
Retirement fringe benefits	544,714	554,131	528,099	(26,032)
Early reading intervention	50,275	50,275	42,734	(7,541)
Compensation supplement	100,063	-	-	-
Homebound	9,974	9,974	-	(9,974)
Special education - regional	192,210	192,210	223,274	31,064
Regular - foster care	3,986	3,986	4,850	864
At risk payments	887,427	789,768	539,762	(250,006)
Primary class size	372,553	372,553	331,581	(40,972)
Virginia preschool initiative	-	-	155,587	155,587
Supplemental lottery	264,929	211,943	285,638	73,695
Algebra readiness	25,392	25,392	27,874	2,482
Project graduation	3,967	3,967	3,967	-
VPSA technology	128,000	128,000	181,007	53,007
English as a second language	41,099	41,099	18,774	(22,325)
Mentor teacher program	632	632	4,728	4,096
JVG grant	-	30,000	30,000	-
Workforce readiness	-	-	280	280
Industry certification costs	-	-	1,622	1,622
No loss funding	-	-	178,204	178,204
Learning loss PPA	-	-	74,715	74,715
Other state funds	45,719	-	-	-
Total other categorical aid	\$ 8,798,936	\$ 8,793,399	\$ 8,696,032	\$ (97,367)
Total revenue from the Commonwealth	\$ 8,798,936	\$ 8,793,399	\$ 8,696,032	\$ (97,367)

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021 (continued)

Schedule 1
Page 2 of 3

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 910,000	\$ 1,136,533	\$ 641,869	\$ (494,664)
Title VI-B, special education flow-through	598,785	820,486	383,279	(437,207)
Adult basic education	10,000	22,389	19,372	(3,017)
JROTC	46,516	46,516	66,570	20,054
Title III	3,000	5,041	1,098	(3,943)
Title IV-A	43,000	112,686	24,756	(87,930)
Vocational education	7,000	75,244	68,291	(6,953)
Title VI-B, special education pre-school	4,500	33,952	8,055	(25,897)
Title II-A Teacher Quality	140,000	161,287	90,568	(70,719)
Title VI	14,000	33,306	16,255	(17,051)
21st century learning	160,900	159,647	155,403	(4,244)
Workforce opportunity	80,000	104,400	97,077	(7,323)
Virginia preschool initiative	-	-	47,940	47,940
CARES CRF funding	-	177,958	177,958	-
CARES Act ESSER	-	3,300,716	442,536	(2,858,180)
Other federal funds	1,800	5,493	-	(5,493)
Total categorical aid	<u>\$ 2,019,501</u>	<u>\$ 6,195,654</u>	<u>\$ 2,241,027</u>	<u>\$ (3,954,627)</u>
Total revenue from the federal government	<u>\$ 2,019,501</u>	<u>\$ 6,195,654</u>	<u>\$ 2,241,027</u>	<u>\$ (3,954,627)</u>
Total School Operating Fund	<u>\$ 16,066,630</u>	<u>\$ 20,125,156</u>	<u>\$ 15,947,313</u>	<u>\$ (4,177,843)</u>
Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 77,068	\$ 77,068	\$ 6,118	\$ (70,950)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 12,079	\$ 12,079
Total revenue from local sources	<u>\$ 77,068</u>	<u>\$ 77,068</u>	<u>\$ 18,197</u>	<u>\$ (58,871)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 31,065	\$ 31,065	\$ 15,326	\$ (15,739)
Total revenue from the Commonwealth	<u>\$ 31,065</u>	<u>\$ 31,065</u>	<u>\$ 15,326</u>	<u>\$ (15,739)</u>
Revenue from the federal government:				
Categorical aid:				
School food	\$ 914,986	\$ 962,493	\$ 1,328,946	\$ 366,453
Total revenue from the federal government	<u>\$ 914,986</u>	<u>\$ 962,493</u>	<u>\$ 1,328,946</u>	<u>\$ 366,453</u>
Total Cafeteria Fund	<u>\$ 1,023,119</u>	<u>\$ 1,070,626</u>	<u>\$ 1,362,469</u>	<u>\$ 291,843</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 14	\$ 14
Total Textbook Fund	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
School Activity Funds:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 144,631	\$ 144,631
Total School Activity Funds	<u>-</u>	<u>-</u>	<u>144,631</u>	<u>144,631</u>
Total governmental funds	<u>\$ 17,089,749</u>	<u>\$ 21,195,782</u>	<u>\$ 17,454,427</u>	<u>\$ (3,741,355)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Operating Fund:				
Education:				
Instruction	\$ 11,075,165	\$ 15,046,584	\$ 10,681,753	\$ 4,364,831
Administration, attendance and health	1,387,551	1,512,191	1,414,911	97,280
Pupil transportation	630,061	446,800	413,112	33,688
Operations and maintenance	1,718,114	2,463,931	2,477,744	(13,813)
Food services	58,600	71,679	-	71,679
Technology	937,705	952,159	797,401	154,758
Total education	<u>\$ 15,807,196</u>	<u>\$ 20,493,344</u>	<u>\$ 15,784,921</u>	<u>\$ 4,708,423</u>
Debt service:				
Principal retirement	\$ 119,399	\$ 119,399	\$ 119,399	-
Interest and other fiscal charges	140,035	140,035	50,006	90,029
Total debt service	<u>\$ 259,434</u>	<u>\$ 259,434</u>	<u>\$ 169,405</u>	<u>\$ 90,029</u>
Total General Fund	<u>\$ 16,066,630</u>	<u>\$ 20,752,778</u>	<u>\$ 15,954,326</u>	<u>\$ 4,798,452</u>
Cafeteria Fund:				
Education:				
Food services	\$ 1,023,119	\$ 1,070,626	\$ 1,186,764	\$ (116,138)
Total Cafeteria Fund	<u>\$ 1,023,119</u>	<u>\$ 1,070,626</u>	<u>\$ 1,186,764</u>	<u>\$ (116,138)</u>
Textbook Fund:				
Education:				
Instruction	\$ -	\$ 75,536	\$ 47,577	\$ 27,959
Total Textbook Fund	<u>\$ -</u>	<u>\$ 75,536</u>	<u>\$ 47,577</u>	<u>\$ 27,959</u>
School Activity Funds:				
Education:				
Instruction	\$ -	\$ -	\$ 178,691	\$ (178,691)
Total School Activity Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,691</u>	<u>\$ (178,691)</u>
Total governmental funds	<u>\$ 17,089,749</u>	<u>\$ 21,898,940</u>	<u>\$ 17,367,358</u>	<u>\$ 4,531,582</u>

COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the School Board of the City of Franklin, Virginia, a component unit of the City of Franklin, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School Board of the City of Franklin, Virginia's basic financial statements, and have issued our report dated October 25, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 25, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited the School Board of the City of Franklin, Virginia, a component unit of the City of Franklin, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School Board of the City of Franklin, Virginia's major federal programs for the year ended June 30, 2021. The School Board of the City of Franklin, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Board of the City of Franklin, Virginia, a component unit of the City of Franklin, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farnum, Cox Associates

Richmond, Virginia
October 25, 2021

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
(A Component Unit of the City of Franklin, Virginia)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Temporary Assistance for Needy Families	93.558	17901-40274	\$ 47,940
Total Department of Health and Human Services			<u>\$ 47,940</u>
Department of Labor:			
Direct Payments:			
WIOA Youth Activities (WIOA Cluster)	17.259	N/A	\$ 97,077
Total Department of Labor			<u>\$ 97,077</u>
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Health:			
Summer Food Service Program for Children	10.559	17901	\$ 1,005,371
COVID-19 - Summer Food Service Program for Children	10.559	17901	276,068
			<u>\$ 1,281,439</u>
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 47,507
Total Child Nutrition Cluster			<u>\$ 1,328,946</u>
Total Department of Agriculture			<u>\$ 1,328,946</u>
Department of Education:			
Direct Payments:			
Adult Education - Basic Grants to States	84.002	N/A	\$ 19,372
English Language Acquisition State Grants	84.365	N/A	1,098
Pass-Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	641,869
Special Education Cluster:			
Special Education - Grants to States (Idea Part B)	84.027	17901-43071	\$ 383,279
Special Education - Preschool Grants (Idea Preschool)	84.173	17901-62521	8,055
Total Special Education Cluster			391,334
Career and Technical Education - Basic Grants to States	84.048	17901-61095	68,291
Rural Education	84.358	17901-43481	16,255
Twenty-First Century Community Learning Centers	84.287	17901-60565	155,403
Supporting Effective Instruction State Grants (formerly Improving			
Teacher Quality State Grants)	84.367	17901-61480	90,568
Student Support and Academic Enrichment Program	84.424	17901-60281	24,756
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	17901-70037	\$ 89,942
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	17901-60177	352,594
Total 84.425			<u>442,536</u>
Total Department of Education			<u>\$ 1,851,482</u>
Department of Treasury:			
Pass-Through Payments:			
Department of Accounts:			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	10110-728021	\$ 177,958
Department of Defense:			
Direct Payments:			
ROTC	12.U01	N/A	\$ 66,570
Total Expenditures of Federal Awards			<u>\$ 3,569,973</u>

See accompanying notes to schedule of expenditures of federal awards.

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School Board of the City of Franklin, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School Board of the City of Franklin, Virginia it is not intended to be and does not present the financial position, changes in net position, or cash flows of the School Board of the City of Franklin, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
School Operating Fund	\$ 2,241,027
Cafeteria Fund	1,328,946
Total federal expenditures per basic financial statements	<u>\$ 3,569,973</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 3,569,973</u>

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified? _____ yes none reported

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

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

Identification of major programs:

Assistance Listing Number(s)
10.553/10.555/10.559
84.425C/84.425D

Name of Federal Program or Cluster
Child Nutrition Cluster
Education Stablization Fund (ESF)

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

THE SCHOOL BOARD OF THE CITY OF FRANKLIN, VIRGINIA

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

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021**

There were no prior audit findings.