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CITY SCHOOLS

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# CITY OF SALEM SCHOOL DIVISION SALEM, VIRGINIA

(A Component Unit of the City of Salem)

Annual Comprehensive Financial Report  
Year Ended June 30, 2023

Special thanks to:  
Mike Stevens, Director of Communications, City of Salem  
for the design of the City of Salem School Division  
Annual Comprehensive Financial Report cover

# City of Salem School Division

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

## Annual Comprehensive Financial Report For the Year Ended June 30, 2023



Prepared by:

City of Salem School Division Business Office  
City of Salem Department of Finance

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# INTRODUCTORY SECTION

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# CITY OF SALEM SCHOOL DIVISION

November 16, 2023

## **To the Honorable Board Chair and Members of the Board of the City of Salem School Division and the Citizens of the City of Salem, Virginia:**

We are pleased to present to you the Annual Comprehensive Financial Report of the City of Salem School Division (School Division), a component unit of the City of Salem, Virginia for the fiscal year ended June 30, 2023. This report was prepared by the City of Salem Department of Finance and the City of Salem School Division Business Office in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management. The data as presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School Division as measured by the financial activity of the various funds. All disclosures necessary to enable the reader to gain an understanding of the School Division's financial activities have been included. The independent certified public accounting firm of Brown, Edwards & Company, L.L.P. has audited the basic financial statements contained herein.

The School Division has established a comprehensive internal control framework that is designed both to protect the School Board's assets from loss, theft, or misuse and to properly record and adequately document transactions to compile information for the presentation of the School Division's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the School Division's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A, as well as the independent auditor's report, financial statements and schedules. The statistical section includes selected financial and demographic information, presented on a multi-year basis, where possible. The compliance section includes reports by the independent auditor on compliance and internal control.

### **The Reporting Entity and Services Provided**

The School Division is reported as a discretely presented component unit of the City of Salem, Virginia (City). Although the School Division is a legally separate entity, it is fiscally dependent upon the City. The City levies taxes for School Board operations and issues debt for major school capital projects. The City appropriates the School Division budget on an annual basis at the total appropriation level. In addition, City Council appoints the five-member School Board. The School Division exercises financial accountability over the general operations of the school system.

510 SOUTH COLLEGE AVENUE · SALEM, VIRGINIA 24153-5054 · (540) 389-0130 · FAX (540) 389-4135  
WWW.SALEM.K12.VA.US

Salem City Schools does not unlawfully discriminate on the basis of race, color, national origin, disability, gender, or age in employment or in its educational programs and activities.

## Profile of the School System

The School Division is the 66<sup>th</sup> largest of 132 school divisions in the Commonwealth of Virginia. The City of Salem is located at the southern end of the Shenandoah Valley, approximately 190 miles west of Richmond and 250 miles southwest of Washington DC. Its position in the southeastern United States gives the City ready access, within a 500-mile radius, to nearly two-thirds of the total population of the United States. In addition, the City lies in the region that serves as the cultural, medical, business, and transportation hub of western Virginia, with an integrated interstate highway, rail, and air transportation network. Interstate 81 runs through the region with direct connections to I-64 to the north and I-77 to the south, providing convenient access to major markets. Freight rail service is provided by Norfolk Southern. Passenger rail service is provided by Amtrak, with two daily trains to and from Washington, D.C. The Roanoke-Blacksburg Regional Airport offers commercial air service, served by four airlines, with nonstop flights to eight cities, as well as frequent connecting service and regular air freight service. Salem has an estimated population of 25,523 citizens, which accounts for approximately 8.1% of the population in its metropolitan statistical area (MSA) which includes neighboring City of Roanoke, Counties of Botetourt, Craig, Franklin and Roanoke.

Chartered by the Commonwealth of Virginia as a town in 1806 and as a city in 1968, Salem encompasses a land area of 14.4 square miles.

The appointed five-member School Board is vested with legislative powers and appoints the School Division's Superintendent. The Superintendent serves as the executive and administrative head of the public school division.

Prior to April 1 of each year, the School Board adopts the next fiscal year's budget and submits it to City Council for approval. The final adoption and appropriation occur in May of each year. The fiscal year begins on July 1 of each year when the newly adopted budget becomes available for spending. City Council has adopted the policy of appropriating the annual School Division budget in total rather than by categories. The School Board is authorized to transfer budget amounts within the various funds at its discretion. The Superintendent is authorized to transfer budget amounts within and between the major categories subject to School Board approval.

Most of the School Division's buildings were built between the 1930's and the 1960's. Two facilities are older than 80 years, Andrew Lewis Middle School and G.W. Carver Elementary School. A new South Salem Elementary School opened in 2013, replacing a building that was completed in 1964. Salem High School is in the final stages of a major phased renovation to upgrade the facility which opened in 1977.

The School Division is responsible for elementary and secondary education (kindergarten through twelfth grade) within the City. Total March 31 average daily membership (ADM) in fiscal year 2023 was 3,606 and projected budgeted enrollment for fiscal year 2024 is 3,600. Students between the grades of kindergarten and twelfth are offered a broad range of services including regular education, special education, career and technical education, and gifted education at four elementary schools, one middle school, one high school and an alternative and adult education center. The School Division also offers preschool classes at East Salem Elementary, G. W. Carver Elementary, South Salem Elementary and a new classroom for fiscal year 2024 at West Salem Elementary School for economically disadvantaged children utilizing the Virginia Pre-School Initiative grant. Schools are supported by the central office, which provides a broad range of services including instructional curriculum development and support, student support, special education services, staff development, reporting and evaluation, pupil transportation, facilities, human resources, finance, technology, and school nutrition services.

The School Division is represented by several ethnic categories. Approximately 68% of the students are Caucasian, 15% are African-American, 9% are Hispanic, 3% are Asian, and 5% are in two or more race categories. Approximately 54% of Salem's students on a division-wide basis qualify for free and reduced lunches under the National School Lunch Program. Special education averaged just above 17% of the total student enrollment, and English Learners (EL) represents approximately 6.5% of the student population.

Several teachers and staff members in Salem received high honors during the 2022-23 school year.

- Ms. Mallory Graham, an 8<sup>th</sup> grade English teacher at Andrew Lewis Middle School, was recognized by the Virginia Middle School Association as the recipient of one of only two grants presented to teachers in the Commonwealth. Her submission centered around “Culturally Responsive Pedagogy in Poetry Journals”.
- Dr. Forest Jones, Director of Administrative Services for the division, was honored by Writers Digest, the top writing magazine in the nation. Dr. Jones received an honorable mention award for an essay he wrote about William G. Dabney, an African American WW II veteran who lived in the Roanoke Valley. There were over 2,800 submissions in the contest, and Dr. Jones’ essay was one of just a handful that earned high praise from the judges.
- Twenty-seven Salem teachers are National Board Certified (NBC). Achievement of NBC means that the teacher has met the highest standards for their profession.

### **Local Economic Condition and Outlook**

STS Group AG, a leading global supplier of interior and exterior parts for commercial and personal vehicles, will establish its North American headquarters and manufacturing operation in the former General Electric building in Salem, representing a \$32 million investment. The new facility will supply commercial truck assembly operations by Volvo Trucks in Pulaski County, as well as other truck and automotive facilities throughout the Midwest and Southeastern United States markets. The company will upfit approximately 200,000 square feet of the existing space and construct a 32,000 square-foot addition. The project is expected to create 119 jobs.

As of June 2023, Salem’s unemployment rate was 3.0%, which remained at the same level as the prior year. Salem’s unemployment rate remained lower than the national unemployment rate of 3.8% and just above the state unemployment rate of 2.8%.

### **Long-Term Financial Planning**

The annual budget reflects the School Board’s plans by allocating resources to carry out the goals defined through the division wide planning process. The major planning activities are:

- Salem City Schools’ approved budget, which is adopted annually by the School Board and reflects ongoing programs as well as initiatives for the next fiscal year.
- Salem City Schools’ Capital Improvement Program is annually reviewed and adopted by the School Board and contains the six-year capital improvement plan.
- Enrollment Projections, which are prepared annually to assist in budget planning and capital needs analysis.

### **Relevant Financial Policies**

Budgetary controls are maintained to ensure compliance with Virginia statutes governing public entities and school operations. These statutes provide legal standards for preparing, presenting, adopting, and administering the budget. In accordance with state law, the adopted budget is submitted to City Council for adoption and appropriation. The School Board exercises management control over the budget at the cost center level within each fund, however the budget is legally adopted at the fund level. The School Board maintains an encumbrance accounting system as an additional method of accomplishing budgetary control. Activities of the General Fund, Grants Fund, and Cafeteria Fund are included in the annual appropriated budget. For reporting purposes, the Grants Fund is merged with the General Fund.

Capital Improvement Plan projects are budgeted when funding is approved by the School Board and are not included in the annual budget process. In accordance with City Council Resolution Number 487, “all funds appropriated by City Council for use by the School Board, unexpended at the close of any fiscal year, as determined by the City’s audit, shall be placed in a general reserve account for non-recurring expenditures of the School Division as determined by the School Board with the consent of City Council.”

## Major Initiatives

The School Division continues to rely upon the adopted Comprehensive Plan as a guiding document. The Plan's mission statement is to provide a loving and engaging environment that inspires all children to reach their full potential.

- **Virginia Standardized Tests (Standards of Learning)**

Standards of Learning (SOL) tests are administered to students in grades 3 through 8, and students enrolled in certain high school courses. Students are required to earn a certain number of verified credits to be eligible for a standard or advanced high school diploma. Verified credits for graduation will be based on achievement by students of a passing score on the required end-of-course SOL tests.

Based on 2022 SOL tests results, all Salem City School Division elementary, middle and high schools were fully accredited.

- **Technology Initiative**

The School Division is committed to providing the most appropriate instructional technology available to allow teachers to provide students the best instruction possible. Chromebook laptops were deployed to all students in grades K – 12. Several Chromebook carts are used in Pre-K classrooms for equitable access to technology and personalized learning initiatives.

- **Capital Improvement Plan**

The Capital Improvement Plan (CIP) adopted by the School Board on October 11, 2022 reflects total school capital projects of \$12.5 million. The CIP represents the priority projects for the next six years.

## Independent Audit

Brown, Edwards, & Company, L.L.P. has performed an annual audit of the basic financial statements and other supplementary information contained within this Annual Comprehensive Financial Report. Their audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The report of the independent auditor, which includes their opinion on the financial statements of the School Division, is contained in the Financial Section of this report. Other auditor reports are included in the Compliance Section.

## Financial Awards

The Association of School Business Officials (ASBO) awarded a *Certificate of Excellence in Financial Reporting* to the City of Salem School Board for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the sixth consecutive year the School Division received this prestigious award. This Certificate of Excellence program is an international award recognizing excellence in the preparation and issuance of school system financial reports. The School Division also received the Meritorious Budget Award for its annual budget for the fiscal year beginning July 1, 2023. This program is designed to recognize school divisions for achieving excellence in their school system budget preparation.

**Acknowledgements**

We would like to express our appreciation to the staff of the School Division and the City's Department of Finance for the dedication and professionalism demonstrated daily assuring the financial integrity of the School Division and the preparation of this report. We would also like to express our appreciation to you, School Board, for the continued insight you bring to this School Division and the strong commitment you have made to its fiscal integrity and financial leadership. Lastly, we would like to express our appreciation to our independent auditing firm, Brown, Edwards & Company, LLP, for their cooperation and input in our efforts.

Respectfully Submitted,



Curtis N. Hicks, Ed.D.  
Superintendent



Mandy C. Hall, SFO  
Chief Financial Officer



Rosemarie B. Jordan, CPA  
Director of Finance

**CITY OF SALEM SCHOOL DIVISION  
 DIRECTORY OF PRINCIPAL OFFICIALS  
 JUNE 30, 2023**



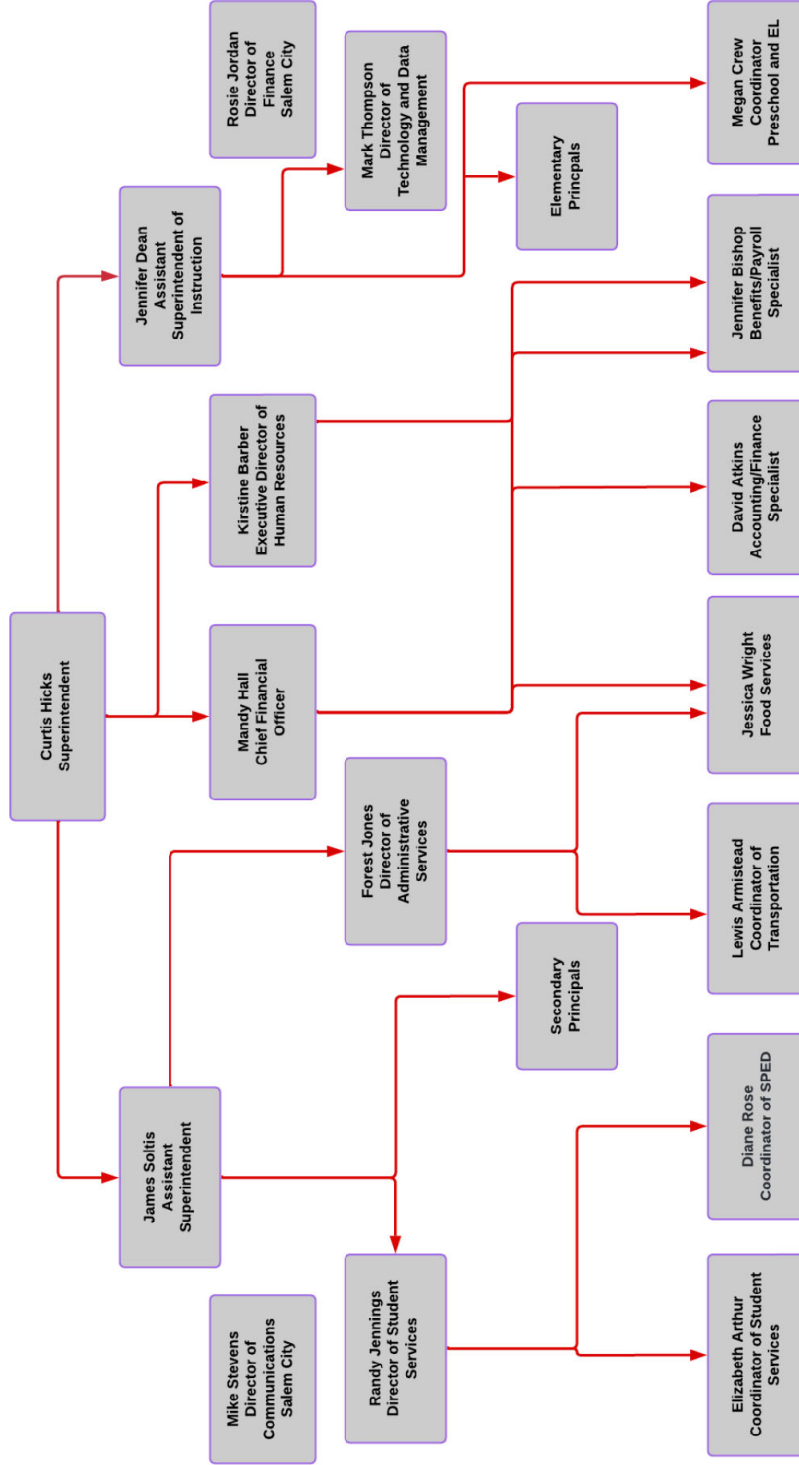
From left to right above – Ms. Teresa E. Sizemore-Hernandez, Dr. Nancy A. Bradley, Vice Chair, Mr. David H. Preston, Chair, Ms. Stacey G. Danstrom, and Mr. John A. (Andy) Raines

**School Administration**

Dr. Curtis N. Hicks, Superintendent

Assistant Superintendent .....	Dr. James C. Soltis
Assistant Superintendent of Instruction .....	Ms. Jennifer P. Dean
Executive Director of Human Resources .....	Ms. Kirstine M. Barber
Chief Financial Officer .....	Ms. Mandy C. Hall, SFO
Director of Student Services .....	Dr. Randy L. Jennings
Director of Administrative Services .....	Dr. Forest I. Jones
Director of Technology and Data Management .....	Mr. Mark A. Thompson
Clerk to the Board .....	Ms. Susan E. Young
Director of Finance .....	Ms. Rosemarie B. Jordan, CPA
Director of Communications .....	Mr. Mike Stevens

# Salem City School Division Organizational Chart 2022-2023



Direct Reports	
<b>Superintendent</b>	<b>Assistant Superintendent of Instruction</b>
Assistant Superintendent	Elementary Principals
Assistant Superintendent of Instruction	Director of Technology
Executive Director Human Resources	Assistant Superintendent
Chief Financial Officer	Secondary Principals
	Director of Student Services
	Director of Administrative Services



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting  
is presented to**

## **City of Salem School Board**

**for its Annual Comprehensive Financial Report  
for the Fiscal Year Ended June 30, 2022.**

The district report meets the criteria established for  
ASBO International's Certificate of Excellence in Financial Reporting.

A handwritten signature in black ink, reading 'John W. Hutchison'. The signature is written in a cursive style and is positioned above a horizontal line.

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**John W. Hutchison**  
President

A handwritten signature in black ink, reading 'Siobhán McMahon'. The signature is written in a cursive style and is positioned above a horizontal line.

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**Siobhán McMahon, CAE**  
Chief Operations Officer/  
Interim Executive Director



# FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the  
Board of the City of Salem School Division  
Salem, Virginia

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Salem School Division (the "School Division"), a component unit of the City of Salem, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Division's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Division, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Special Revenue Fund – Cafeteria Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Report on the Audit of the Financial Statements (Continued)**

### ***Responsibilities of Management for the Financial Statements (Continued)***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School Division's ability to continue as a going concern for a reasonable period of time.

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

## **Report on the Audit of the Financial Statements (Continued)**

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

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

### ***Supplementary Information***

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

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023 on our consideration of the School Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Division'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 Division's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 16, 2023

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**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

The City of Salem Public Schools (School Division) presents the following discussion and analysis as an overview of the financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School Division’s financial performance as a whole. Readers should also review the transmittal letter at the front of this report and the School Division’s financial statements and notes to the basic financial statements, which immediately follow this section, to enhance their understanding of the School Division’s financial performance.

**FINANCIAL HIGHLIGHTS**

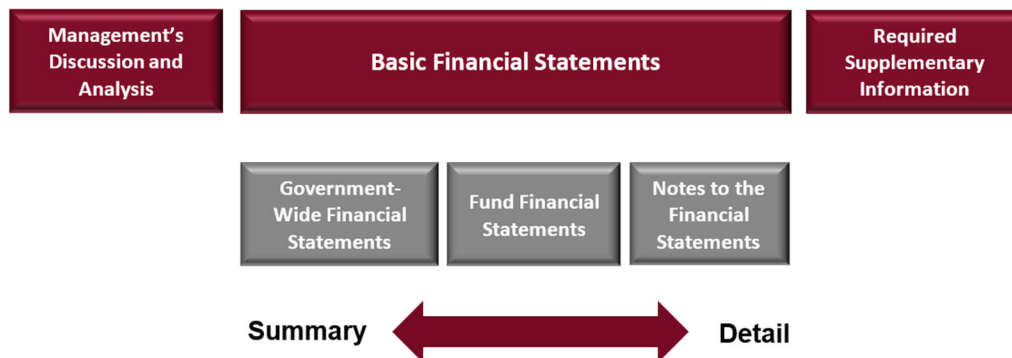
- The School Division maintained a healthy net position of \$56.1 million. Net position reflects the financial health of the School Division and includes certain assets procured with debt issued by the City of Salem, Virginia (City). The School Division is a component unit of, and fiscally dependent on, the City. As such, all debt related to School Division assets is shown on the City’s Statement of Net Position, except for financed purchase obligations, lease liabilities, and subscription liabilities of the School Division.
- The School Division had expenses, net of program revenues, of \$34.3 million, which were \$9.3 million less than general revenue of \$43.6 million.
- For the governmental funds, General Fund revenues accounted for \$54.6 million or 86.4% of all revenues, and expenditures were \$54.9 million or 82.7% of all expenditures, compared to \$53.1 million (84.8%) in revenues and \$52.1 million (79.9%) in expenditures in fiscal year 2022.
- The Cafeteria Fund ended the fiscal year with a fund balance of \$0.9 million, a decrease of \$153,917 from the previous year. The decrease in fund balance is attributed to lower revenue from the federal government for the national lunch and breakfast program and higher salary and food costs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Financial Section of the Annual Comprehensive Financial Report consists of four parts: 1) report of independent auditor, 2) management’s discussion and analysis (MD&A), 3) basic financial statements (government-wide and fund statements) including notes to financial statements, and 4) required supplementary information including notes to required supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the School Division’s financial activities. The government-wide financial statements provide both long-term and short-term information about the School Division’s overall financial status. The fund financial statements report on the School Division’s operations in more detail than the government-wide statements.

The following diagram shows how the various parts of the financial section are arranged and relate to one another.



**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Government-Wide Financial Statements**

The government-wide financial statements report the School Division's net position and how it has changed during the fiscal year. They include the Statement of Net Position and Statement of Activities.

The Statement of Net Position includes all of the School Division's assets, deferred outflows of resources, current and long-term liabilities, and deferred inflows of resources. The result is reported in one of the three categories of net position (investment in capital assets, restricted, and/or unrestricted). Increases or decreases in net position are indicators of whether the School Division's financial position is improving or declining. Other non-financial factors, such as changes in the property tax base of the City and the condition of school buildings and other facilities should also be considered in order to assess the overall financial position of the School Division.



The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The School Division only reports activities related to governmental-type activities, since it has no business-type activities. The School Division's governmental-type activities include central administration, centralized instruction, instruction, attendance and health, transportation, and food services. City appropriations and federal and state aid finance the majority of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the most significant funds, rather than the School Division as a whole.

**Governmental fund** financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. General revenues are considered measurable and available if collected within 60 days of year-end. Grant revenues are considered measurable when the legal and contractual requirements have been met and available if collected within one year of the end of the current fiscal period. All other revenue items are considered measurable and available when cash is received by the School Division. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, pension, other postemployment benefits, financed purchase obligations, claims, and judgements are recorded only when payment is due. General capital asset acquisitions are reported as expenditures and acquisitions under financed purchases, leases, and subscriptions are reported as other financing sources.

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements versus the governmental funds' financial statements, a reconciliation between the government-wide and fund financial statements is necessary. The reconciliations are presented following the governmental funds' financial statements.

**Proprietary fund** financial statements are reported using the *economic financial resources measurement focus* and the *accrual basis of accounting*. These statements distinguish operating from non-operating revenues and expenses. Operating revenues and expenses generally result from



**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

providing goods and services in connection with a proprietary fund's principal ongoing operations. Operating revenues include charges to other funds for self-insurance claims activities. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the School Division's policy to use restricted resources first, then unrestricted resources, as they are needed.

**Fiduciary fund** financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Assets held by a trustee are reported as fiduciary funds. All of the fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. They are not included in the government wide financial statements because the School Division cannot use these assets to finance its operation. The School Division reports an OPEB Trust as a fiduciary fund.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements explain some of the other information in the statements and provide additional information so that the statement users have a complete picture of the School Division's financial activities and position.

**Other Information**

In addition to the basic financial statements and associated notes, this report also presents certain *required supplementary information* to further explain and support the financial statements.

**FINANCIAL ANALYSIS OF THE SCHOOL DIVISION**

**Summary of Net Position**

The following table presents a condensed summary of net position:

**Summary of Net Position  
As of June 30, 2023 and 2022**

	Governmental Activities 2023	2022	Percentage Change
Current and other assets	\$ 21,471,834	\$ 23,082,356	(7.0%)
Capital assets, net	73,943,266	67,754,198	9.1%
<b>Total assets</b>	<u>95,415,100</u>	<u>90,836,554</u>	5.0%
<b>Deferred outflows of resources</b>	<u>9,790,214</u>	<u>9,066,342</u>	8.0%
Current and other liabilities	8,627,283	8,799,581	(2.0%)
Long-term liabilities	33,135,244	26,589,829	24.6%
<b>Total liabilities</b>	<u>41,762,527</u>	<u>35,389,410</u>	18.0%
<b>Deferred inflows of revenues</b>	<u>7,304,284</u>	<u>17,632,257</u>	(58.6%)
Investment in capital assets	73,141,922	67,754,198	8.0%
Restricted	909,597	1,444,155	(37.0%)
Unrestricted	(17,913,016)	(22,317,124)	(19.7%)
<b>Total net position</b>	<u>\$ 56,138,503</u>	<u>\$ 46,881,229</u>	19.7%

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

For fiscal year 2023, current assets decreased by \$1,610,522. This decrease was comprised of an increase in lease receivables of \$484,152, and decreases in cash and cash equivalents of \$893,175, receivables of \$22,794, due from other governmental units of \$551,306, net pension assets of \$534,558, inventories of \$50,262 and prepaid items of \$42,579.



The investment in capital assets (capital assets net of accumulated depreciation) represented \$73,141,922 of the School Division's net position. The School Division uses these capital assets to provide services to students; consequently, these assets are not available for future spending. As a component unit (School Division) in Virginia, the School Division does not have the authority to issue debt.

Current and other liabilities decreased by \$172,298. The net decrease for this category was comprised of decreases in accounts payable and accrued liabilities of \$1,482,660, self-insurance claims liability of \$13,635, compensated absences of \$8,272,

which were offset by increases in accrued payroll and related expenses of \$1,099,105, unearned revenue of \$201,131, and lease liability of \$32,033.

Long-term liabilities increased by \$6,545,415. The net increase for this category was due to increases in lease liability of \$83,931, compensated absences of \$17,730, net OPEB liability of \$497,780, and \$5,945,974 in net pension liability.

The other components of net position are restricted and unrestricted net position. Restricted net position represents those resources that have constraints imposed on their use. At the end of the fiscal year, the School Division had \$909,597 in restricted net position. Unrestricted net position represents those resources that may be used to meet the obligations placed on the School Division by its creditors and to pay for ongoing operations of the School Division. At the end of the fiscal year, unrestricted net position (deficit) amounted to \$(17,913,016), a decrease in the deficit of \$4,404,108 from June 30, 2022. The deficit is a result of recognizing the School Division's proportionate share of the net pension liability of the Virginia Retirement System.



**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

The chart below summarizes the changes in the School Division's net position for fiscal year 2023, as compared to fiscal year 2022.

**Summary of Changes in Net Position  
For the Years Ended June 30, 2023 and 2022**

	Governmental Activities 2023	2022	Percentage Change
Program revenues:			
Charges for services	\$ 1,837,177	\$ 1,291,301	42.3%
Operating grants and contributions	16,842,179	17,351,097	(2.9%)
Capital grants and contributions	2,304,642	637,913	261.3%
General revenues:			
City appropriation	25,147,133	26,611,308	(5.5%)
State aid	16,562,083	16,404,289	1.0%
Other	1,857,634	871,859	113.1%
<b>Total revenues</b>	<u>64,550,848</u>	<u>63,167,767</u>	2.2%
Program expenses:			
Central administration	1,581,633	2,011,242	(21.4%)
Centralized instructional costs	4,344,767	3,396,049	27.9%
Instructional costs	43,387,453	41,661,291	4.1%
Attendance and health services	1,364,537	1,153,234	18.3%
Transportation	2,171,148	1,922,120	13.0%
Food services	2,442,362	2,235,602	9.2%
Interest and other fiscal charges	1,674	-	100.0%
<b>Total expenses</b>	<u>55,293,574</u>	<u>52,379,538</u>	5.6%
<b>Change in net position</b>	<u>9,257,274</u>	<u>10,788,229</u>	(14.2%)
Total net position, beginning of year	46,881,229	36,093,000	29.9%
Total net position, end of year	<u>\$ 56,138,503</u>	<u>\$ 46,881,229</u>	19.7%

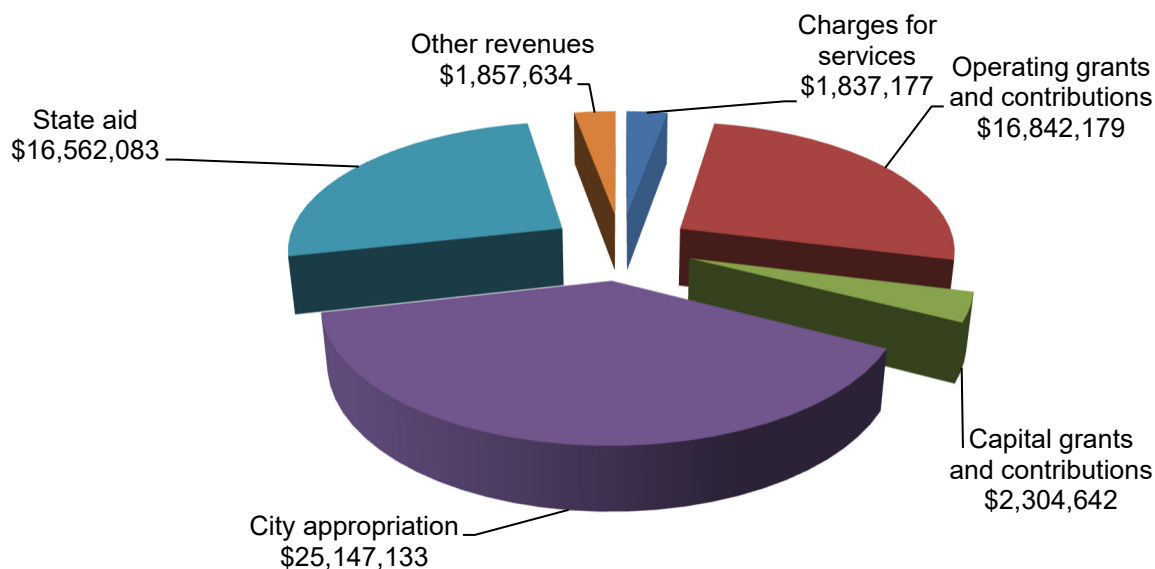


Appropriations from the City and State aid account for the majority of the School Division revenue. Most of the School Division's expenses are directly related to providing services to students including classroom instruction, attendance and health services, transportation, and food services. The remaining balances go toward administrative costs and interest payments on financed purchase obligations.

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Activities – Revenues

The following graph represents revenues generated for governmental activities by category:



For fiscal year 2023, revenues from governmental activities totaled \$64,550,848 and reflected a \$1,383,081, or 2.2%, increase over fiscal year 2022.

The appropriation from the City was the largest funding source, representing 39% of total governmental revenues. This appropriation was down \$1,464,175 over the previous year. Funding of \$21.8 million was transferred to cover operating costs, an increase of \$900,000 or 4.3%. In fiscal year 2023, \$3.1 million in bond proceeds were transferred to the School Division to cover Salem High School renovation costs which is lower than the \$5.3 million transferred in fiscal year 2022. Meals tax is shared with the School Division and \$258,000 was transferred in fiscal year 2023, which is more than the \$22,000 transferred in the previous year.

State aid, which was 25.7% of total government revenues, increased 1.0% or \$157,794, due to increases in basic aid.

Operating grants and contributions, which were 26.1% of total government revenues, decreased by 2.9%, or \$508,918, due to decreases in funding for class size reduction, a lower per pupil allocation, lower federal funding for the school lunch and breakfast program, and lower adult basic education funding.

Capital grants and contributions were 3.6% of total governmental revenues and increased by \$1,666,729 or 261.3%. This amount consisted of a State Construction grant, School Security grant and ESSER related grants used for HVAC improvements.

Charges for services were 2.8% of total government revenues, increased by 42.3%, or \$545,876, due to higher breakfast, lunch and a la carte sales in the cafeteria.

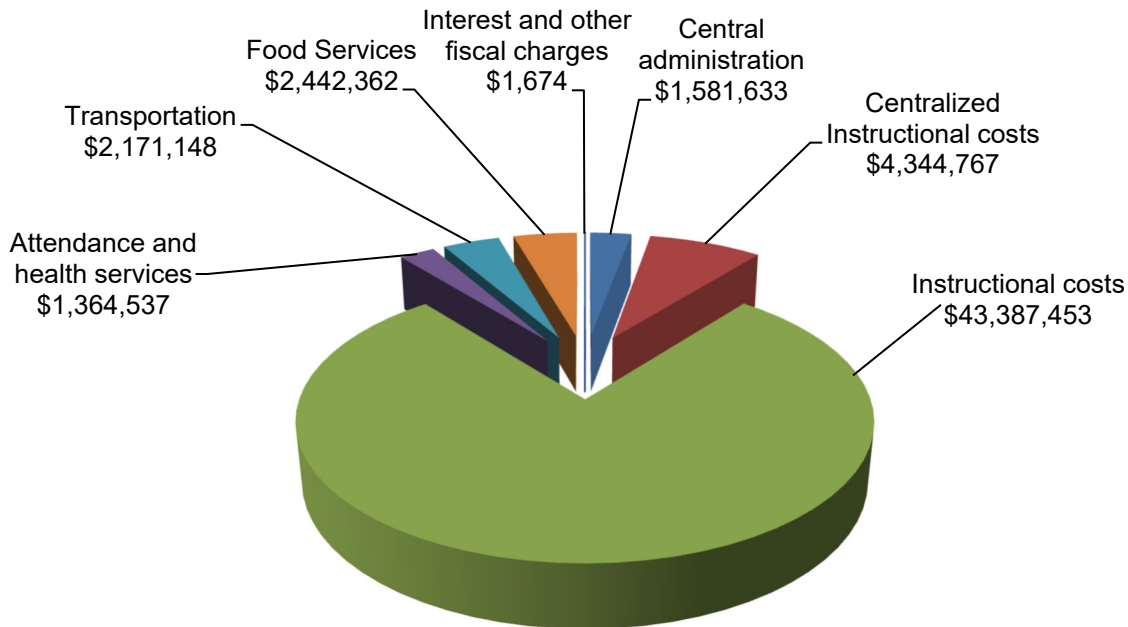
Other revenues, which made up 2.9% of the total governmental revenues, increased by 113.1% from the prior year. The increase was largely due to the state contributions to pension and OPEB plans of \$1.3 million.

The division implemented lease liability and lease assets, and subscription liability and subscription assets this year. More information on significant accounting policies is included in Note 1.

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Activities – Expenses

Expenses of the governmental activities are shown below by functional area:



The total costs of the School Division's programs for fiscal year 2023 were \$55,293,574, which represented an increase of \$2,914,036, or 5.6% from fiscal year 2022.

Instructional costs were 78.5% of the total expenses of the School Division, an increase of 4.1%, or \$1,726,162. Salary and fringe benefit costs contributed to the increase.

Centralized instruction costs accounted for 7.9% of total expenses for fiscal year 2023. Salary and fringe benefit cost increases and technology purchases contributed to the \$948,718 increase from the previous year.

Centralized administration costs accounted for 2.9%, or \$1,581,633, of total expenses. Lower expenses for technology upgrades and replacements and finishes restoration, including painting and flooring, contributed to the net decrease of \$429,609.

Transportation costs accounted for 3.9% of total expenses. Higher salary and fringe costs and increased fuel costs contributed to the overall \$249,028 increase.

Food service cost, which was 4.4%, or \$2,442,362 of total government expenses, included costs associated with operation of the school cafeterias. The \$206,760 increase was attributable to higher salary and fringe benefit costs and higher food cost.

Attendance and health services expenses accounted for 2.5% of the total government expenses. Higher salary and fringe costs was the primary reason for the \$211,303 increase.

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Activities – Total Cost and Net Cost

The following tables show the cost of the School Division's government-type activities and the net cost of services. The net cost reflects the support provided by local revenue, state aid, and federal aid.

**Comparison of Cost of Governmental Activities**

	<b>Total Cost of Services</b>		
	2023	2022	Percent
			Change
Central administration	\$ 1,581,633	\$ 2,011,242	(21.4%)
Centralized Instructional costs	4,344,767	3,396,049	27.9%
Instructional costs	43,387,453	41,661,291	4.1%
Attendance and health services	1,364,537	1,153,234	18.3%
Transportation	2,171,148	1,922,120	13.0%
Food services	2,442,362	2,235,602	9.2%
Interest and other fiscal charges	1,674	-	100.0%
<b>Total expenses</b>	<b>\$ 55,293,574</b>	<b>\$ 52,379,538</b>	<b>5.6%</b>

	<b>Net Cost of Services</b>		
	2023	2022	Percent
			Change
Central administration	\$ 1,581,633	\$ 2,011,242	(21.4%)
Centralized Instructional costs	4,187,371	3,227,516	29.7%
Instructional costs	24,942,600	25,461,397	(2.0%)
Attendance and health services	1,364,537	1,153,234	18.3%
Transportation	2,171,148	1,922,120	13.0%
Food services	60,613	(676,282)	(109.0%)
Interest and other fiscal charges	1,674	-	100.0%
<b>Total expenses</b>	<b>\$ 34,309,576</b>	<b>\$ 33,099,227</b>	<b>3.7%</b>

**Significant Aspects of Governmental Activities Include:**

- The cost of all governmental activities was \$55,293,574.
- The net cost of governmental activities was \$34,309,576.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$19,146,821.
- City of Salem taxpayers paid for these activities through local taxes and bond proceeds in the amount of \$25,147,133.

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE FUNDS**

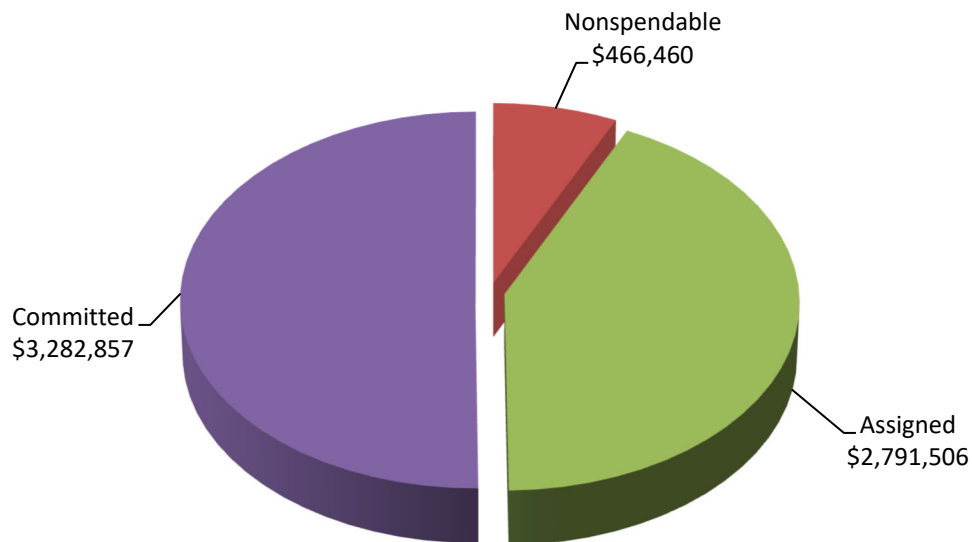
**Governmental Funds**

The School Division's combined fund balance for the governmental funds was \$6,540,823 as of June 30, 2023. The current year compared to last year is as follows:

**Fund Balance Comparison**

Fund:	2023	2022
General	\$ 3,039,914	\$ 4,319,557
Cafeteria	935,323	1,089,240
Capital Projects	1,877,101	3,363,092
Activity Fund	688,485	694,198
Total combined fund balance	\$ 6,540,823	\$ 9,466,087

The chart below shows the classifications of the fund balance of governmental funds as of June 30, 2023:



As of June 30, 2023, the School Division's governmental funds reported a combined fund balance of \$6,540,823, a decrease of \$2,925,264 in comparison to fiscal year 2022. Of this amount, \$466,460 constituted non-spendable fund balance, which reflected inventories and prepaid assets that were in a form that could not be spent, \$3,282,857 constituted committed fund balance, which was designated for future projects and food services, and \$2,791,506 constituted assigned fund balance, which was assigned for general education and school activities.

As the School Division ended the year, the General Fund reported a fund balance of \$3,039,914, a decrease of \$1,279,643 from the fund balance reported for fiscal year 2022. The cafeteria fund reported a fund balance at the end of fiscal year 2023 of \$935,323, a \$153,917 decrease from the fund balance reported for fiscal year 2022. The Capital Projects Fund reported a fund balance of \$1,877,101 at the end of fiscal year 2023, which represented a \$1,485,991 decrease from the fiscal year 2022 fund balance. The Activity Fund reported a fund balance of \$688,485 which represented a decrease of \$5,713 over the 2022 fund balance.

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

The General Fund accounts for all financial transactions and resources except those required to be accounted for in another fund. Federal, state and local grants restricted for specific purposes are reported in the General Fund. General Fund revenue amounted to \$54,587,609, while expenditures totaled \$54,928,546. In addition, there was a transfer of \$1,236,052 of prior year reserves to the Capital Projects Fund, inception of subscriptions of \$131,497, insurance recoveries of \$34,186, and inception of leases of \$131,663. This resulted in a decrease in fund balance of \$1,279,643.

The Cafeteria Fund accounts for the costs associated with the preparation and serving of breakfast and lunch to students and staff and ended the fiscal year with a fund balance of \$935,323, a decrease of \$153,917 from the previous year. The decrease in fund balance was attributable to lower revenue from the federal government for the national lunch and breakfast program and higher salary and food costs.

The Capital Projects Fund is used to account for building improvements, machinery, and equipment. This fund had a beginning balance of \$3,363,092. After a contribution from the City of \$3,091,222, a grant from the Commonwealth of Virginia of \$1,905,758, other revenue of \$7,000, expenditures of \$7,726,023, and a transfer from the general fund of \$1,236,052, the ending balance of the fund was \$1,877,101. The phase I roofing project at West Salem Elementary School, an air handler at Salem High School, security system upgrades at Andrew Lewis Middle School, East Salem Elementary School, and G. W. Carver Elementary School; a chiller and flooring at the Central Office, a boiler at G. W. Carver Elementary School, (2) 14 passenger school buses, and school network upgrades were some of the major Capital Projects Fund expenditures during the year.

The Activity Fund consists of accounts held at the individual schools and support activities that are based in student organizations. This fund had a beginning balance of \$694,198. Revenue collected amounted to \$1,168,044 and expenditures amounted to \$1,173,757, resulting in a decrease in fund balance of \$5,713.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The School Division's budget is prepared in accordance with the *Code of Virginia*.

**General Fund  
For the Year Ended June 30, 2023**

	Original Budget	Amended Budget	Actual
Revenues:			
City of Salem	\$ 20,897,899	\$ 21,797,899	\$ 22,055,911
Commonwealth of Virginia	26,620,053	27,820,270	26,928,343
Federal Government	5,221,920	7,455,348	5,085,296
Charges for Services	435,834	433,561	343,459
Other	55,052	55,052	174,600
Total	<u>53,230,758</u>	<u>57,562,130</u>	<u>54,587,609</u>
Expenditures	53,235,758	59,605,590	54,928,546
Transfers	-	1,236,052	1,236,052
Inception of subscriptions	-	-	(131,497)
Inception of leases	-	-	(131,663)
Other Financing (Sources) Uses	(5,000)	(5,000)	(34,186)
Total	<u>53,230,758</u>	<u>60,836,642</u>	<u>55,867,252</u>
	<u>\$ -</u>	<u>\$ (3,274,512)</u>	<u>\$ (1,279,643)</u>



**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

During fiscal year 2023, the School Division amended its General Fund budget to appropriate other revenue and grant funds when the official notice of the award was received. Revenues received from the City and other revenues were all above budget. Actual expenditures were less than the final budget due to personnel savings and expenditure savings throughout most departments.

**CAPITAL ASSETS**

At the end of fiscal year 2023, the School Division had \$73,943,266 (a 9.1% increase from fiscal year 2022) invested in machinery and equipment, land, buildings, construction in progress, leases, and subscriptions in governmental activities. The following table displays fiscal year 2023 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 5 of the basic financial statements.

**Capital Assets  
(net of depreciation)  
As of June 30, 2023 and 2022**

	Governmental Activities		Percentage
	2023	2022	Change
Land	\$ 1,123,637	\$ 1,123,637	0.0%
Construction in progress	36,365,691	29,460,826	23.4%
Machinery and equipment	2,464,210	2,432,902	1.3%
Buildings and improvements	33,758,738	34,736,833	(2.8%)
Subscriptions	115,785	-	100.0%
Leases	115,205	-	100.0%
Total	<u>\$ 73,943,266</u>	<u>\$ 67,754,198</u>	<u>9.1%</u>

**Major Capital Asset Additions for Fiscal Year 2023 included:**

- Phase I of the roofing project at West Salem Elementary School
- Central Office flooring
- Network upgrades
- Air handler at Salem High School
- Boiler at G. W. Carver Elementary School
- (2) 14 passenger buses
- Security camera system at Andrew Lewis Middle School
- Security camera system at G. W. Carver Elementary School
- Security camera system at East Salem Elementary School
- Chiller at Central Office

**OUTSTANDING LONG-TERM DEBT**



According to the *Code of Virginia*, when a local government incurs a financial obligation payable over more than one fiscal year to fund an acquisition, construction or other improvement of public school property, the local government acquires title to the school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligations. In these cases, at the time the financial obligation is paid in full, the net value of the school property is transferred to the

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

school board and reflected as program revenue and expense on the government-wide financial statements for the local school board and the local government, respectively. In the School Division's case, however, the City reports this debt in its Statement of Net Position and the School Division reports the capital assets on its Statement of Net Position throughout the term of the obligation. More detailed information on long-term obligations can be found in Note 7.

With the current economic condition in mind, below are a list of factors that will likely influence future budgets:

- Unrest in the Middle East and Eastern Europe
- Inflation
- Diesel costs
- Continued supply chain issues
- Unknown changes in State funding
- Student enrollment fluctuations
- Uncertainty of Federal grant funding
- Unknown local funding
- Healthcare cost increases

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the School Division's finances and to demonstrate the School Division's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact:

**Chief Financial Officer**  
Salem City Public Schools  
510 S. College Avenue  
Salem, Virginia 24153  
(540) 389-0130  
[www.salem.k12.va.us](http://www.salem.k12.va.us)

# **BASIC FINANCIAL STATEMENTS**

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**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 17,415,005
Receivables	28,436
Lease receivable	484,152
Due from other governmental units	2,168,184
Net pension asset	909,597
Inventories	88,157
Prepaid items	378,303
<i>Capital assets:</i>	
Nondepreciable and nonamortizable	37,489,328
Depreciable and amortizable, net	36,453,938
Total assets	<u>95,415,100</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>9,790,214</u>
 <b>LIABILITIES</b>	
<i>Current liabilities:</i>	
Accounts payable and accrued liabilities	1,159,423
Accrued payroll and related liabilities	6,174,850
Self-insurance claims liability	317,670
Unearned revenues	485,345
<i>Long-term liabilities due in less than one year:</i>	
Lease liability	32,033
Compensated absences	457,962
<i>Long-term liabilities due in more than one year:</i>	
Lease liability	83,931
Compensated absences	369,449
Net pension liability	27,008,034
Net OPEB liability	5,673,830
Total liabilities	<u>41,762,527</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>7,304,284</u>
 <b>NET POSITION (DEFICIT)</b>	
Investment in capital assets	73,141,922
Restricted for net pension asset	909,597
Unrestricted	(17,913,016)
Total net position	<u>\$ 56,138,503</u>

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

**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
<i>Governmental activities:</i>					
Central administration	\$ 1,581,633	\$ -	\$ -	\$ -	\$ (1,581,633)
Centralized Instructional costs	4,344,767	157,396	-	-	(4,187,371)
Instructional costs	43,387,453	1,080,537	15,059,674	2,304,642	(24,942,600)
Attendance and health services	1,364,537	-	-	-	(1,364,537)
Transportation	2,171,148	-	-	-	(2,171,148)
Food services	2,442,362	599,244	1,782,505	-	(60,613)
Interest and other fiscal charges	1,674	-	-	-	(1,674)
Total governmental activities	<u>\$ 55,293,574</u>	<u>\$ 1,837,177</u>	<u>\$ 16,842,179</u>	<u>\$ 2,304,642</u>	<u>(34,309,576)</u>
<i>General revenues:</i>					
Payments from City of Salem					25,147,133
Unrestricted State aid					16,562,083
Other					1,857,634
Total general revenues					<u>43,566,850</u>
Change in net position					9,257,274
<b>Net position, beginning</b>					<u>46,881,229</u>
<b>Net position, ending</b>					<u>\$ 56,138,503</u>

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

**CITY OF SALEM SCHOOL DIVISION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General	Cafeteria	Capital Projects	Activity	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,543,515	\$ 955,139	\$ 2,399,470	\$ 758,195	\$ 11,656,319
Receivables, net	19,905	50	-	180	20,135
Lease receivable	484,152	-	-	-	484,152
Due from other funds	59,454	-	-	-	59,454
Due from other governmental units	2,114,822	53,362	-	-	2,168,184
Inventories	-	84,724	-	3,433	88,157
Prepaid items	378,303	-	-	-	378,303
Total assets	<u>\$ 10,600,151</u>	<u>\$ 1,093,275</u>	<u>\$ 2,399,470</u>	<u>\$ 761,808</u>	<u>\$ 14,854,704</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 510,005	\$ 96,907	\$ 522,369	\$ 13,869	\$ 1,143,150
Accrued payroll and related liabilities	6,152,242	22,608	-	-	6,174,850
Due to other funds	-	-	-	59,454	59,454
Unearned revenues	427,522	38,437	-	-	465,959
Total liabilities	<u>7,089,769</u>	<u>157,952</u>	<u>522,369</u>	<u>73,323</u>	<u>7,843,413</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	470,468	-	-	-	470,468
<b>FUND BALANCES</b>					
Nonspendable	378,303	84,724	-	3,433	466,460
Committed	555,157	850,599	1,877,101	-	3,282,857
Assigned	2,106,454	-	-	685,052	2,791,506
Total fund balances	<u>3,039,914</u>	<u>935,323</u>	<u>1,877,101</u>	<u>688,485</u>	<u>6,540,823</u>
Total liabilities and fund balances	<u>\$ 10,600,151</u>	<u>\$ 1,093,275</u>	<u>\$ 2,399,470</u>	<u>\$ 761,808</u>	<u>\$ 14,854,704</u>

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

**CITY OF SALEM SCHOOL DIVISION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

Total fund balance of governmental funds	\$ 6,540,823
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.	73,943,266
Long-term liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(827,411)
Lease liability	(115,964)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources related to pension	8,293,446
Deferred inflows of resources related to pension	(6,084,119)
Net pension asset	909,597
Net pension liability	(27,008,034)
Financial statement elements related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources related to OPEB	1,496,768
Deferred inflows of resources related to OPEB	(749,697)
Net OPEB liability	(5,673,830)
The internal service fund is used by management to charge the costs of health insurance to individual funds. The assets, liabilities, and net position of the internal service fund are included in governmental activities in the Statement of Net Position.	5,413,658
Net position of governmental activities	\$ 56,138,503

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

**CITY OF SALEM SCHOOL DIVISION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

<b>REVENUES</b>	General	Cafeteria	Capital Projects	Activity	Total Governmental Funds
<i>Intergovernmental:</i>					
City of Salem	\$ 22,055,911	\$ -	\$ 3,091,222	\$ -	\$ 25,147,133
Commonwealth of Virginia	26,928,343	59,170	1,905,758	-	28,893,271
Federal Government	5,085,296	1,723,336	-	-	6,808,632
<i>Other:</i>					
Charges for services	343,459	599,244	-	894,474	1,837,177
Other	174,600	47,909	7,000	273,570	503,079
<b>Total revenues</b>	<b>54,587,609</b>	<b>2,429,659</b>	<b>5,003,980</b>	<b>1,168,044</b>	<b>63,189,292</b>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Central administration	2,193,690	-	-	-	2,193,690
Centralized instruction costs	4,683,958	-	-	-	4,683,958
Instructional costs	44,095,983	-	-	1,173,757	45,269,740
Attendance and health services	1,520,760	-	-	-	1,520,760
Transportation	2,285,285	-	-	-	2,285,285
Food services	-	2,583,576	-	-	2,583,576
<i>Capital projects</i>	-	-	7,726,023	-	7,726,023
<i>Debt service:</i>					
Principal	147,196	-	-	-	147,196
Interest	1,674	-	-	-	1,674
<b>Total expenditures</b>	<b>54,928,546</b>	<b>2,583,576</b>	<b>7,726,023</b>	<b>1,173,757</b>	<b>66,411,902</b>
Excess (deficiency) of revenues over (under) expenditures	(340,937)	(153,917)	(2,722,043)	(5,713)	(3,222,610)
<b>OTHER FINANCING SOURCES (USES)</b>					
Inception of leases	131,663	-	-	-	131,663
Inception of subscriptions	131,497	-	-	-	131,497
Insurance recoveries	34,186	-	-	-	34,186
Transfers in	-	-	1,236,052	-	1,236,052
Transfers out	(1,236,052)	-	-	-	(1,236,052)
<b>Total other financing sources (uses), net</b>	<b>(938,706)</b>	<b>-</b>	<b>1,236,052</b>	<b>-</b>	<b>297,346</b>
<b>Net change in fund balances</b>	<b>(1,279,643)</b>	<b>(153,917)</b>	<b>(1,485,991)</b>	<b>(5,713)</b>	<b>(2,925,264)</b>
<b>Fund balances, beginning</b>	<b>4,319,557</b>	<b>1,089,240</b>	<b>3,363,092</b>	<b>694,198</b>	<b>9,466,087</b>
<b>Fund balances, ending</b>	<b>\$ 3,039,914</b>	<b>\$ 935,323</b>	<b>\$ 1,877,101</b>	<b>\$ 688,485</b>	<b>\$ 6,540,823</b>

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



**CITY OF SALEM SCHOOL DIVISION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS' STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

Net changes in fund balances of governmental funds	\$ (2,925,264)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate the cost of those assets over the life of the assets.	
Capital outlay	8,741,949
Depreciation and amortization expense	(2,538,624)
Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.	
Proceeds from sale of assets	(12,136)
Net loss from sale of assets	(2,121)
Repayment of subscription and lease principal is an expenditure in the governmental funds but reduces long-term liabilities in the Statement of Net Position.	
Inception of leases	(131,663)
Inception of subscriptions	(131,497)
Principal payments	147,196
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 the governmental funds.	
Change in compensated absences	(9,458)
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	4,479,313
Non-employer pension contribution	1,254,918
Pension expense	(1,475,612)
Governmental funds report employer OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned is reported as OPEB expense.	
Employer OPEB contributions	757,114
Non-employer OPEB contributions	72,452
OPEB expense	(544,184)
The internal service fund is used by management to charge the costs of health and dental insurance to individual funds. The change in net position of the internal service fund is reported with governmental activities.	
	1,574,891
Change in net position of governmental activities	<u><u>\$ 9,257,274</u></u>

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

**CITY OF SALEM SCHOOL DIVISION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
<b>REVENUES</b>				Positive
				(Negative)
<i>Intergovernmental:</i>				
City of Salem	\$ 20,897,899	\$ 21,797,899	\$ 22,055,911	\$ 258,012
Commonwealth of Virginia	26,620,053	27,820,270	26,928,343	(891,927)
Federal Government	5,221,920	7,455,348	5,085,296	(2,370,052)
<i>Other:</i>				
Charges for Services	435,834	433,561	343,459	(90,102)
Other	55,052	55,052	174,600	119,548
Total revenues	<u>53,230,758</u>	<u>57,562,130</u>	<u>54,587,609</u>	<u>(2,974,521)</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Central administration	2,330,824	2,333,925	2,193,690	140,235
Centralized instructional costs	4,854,076	5,279,607	4,683,958	595,649
Instructional costs:				
Salem High School	11,216,368	12,579,374	12,501,010	78,364
Andrew Lewis Middle School	8,240,691	8,570,753	8,237,680	333,073
G.W. Carver Elementary School	4,251,759	4,597,590	4,634,533	(36,943)
West Salem Elementary School	3,873,099	4,154,043	3,957,893	196,150
South Salem Elementary School	3,486,906	3,777,383	3,785,246	(7,863)
East Salem Elementary School	4,256,316	4,522,057	4,376,050	146,007
Regional Special Education Program	899,079	1,107,468	916,181	191,287
Federal and state grants programs	5,646,323	8,778,902	5,687,390	3,091,512
Attendance and health services	1,416,928	1,454,216	1,520,760	(66,544)
Transportation	2,213,188	2,427,765	2,285,285	142,480
Non-departmental	431,740	-	-	-
<i>Debt service:</i>				
Principal	100,000	4,046	147,196	(143,150)
Interest	18,461	18,461	1,674	16,787
Total expenditures	<u>53,235,758</u>	<u>59,605,590</u>	<u>54,928,546</u>	<u>4,677,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,000)</u>	<u>(2,043,460)</u>	<u>(340,937)</u>	<u>1,702,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Inception of leases	-	-	131,663	131,663
Inception of subscriptions	-	-	131,497	131,497
Insurance recoveries	5,000	5,000	34,186	29,186
Transfers out	-	(1,236,052)	(1,236,052)	-
Total other financing sources (uses)	<u>5,000</u>	<u>(1,231,052)</u>	<u>(938,706)</u>	<u>292,346</u>
Net change in fund balances*	<u>\$ -</u>	<u>\$ (3,274,512)</u>	<u>\$ (1,279,643)</u>	<u>\$ 1,994,869</u>

\* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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

**CITY OF SALEM SCHOOL DIVISION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND - CAFETERIA FUND**  
**YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 47,110	\$ 61,972	\$ 59,170	\$ (2,802)
Federal Government	1,131,902	1,370,597	1,723,336	352,739
<i>Other:</i>				
Charges for Services	841,641	841,641	599,244	(242,397)
Other	4,800	309,679	47,909	(261,770)
Total revenues	<u>2,025,453</u>	<u>2,583,889</u>	<u>2,429,659</u>	<u>(154,230)</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Food services:				
Salem High School	728,109	843,392	666,960	176,432
Andrew Lewis Middle School	459,424	531,878	482,334	49,544
G.W. Carver Elementary School	216,462	323,057	392,920	(69,863)
West Salem Elementary School	202,945	296,137	342,348	(46,211)
South Salem Elementary School	224,512	298,597	336,998	(38,401)
East Salem Elementary School	194,001	290,828	362,016	(71,188)
Total expenditures	<u>2,025,453</u>	<u>2,583,889</u>	<u>2,583,576</u>	<u>313</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(153,917)	(153,917)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (153,917)</u>	<u>\$ (153,917)</u>

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

**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2023**

	<u>Internal Service Fund</u>
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 5,758,686
Receivables	8,301
Total assets	<u>5,766,987</u>
 <b>LIABILITIES</b>	
<i>Current liabilities:</i>	
Accounts payable and accrued liabilities	16,273
Self-insurance claims liability	317,670
Unearned revenues	19,386
Total liabilities	<u>353,329</u>
 <b>NET POSITION</b>	
Unrestricted	5,413,658
Total net position	<u><u>\$ 5,413,658</u></u>

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

**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2023**

	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,378,322
Other	2,195
Total operating revenues	<u>5,380,517</u>
<b>OPERATING EXPENSES</b>	
Claims	3,752,264
Contractual services	31,714
Administration	231,480
Miscellaneous	1,911
Total operating expenses	<u>4,017,369</u>
Operating income	<u>1,363,148</u>
<b>NONOPERATING REVENUES</b>	
Interest income	211,743
Total nonoperating revenues	<u>211,743</u>
Change in net position	<u>1,574,891</u>
<b>Net position, beginning</b>	<u>3,838,767</u>
<b>Net position, ending</b>	<u><u>\$ 5,413,658</u></u>

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

**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2023**

	<u>Internal Service Fund</u>
<b>OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 5,382,852
Payments to City	(231,480)
Payments for claims	(3,765,899)
Payments for contractual services	(29,071)
Other receipts	2,195
Net cash provided by operating activities	<u>1,358,597</u>
<b>INVESTING ACTIVITIES</b>	
Interest received	211,743
Net cash provided by investing activities	<u>211,743</u>
<b>Cash and cash equivalents, beginning</b>	<u>4,188,346</u>
<b>Cash and cash equivalents, ending</b>	<u><u>\$ 5,758,686</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 1,363,148
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
<i>(Increase) decrease in assets:</i>	
Receivables	(23)
<i>Increase (decrease) in liabilities:</i>	
Accounts payable and accrued liabilities	4,554
Self-insurance claims liability	(13,635)
Unearned revenues	4,553
Net cash provided by operating activities	<u><u>\$ 1,358,597</u></u>

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

**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2023**

	OPEB Trust Fund
<b>ASSETS</b>	
Investments held by trustee, fair value of pooled funds	\$ 2,314,901
Total assets	2,314,901
<b>LIABILITIES</b>	
Liability to agency	-
Total liabilities	-
<b>NET POSITION</b>	
Restricted for OPEB	\$ 2,314,901

**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2023**

	OPEB Trust Fund
<b>ADDITIONS</b>	
Employer contributions	\$ 240,762
<i>Investment income</i>	
Increase in fair value of investments	157,543
Total additions	398,305
<b>DEDUCTIONS</b>	
Retirement benefits	143,627
Administrative expenses	2,632
Total deductions	146,259
Change in fiduciary net position	252,046
<b>Net position, beginning</b>	2,062,855
<b>Net position, ending</b>	\$ 2,314,901

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

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies**

**The Financial Reporting Entity**

The City of Salem School Division (School Division), established in 1983, is a legally separate entity from the City of Salem, Virginia (City). The School Division operates a high school, a middle school, four elementary schools, and an alternative education center. City Council appoints School Board members and provides fiscal assistance through tax levies for operating activities and debt issuance for capital projects. The City reports the School Division as a discretely presented component unit.

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

**Government-Wide Statements**

The government-wide financial statements report information on all nonfiduciary activities of the School Division. *Governmental activities* are normally supported by intergovernmental revenues.

The **Statement of Net Position** presents the governmental activities on the accrual basis of accounting, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments that are clearly identifiable with a specific function. Items not properly included among program revenues are reported instead as *general revenues*.

**Fund Financial Statements**

These statements are organized based on funds, each of which is considered a separate accounting entity. The emphasis is on major governmental funds. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances/net position, revenues and expenditures/expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the basic financial statements into three broad fund categories as follows:

**Governmental Funds** account for expendable financial resources. The School Division reports the following major governmental funds:

- The *General Fund* is the School Division's primary operating fund and accounts for all financial resources of the School Division, except for those required to be accounted for in another fund.
- The *Cafeteria Fund* is a special revenue fund that accounts for the proceeds of specific revenue sources committed or restricted to expenditures for food services.
- The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.
- The *School Activity Fund* accounts for financial resources to be used at an individual school level to support student activities.



**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**Fund Financial Statements (Continued)**

**Proprietary Funds** account for operations that are financed and operated in a manner similar to private business enterprises.

**Internal Service Funds** account for the financing of goods or services provided solely to other departments within the School Division on a cost-reimbursement basis. The School Division reports the following internal service fund:

- The *Health Insurance Fund* accounts for funding, claims, and operating costs of the self-insurance program. This fund is included in governmental activities for government-wide reporting purposes.

**Fiduciary Funds** account for assets held by the School Division in a trustee capacity or as an agent for individuals, other governmental units or other funds. The School Division reports the following fiduciary fund:

- The *OPEB Trust Fund* accounts for the receipt and disbursement of assets held in trust for the other postemployment benefit (OPEB) plan of the School Division.

**Measurement Focus and Basis of Accounting**

**Government-wide** financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Governmental fund** financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. General revenues are considered measurable and available if collected within 60 days of year-end. Grant revenues are considered measurable when the legal and contractual requirements have been met and available if collected within one year of the end of the current fiscal period. All other revenue items are considered measurable and available when cash is received by the School Division. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, pension, other postemployment benefits, financed purchase obligations, claims, and judgments are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right-to-use lease assets, are reported as expenditures. Proceeds of long-term debt, financing through leases, financing through subscriptions, and insurance recoveries are reported as other financing sources.

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements versus the governmental funds' financial statements, a reconciliation between the government-wide and fund financial statements is necessary. The reconciliations are presented following the governmental funds' financial statements.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

**Proprietary fund** financial statements are reported using the *economic financial resources measurement focus* and the *accrual basis of accounting*. These statements distinguish *operating* from *nonoperating* revenues and expenses. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. Operating revenues include charges to other funds for self-insurance claims activities. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**Fiduciary fund** financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, with the exception of agency funds which have no measurement focus but employ the *accrual basis of accounting* for purposes of asset and liability recognition.

**Budgets and Budgetary Accounting**

The School Division's budget is presented and adopted in accordance with accounting principles generally accepted in the United States of America (GAAP). The budget is a written document which presents the Board's plan for the allocation of the available financial resources into an explicit expenditure plan to sustain and improve the educational function of the School Division. The budget is based upon the educational needs and financial ability of the division, as cooperatively identified by the Superintendent and his staff, the Board, and the community. The following procedures are used by the School Division in establishing the budgetary data reflected in the financial statements:

- In March, the Superintendent submits to the School Board a proposed budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them for the General and Cafeteria Funds. The Capital Projects Fund utilizes a project length budget in lieu of an annual budget. Therefore, no annual budget for capital projects is presented.
- A public hearing is conducted to obtain citizen comments.
- Prior to March 31, the budget is adopted through passage of a resolution. The budget is then presented to the City Manager to be incorporated in the City budget. Prior to May 15, City Council approves the School Division budget.
- The School Board, with the concurrence of City Council, may amend the budget providing for additional expenditures and the means for financing them. The School Board approved additional appropriations of \$7,605,884 during the current year primarily for grants, new capital projects, other projects, re-appropriation of fund balance for encumbrances and unforeseen operating expenditures.
- The appropriations ordinance places legal restrictions on expenditures at the fund level. City Council has adopted the policy of appropriating the School Division budget in total rather than by categories. The School Board is authorized to transfer budget amounts within the fund at its discretion. The impact of changes in market values on commodities donated by the United States Department of Agriculture can, at times, cause expenditures to exceed budgeted amounts in the Cafeteria Fund. The effects of these market changes are excluded from consideration of budget noncompliance.
- The Superintendent is authorized to transfer budget amounts within and between the major categories subject to School Board approval.
- Formal budgetary integration is employed as a management control device for the General and Cafeteria Funds.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**Budgets and Budgetary Accounting (Continued)**

- All appropriations lapse on June 30 except for the Capital Projects Fund, which carries unexpended balances into the following year. The School Board appropriates unexpended balances for other projects it specifies in the following year.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Cafeteria Fund, and Capital Projects Fund. Encumbrances outstanding at year-end are reported as part of the restricted, committed, or assigned fund balances since they do not constitute expenditures or liabilities. Significant encumbrances as of June 30, 2023 total \$589,486 in the General Fund and \$1,069,315 in the Capital Projects Fund.

**Deposits and Investments**

For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and investments with maturities of 90 days or less. Cash includes unrestricted and restricted, if any, cash and cash equivalents. Investments are recorded at fair value.

**Interfund Balances**

Outstanding balances between funds are reported as due to/from other funds. Outstanding balances between the School Division and the City are reported as due to/from Primary Government.

**Inventory**

Cafeteria Fund inventories consist of food and supplies. Inventories are valued at cost using the first-in, first-out (FIFO) method, except for commodities received from the federal government, which are valued at amounts assigned by the United States Department of Agriculture. Disbursements for inventory are considered to be expenditures at the time of use (consumption method of accounting).

**Prepaid Items**

Governmental fund prepaid items consist primarily of educational software/materials, as well as organization membership dues and conference fees incurred for periods in a subsequent fiscal year. The payments are recorded as expenditures in the fiscal year of the agreement period or event date.

**Leases**

**School Division as Lessee** – The School Division recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School Division recognizes lease liabilities with initial values of \$5,000 or more, individually or in aggregate.

At the commencement of a lease, the School Division initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured initially as the amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset, but if the lease contains a purchase option the School Division is reasonably certain to exercise, the lease asset is amortized over the useful life of the underlying asset. If the underlying asset is nondepreciable, the lease asset is not amortized.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**Leases (Continued)**

Key estimates and judgments related to leases include how the School Division determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The School Division uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School Division generally uses its estimated incremental borrowing rate as the discount rate for equipment leases and prime for building and infrastructure leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the School Division is reasonably certain to exercise.

The School Division monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets, and lease liabilities are reported with long-term debt on the statement of net position.

**School Division as Lessor** – The School Division recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Division initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured initially as the amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the School Division determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The School Division uses its estimated incremental borrowing rate as the discount rate for equipment leases and prime for building and infrastructure leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The School Division monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Subscription-Based Information Technology Arrangements**

The School Division recognizes a subscription liability (when applicable) and a subscription-based information technology arrangement asset (subscription asset) in the government-wide financial statements. The School Division recognizes subscription liabilities with initial, individual values of \$5,000 or more and subscription terms greater than twelve months, including any options to extend.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**Subscription-Based Information Technology Arrangements (Continued)**

At the commencement of a subscription term, the School Division initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is measured initially as the amount of the subscription liability, plus any payments made to the subscription vendor at the commencement of the subscription term associated with the contract and any capitalizable initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

Key estimates and judgments related to subscriptions include how the School Division determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

- The School Division uses the interest rate charged by the subscription vendor as the discount rate. When the interest rate charged by the subscription vendor is not provided, the School Division uses its estimated incremental borrowing rate as the discount rate.
- The subscription term includes the noncancellable period of the subscription, plus periods covered by the School Division's or the subscription vendor's option to extend if it is reasonably certain the Division or subscription vendor will extend and periods covered by the Division's or subscription vendor's option to terminate if it is reasonably certain the Division or subscription vendor will not terminate. Periods for which both the School Division and subscription vendor have the option terminate without permission from the other party, or for which both parties have to agree to extend, are excluded from the subscription term.

The School Division monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription asset or liability.

Subscription assets are reported with other capital assets, and subscription liabilities are reported with long-term debt on the statement of net position.

**Capital Assets**

Capital assets, which include property, plant, and equipment, right-to-use lease assets, and subscription-based information technology arrangement assets, are reported in the government-wide financial statements. Capital assets are defined by the School Division as assets with an initial individual cost of more than \$0 for land, \$5,000 for machinery and equipment, or \$10,000 for buildings and improvements and an estimated useful life of at least five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation. The leases section of this note provides additional information about right-to-use lease assets. The subscription-based information technology arrangements section of this note provides additional information about subscription assets. The School Division includes the cost of certain intangible assets with a definite life in the appropriate asset class.

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

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets (Continued)**

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

Machinery and equipment	5 – 15 years
Buildings and improvements	10 – 45 years

Right-to-use lease assets and subscription assets are amortized as described in the leases and subscription-based information technology arrangements sections of this note. Other amortizable capital assets are amortized using the straight-line method over the estimated useful lives of the underlying assets. Depreciation expense and amortization expense for capital assets are identified with a function, whenever possible, and included as a direct expense. Upon the sale or retirement of a capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in the results of operations.

**Capital Assets and Related Debt Reporting**

According to the *Code of Virginia*, when a local government incurs a financial obligation payable over more than one fiscal year to fund an acquisition, construction, or improvement of public school property, the local government acquires title to the school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligation. In these cases, at the time the financial obligation is paid in full, the net value of the school property is transferred to the local school board and reflected as program revenue and expense in the government-wide financial statements for the local school board and the local government, respectively. In the School Division's case, however, the City reports this debt in its Statement of Net Position while the School Division reports the capital asset on its Statement of Net Position.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

**Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria can be satisfied and when assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period. Unearned revenues primarily consist of grants received before the eligibility requirements have been met and payments made in advance for cafeteria meals.

**Compensated Absences**

The School Division has policies to allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide financial statements. An expenditure and liability for these amounts are reported in governmental funds when the amounts are due for payment.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**Pensions**

The Virginia Retirement System (VRS) Retirement Plan is a multi-employer, agent plan. The VRS Teacher Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability of both plans, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and the additions to/deductions from the plan's net fiduciary position have been determined on the same basis as they were reported by 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.

**Other Postemployment Benefits – Retiree Health Plan**

In connection with the School Division's funding of OPEB obligations, the School Division participates in the Virginia Pooled OPEB Trust (OPEB Trust Fund). The School Division's policy is to fully fund actuarially determined OPEB costs, which include both normal costs and amortization of unfunded accrued liability. The OPEB Trust Fund assets and investments are recorded at fair value. The OPEB Trust Fund's Board of Trustees establishes investment objectives and risk tolerance and asset allocation policies based on the investment policy, market and economic conditions and generally prevailing prudent investment practices.

**Other Postemployment Benefits – Group Life Insurance and Health Insurance Credit**

The VRS Group Life Insurance Program and VRS Teacher Employee Health Insurance Credit Program are multiple employer, cost-sharing plans. The VRS Political Subdivision Health Insurance Credit Program is a multiple employer, agent defined benefit plan. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The Political Subdivision Health Insurance Credit Program and Teacher Employee Health Insurance Credit Program were established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. The Political Subdivision Health Insurance Credit Program and Teacher Employee Health Insurance Program are defined benefits plans that provide a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers and teachers. For purposes of measuring the net OPEB liability for each plan, deferred outflows of resources and deferred inflows of resources related to each plan, and OPEB expense, information about the fiduciary net position of each plan and the additions to/deductions from net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- **Net investment in capital assets** – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding which was used to finance those assets.
- **Restricted** – consists of assets where there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- **Unrestricted** – all other net position is reported in this category.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the School Division is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually are required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – 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** – Amounts constrained to specific purposes by the School Division, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the School Division intends to use for a specified purpose; intent can be expressed by the governing body (School Board) or by an official or body to which the governing body designates the authority.
- **Unassigned** – Amounts that are available for any purpose. The School Division has no unassigned fund balance at year end.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through amendment of the budget. Assigned fund balance is established by the School Board as amounts intended for a specific purpose.

**Restricted Amounts**

The School Division applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Estimates**

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

**2. Deposits and Investments**

The City maintains a concentration bank account used by the School Division. The School Division's portion of this account is presented in the basic financial statements as cash and cash equivalents. Deposits and investments held by Fiduciary Funds total \$2,314,901 for the OPEB Trust Fund.



**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**2. Deposits and Investments (Continued)**

**Deposits**

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

**Investments**

Statutes authorize local governments and other public bodies 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, the Asian Development Bank, the African Development Bank, prime quality commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, the State Non-Arbitrage Program (SNAP), and the Local Government Investment Pool (LGIP).

As of June 30, 2023, the School Division's deposits and investments consisted of the following:

Investment Type	Fair Value	S&P Credit Rating
Demand & time deposits	\$ 17,414,490	unrated
Cash on hand	515	unrated
Total	\$ 17,415,005	

The School Division's investments are subject to credit risk, concentration of credit risk, interest rate risk, and custodial risk as described below.

**Credit Risk**

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The School Division follows the City's investment policy which states that the City shall invest only in securities allowed under the *Code of Virginia, Virginia Security of Public Deposits Act, Section 2.2-4400 through 2.2-4411* and the *Code of Virginia, Investment of Public Funds Act, Section 2.2-4500 through 2.2-4518*.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. On behalf of the School Division, the City endeavors to diversify its investment portfolio to avoid incurring unreasonable risks regarding an individual financial institution or issuing entity. Target asset allocation strategies are developed by the City's Director of Finance to provide guidance as to appropriate levels of diversification. The investment policy states that, with the exception of U.S. Treasury securities and authorized pools/funds, no more than 50% of the total investment may be the obligation of a single financial institution.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. On behalf of the School Division, the City endeavors to diversify its investment portfolio to avoid incurring unreasonable risks regarding maturity. To the extent possible, the City attempts to match its investments with anticipated cash flow requirements. The City's investment policy states that unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**2. Deposits and Investments (Continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

The City's investment policy requires that all securities purchased for the City be secured through third-party custody and safekeeping procedures. Ownership shall be protected through third-party custodial safekeeping. The securities must be in the City's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the City. Further, the custodian must be a third party, not a counterparty (buyer, issuer, or seller) to the transaction. This requirement does not apply to excess checking account funds invested overnight in a bank "sweep" agreement or similar vehicle authorized under the City's investment policy.

**3. Interfund Balances and Transfers**

The composition of the interfund balances is as follows:

		<u>Due from (fund)</u>	
		<u>Activity</u>	
Due to (fund)	General	\$	59,454

The amount due to the General Fund from the Activity Fund consists of amounts due from individual schools for credit card purchases and fees collected from students.

During the year, the School Division transferred \$1,236,052 from the General Fund to the Capital Projects Fund for current projects.

**4. Due from Other Governmental Units**

Amounts due from other governmental units, which are all expected to be collected within a year of the financial statement date, are as follows:

	General Fund	Cafeteria Fund	Governmental Activities
Commonwealth of Virginia			
Sales tax	\$ 730,190	\$ -	\$ 730,190
Medicaid reimbursement	3,545	-	3,545
Other	-	190	190
Federal government			
Special Education - Grants to States (IDEA, Part B)	242,311	-	242,311
Special Education - Grants to States (IDEA, Part B ARP)	27,016	-	27,016
Special Education - Preschool	3,920	-	3,920
Title I Grants to Local Educational Agencies	195,564	-	195,564
Adult Education - Basic Grants to States	93,015	-	93,015
National School Breakfast and Lunch Programs	-	53,172	53,172
Career & Technical Education - Basic Grants to States (Perkins IV)	27,053	-	27,053
NCLB Title II A Improving Teacher Quality 84.367	10,326	-	10,326
NCLB Title III A LEP 84.365	4,607	-	4,607
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	357,268	-	357,268
Education Stabilization Fund D - ESSER	37,593	-	37,593
Education Stabilization Fund U - ESSER ARP	380,472	-	380,472
Student Support and Academic Enrichment Grants	1,942	-	1,942
	\$ 2,114,822	\$ 53,362	\$ 2,168,184

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**5. Capital Assets**

Capital asset activity for the year was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Capital assets, nondepreciable and nonamortizable				
Land	\$ 1,123,637	\$ -	\$ -	\$ 1,123,637
Construction in progress	29,460,826	7,665,486	(760,621)	36,365,691
Capital assets, nondepreciable and nonamortizable	<u>30,584,463</u>	<u>7,665,486</u>	<u>(760,621)</u>	<u>37,489,328</u>
Capital assets, depreciable and amortizable				
Machinery and equipment	9,050,948	530,488	(142,924)	9,438,512
Buildings and improvements	71,780,236	1,043,436	(96,769)	72,726,903
Right-to-use leased assets	-	131,663	-	131,663
Subscription-based information technology arrangements	-	131,497	-	131,497
Capital assets, depreciable and amortizable	<u>80,831,184</u>	<u>1,837,084</u>	<u>(239,693)</u>	<u>82,428,575</u>
Accumulated depreciation and accumulated amortization				
Machinery and equipment	(6,618,046)	(484,923)	128,667	(6,974,302)
Buildings and improvements	(37,043,403)	(2,021,531)	96,769	(38,968,165)
Right-to-use leased assets	-	(16,458)	-	(16,458)
Subscription-based information technology arrangements	-	(15,712)	-	(15,712)
Accumulated depreciation and accumulated amortization	<u>(43,661,449)</u>	<u>(2,538,624)</u>	<u>225,436</u>	<u>(45,974,637)</u>
Capital assets, depreciable and amortizable, net	<u>37,169,735</u>	<u>(701,540)</u>	<u>(14,257)</u>	<u>36,453,938</u>
Capital assets, net	<u>\$ 67,754,198</u>	<u>\$ 6,963,946</u>	<u>\$ (774,878)</u>	<u>\$73,943,266</u>

Depreciation and amortization expense was charged to functions as follows:

Central administration	\$ 75,237
Centralized instructional costs	31,167
Instructional costs	2,207,386
Transportation	198,214
Food services	26,620
Total depreciation expense	<u>\$ 2,538,624</u>

**Intangible Right-to Use Assets**

As of June 30, 2023, the School Division recognized right-to-use assets for the value of copiers leased under long-term contracts as part of capital assets. The intangible right-to-use assets are being amortized over the lease terms for each lease. Terms of the leases are described in Note 7.

**Subscription-Based Information Technology Arrangements**

As of June 30, 2023, the School Division recognized subscription-based information technology arrangement assets for the value of software subscriptions under subscription contracts as part of capital assets. The subscription-based information technology arrangement assets are being amortized over the subscription terms for each subscription. Terms of the subscriptions are described in Note 7.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**6. Deferred Outflows/Inflows of Resources**

Deferred outflows/inflows of resources reported in the Statement of Net Position are as follows:

Deferred outflows of resources	
Pension	\$ 8,293,446
OPEB	1,496,768
Total deferred outflows of resources	\$ 9,790,214
Deferred inflows of resources	
Pension	\$ 6,084,119
OPEB	749,697
Leases	470,468
Total deferred inflows of resources	\$ 7,304,284

**7. Long-Term Liabilities**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Lease liability	\$ -	\$ 131,663	\$ (15,699)	\$ 115,964	\$ 32,033
Subscription liability	-	131,497	(131,497)	-	-
Compensated absences	817,953	467,420	(457,962)	827,411	457,962
Net pension liability	21,062,060	21,079,229	(15,133,255)	27,008,034	-
Net OPEB liability	5,176,050	2,536,677	(2,038,897)	5,673,830	-
	\$27,056,063	\$24,346,486	\$(17,777,310)	\$33,625,239	\$ 489,995

The General Fund is used to liquidate the compensated absences, net pension liability, lease liability, and other postemployment benefits.

**Copier Leases**

The School Division leases a variety of copiers from Xerox Corporation for terms of 48 months. For purposes of discounting future payments, the School Division used their incremental borrowing rates at lease inception. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 5. Future minimum lease payments include:

Fiscal Year	Principal	Interest
2024	\$ 32,033	\$ 2,712
2025	32,901	1,845
2026	33,792	953
2027	17,238	135
	\$ 115,964	\$ 5,645

**Subscription-Based Information Technology Arrangements**

The School Division subscribes to information technology assets, such as software, from vendors for terms greater than 12 months ranging from 60 months to 72 months. The School Division paid in-full for each subscription at inception and no future minimum payments are required. The subscription-based information technology arrangement assets and related accumulated amortization are outlined in Note 5.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**8. Fund Balance**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School Division is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balances of the governmental funds are presented below:

	General Fund	Cafeteria Fund	Capital Projects Fund	Activity Fund
Fund Balances				
Nonspendable:				
Inventories	\$ -	\$ 84,724	\$ -	\$ 3,433
Prepays	378,303	-	-	-
Committed to:				
Other projects	555,157	-	1,877,101	-
Food services	-	850,599	-	-
Assigned to:				
General education	2,106,454	-	-	-
Activity fund	-	-	-	685,052
Total fund balances	<u>\$ 3,039,914</u>	<u>\$ 935,323</u>	<u>\$ 1,877,101</u>	<u>\$ 688,485</u>

**9. Risk Management**

The School Division is exposed to various risks of loss including those related to torts, loss of or damage to assets, natural disasters, and the health of employees. The risk management programs of the School Division are as follows:

**Workers' Compensation**

Workers' Compensation Insurance is provided through VACORP. Benefits are those afforded through the Commonwealth of Virginia as outlined in *Code of Virginia* §65.2-100. Premiums are based on covered payroll, job rates and claims experience. Total premiums for the current year were \$95,347.

**General Liability and Other**

The School Division provides general liability, catastrophic accident insurance, and other insurance through VACORP. General liability, automobile liability, and property damage have a \$2,000,000 limit per occurrence. The School Division also has a separate student accident insurance policy through VACORP and Superintendent liability coverage of \$2,000,000 through Forrest T. Jones & Company. Total liability and property insurance premiums for the current fiscal year were \$125,227.

**Healthcare**

The City's professionally administered self-insurance program provides health coverage for employees of the School Division on a cost-reimbursement basis. All active and retired employees pay a premium equivalent for participation. The premium equivalent represents a minimum of 3% active or retired employee participation. The School Division is obligated for claims payments under the program. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$250,000 per covered individual.

**CITY OF SALEM SCHOOL DIVISION  
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**9. Risk Management (Continued)**

**Healthcare (continued)**

During the current fiscal year, total claim expenses of \$8,075,826 were incurred. This represents claims processed and an estimate for claims incurred but not reported (IBNR) as of June 30, 2023. The estimated liability for the City and School Division was \$369,443 and \$309,670, respectively for a total of \$679,113 at year-end.

Changes in the reported liability during the last three fiscal years are as follows:

Year Ended June 30	Beginning Balance	Claim Expenses	Claim Payments	Ending Balance
2023	\$ 765,656	\$ 8,075,826	\$ 8,162,369	\$ 679,113
2022	716,796	9,042,833	8,993,973	765,656
2021	581,259	8,932,896	8,797,359	716,796

**Dental**

The City's professionally administered self-insurance program provides dental coverage for employees of the City and School Division on a cost-reimbursement basis. The City began offering dental coverage through the self-insurance program on January 1, 2020. All active employees, retired City employees and retired School Division employees pay a premium equivalent for participation. The premium equivalent represents a minimum of 0% active or retired employee participation. The City and School Division are obligated for claims payments under the program.

During the current fiscal year, total claim expenses of \$511,769 were incurred. This represents claims processed and an estimate for claims incurred but not reported (IBNR) as of June 30, 2023. The estimated liability for the City and School Division was \$7,000 and \$8,000, respectively for a total of \$15,000 at year-end.

Changes in the reported liability during the last three fiscal years are as follows:

Year Ended June 30	Beginning Balance	Claim Expenses	Claim Payments	Ending Balance
2023	\$ 19,000	\$ 511,769	\$ 515,769	\$ 15,000
2022	24,000	534,284	539,284	19,000
2021	19,400	535,775	531,175	24,000

**Other**

There were no significant changes in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

**10. Pension Plan – Virginia Retirement System Political Subdivision Retirement Plan**

**Plan Description**

All full-time, salaried, permanent, non-professional employees (non-teachers) of the School Division are automatically covered by the Virginia Retirement System (VRS) Political Subdivision Retirement Plan upon employment. This multi-employer, agent plan is administered by VRS (the System) along with plans for other employer groups in the Commonwealth of Virginia.

**CITY OF SALEM SCHOOL DIVISION  
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**10. Pension Plan – Virginia Retirement System Political Subdivision Retirement Plan (Continued)**

**Plan Description (Continued)**

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

**Employees Covered by Benefit Terms**

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the VRS Retirement Plan:

	<b>School Division (Non-Professional)</b>
Inactive members or their beneficiaries currently receiving benefits	80
Inactive members:	
Vested inactive members	15
Non-vested inactive members	48
Inactive members active elsewhere in VRS	17
Total inactive members	80
Active members	62
Total covered employees	222

**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 Division's non-professional employees' contractually required contribution rate for the year ended June 30, 2023, was 1.92% of covered employee compensation. 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. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. Contributions to the VRS Political Subdivision Retirement Plan from the School Division were \$17,170 and \$22,143 for the years ended June 30, 2023, and June 30, 2022, respectively.

**CITY OF SALEM SCHOOL DIVISION  
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**10. Pension Plan – Virginia Retirement System Political Subdivision Retirement Plan (Continued)**

**Net Pension Liability**

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

**Actuarial Assumptions – General Employees**

The total pension liability for general employees in the VRS Retirement Plan was based on an actuarial valuation performed as of June 30, 2021, 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, 2022.

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

Mortality rates:

General Employees – 15 to 20% of deaths are assumed to be service related.

The actuarial assumptions used in the June 30, 2021, valuations were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

**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:



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**10. Pension Plan – Virginia Retirement System Political Subdivision Retirement Plan (Continued)**

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	2.50%
		* Expected arithmetic nominal return	<u>7.83%</u>

\* The allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total 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, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers 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.

**CITY OF SALEM SCHOOL DIVISION  
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**10. Pension Plan – Virginia Retirement System Political Subdivision Retirement Plan (Continued)**

**Changes in Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
<b>School Division (Non-Professional Staff)</b>			
Balances at June 30, 2021	\$ 5,422,830	\$ 6,866,985	\$ (1,444,155)
Changes for the year:			
Service cost	118,969	-	118,969
Interest	361,795	-	361,795
Differences between expected and actual experience	132,716	-	132,716
Contributions - employer	-	22,143	(22,143)
Contributions - employee	-	65,114	(65,114)
Net investment income	-	(4,145)	4,145
Benefit payments, including refunds of employee contributions	(363,739)	(363,739)	-
Administrative expenses	-	(4,345)	4,345
Other changes	-	155	(155)
Net changes	249,741	(284,817)	534,558
Balances at June 30, 2022	\$ 5,672,571	\$ 6,582,168	\$ (909,597)

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

The following presents the School Division's net pension liabilities (assets) under the VRS Political Subdivision Retirement Plan using the discount rate of 6.75%, as well as what the School Division's net pension liabilities (assets) would be if they were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Net Pension Liability (Asset)		
	1%	Current	1%
	Decrease (5.75%)	Discount (6.75%)	Increase (7.75%)
Retirement Plan (Non-Professional Staff)	\$ (270,342)	\$ (909,597)	\$ (1,439,049)

**CITY OF SALEM SCHOOL DIVISION  
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**10. Pension Plan – Virginia Retirement System Political Subdivision Retirement Plan (Continued)**

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

For the year ended June 30, 2023, School Division recognized pension expense of \$(16,628), under the VRS Political Subdivision Retirement Plan. At June 30, 2023, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>School Division (Non-Professional Staff)</b>		
Differences between expected and actual experience	\$ 58,985	\$ -
Net difference between projected and actual earnings on pension plan investments	-	207,738
Employer contributions subsequent to the measurement date	17,170	-
<b>Total</b>	<b>\$ 76,155</b>	<b>\$ 207,738</b>

The deferred outflows of resources related to pensions resulting from the School Division's contributions of \$17,170 subsequent to the measurement date will be recognized as an increase to the net pension asset in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b>Year ended June 30,</b>	<b>School Division (Non-Professional)</b>
2024	\$ (20,186)
2025	(82,831)
2026	(137,373)
2027	91,637
	<b>\$ (148,753)</b>

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payable to the Pension Plan**

At June 30, 2023, \$8,547 was payable to the System under the VRS Political Subdivision Retirement Plan for the legally required contributions of the School Division, related to the June 2023 payroll.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**11. Pension Plan – Virginia Retirement System Teacher Retirement Plan**

**Plan Description**

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those referenced in the previous 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 contribution rate for the year ended June 30, 2023, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 VRS Teacher Retirement Plan from the School Division were \$4,458,980 and \$4,214,246 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act and is classified as a non-employer contribution.

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

At June 30, 2023, the School Division reported a liability of \$27,008,034 for its proportionate share of the VRS Teacher Retirement Plan net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Division's proportion was 0.28368% as compared to 0.27131% at June 30, 2021.

For the year ended June 30, 2023, the School Division recognized pension expense of \$1,492,240 under the VRS Teacher Retirement Plan. 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. Beginning with the June 30, 2022, measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

**CITY OF SALEM SCHOOL DIVISION  
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**11. Pension Plan – Virginia Retirement System Teacher Retirement Plan (Continued)**

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

At June 30, 2023, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**School Division (Professional)**

Differences between expected and actual experience	\$	-	\$	3,521,282
Changes in assumptions		2,546,314		-
Net difference between projected and actual earnings on pension plan investments		-		1,862,311
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,211,997		492,788
Employer contributions subsequent to the measurement date		4,458,980		-
Total	<u>\$</u>	<u>8,217,291</u>	<u>\$</u>	<u>5,876,381</u>

The \$4,458,980 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>School Division (Professional)</u>
2024	\$ (802,902)
2025	(1,086,155)
2026	(2,093,905)
2027	1,864,892
	<u>\$ (2,118,070)</u>

**Net Pension Liability**

The net pension liability 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, 2022, net pension liability amounts for the VRS Teacher Employee Retirement Plan are as follows (amounts expressed in thousands):

	<u>VRS Teacher Retirement Plan</u>
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	45,211,731
Employer's Net Pension Liability	<u>\$ 9,520,598</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%
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**CITY OF SALEM SCHOOL DIVISION  
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**11. Pension Plan – Virginia Retirement System Teacher Retirement Plan (Continued)**

**Net Pension Liability (Continued)**

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

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

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

	<b>Net Pension Liability (Asset)</b>		
	<b>1% Decrease (5.75%)</b>	<b>Current Discount (6.75%)</b>	<b>1% Increase (7.75%)</b>
	School Division (Professional)	\$ 48,268,417	\$ 27,008,034

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan’s fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the Pension Plan**

At June 30, 2023, \$55,030 was payable to the System under the VRS Teacher Retirement Plan for the legally required contributions of the School Division related to the June 2023 payroll.

**12. Summary of Pension Elements**

A summary of the pension-related financial statement elements is as follows:

	<b>School Division</b>
Pension Expense	
VRS Retirement Plan	\$ (16,628)
VRS Teacher Retirement Plan	1,492,240
Total Pension Expense	\$ 1,475,612
Net Pension Asset	
VRS Retirement Plan	\$ 909,597
Net Pension Liability	
VRS Teacher Retirement Plan	\$ 27,008,034
Total Pension Liability	\$ 27,008,034

**CITY OF SALEM SCHOOL DIVISION  
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**12. Summary of Pension Elements (Continued)**

Deferred Outflows of Resources	
Differences between expected and actual experience	
VRS Retirement Plan	\$ 58,985
Changes in assumptions	
VRS Teacher Retirement Plan	2,546,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	
VRS Teacher Retirement Plan	1,211,997
Employer contributions subsequent to the measurement date	
VRS Retirement Plan	17,170
VRS Teacher Retirement Plan	4,458,980
Total Deferred Outflows of Resources	<u>\$ 8,293,446</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	
VRS Teacher Retirement Plan	\$ 1,862,311
Net difference between projected and actual earnings on pension plan investments	
VRS Retirement Plan	207,738
VRS Teacher Retirement Plan	3,521,282
Changes in proportion and differences between employer contributions and proportionate share of contributions	
VRS Teacher Retirement Plan	492,788
Total Deferred Inflows of Resources	<u>\$ 6,084,119</u>

**13. Other Postemployment Benefits – Retiree Health Plan**

**Plan Description**

The School Division participates in a single-employer defined benefit healthcare plan (Retiree Health Plan) administered and sponsored by the City. Full-time employees retiring directly from the School Division must have at least 15 years of service, unless approved for VRS disability, to participate in the Retiree Health Plan. In addition, they must be eligible for retirement under VRS.

Eligible employees and dependents covered at the time of retirement may continue participation in the Retiree Health Plan at the same premium levels as active employees. This creates a benefit to the retiree in the form of a lower insurance rate by blending retirees with active employees, also known as an implicit rate subsidy.

School Division retirees do not receive any premium subsidy above the implicit rate subsidy and are responsible for the entire cost of the premium.

Benefits are governed by School Board policy and can be amended through School Board action. The Retiree Health Plan does not issue a publicly available financial report.

**CITY OF SALEM SCHOOL DIVISION  
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**13. Other Postemployment Benefits – Retiree Health Plan (Continued)**

**Plan Description (Continued)**

The School Division participates in the OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Virginia Pooled OPEB Trust Fund issues a separate report, which may be obtained from VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

**Employees Covered by Benefit Terms**

As of June 30, 2023, the date of the latest actuarial valuation for the School Division, the following employees were covered by the benefit terms of the Retiree Health Plan:

Active employees	557
Retired participants	24
Total participants	581

**Contributions**

The Retiree Health Plan is funded through member and employer contributions on a pay-as-you-go basis. School Division Retirees receiving benefits contribute 100% of the health insurance premium rate. During the current year, retired School Division members contributed \$215,098, of the total premiums through their required contributions of between \$493 and \$1,471, depending on the type of coverage and years of service.

The School Division contributed \$143,627 in pay-as-you-go contributions to the Retiree Health Plan for the year ended June 30, 2023. In addition, the School Division contributed \$97,135 to the OPEB Trust Fund. It is the intent of the School Division to fully fund the actuarially determined contributions each year.

**Net OPEB Liability**

Under the Retiree Health Plan, the School Division’s net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2023.

The components of the net OPEB liability as of June 30, 2023, were as follows:

Total OPEB liability	\$ 2,846,224
Plan fiduciary net position	2,314,901
Net OPEB liability	\$ 531,323

Plan fiduciary net position as a percentage of total OPEB liability	81.33%
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**CITY OF SALEM SCHOOL DIVISION  
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**13. Other Postemployment Benefits – Retiree Health Plan (Continued)**

**Actuarial Assumptions**

The total OPEB liability was determined as part of the actuarial valuation at the date indicated, using the following actuarial assumptions:

Valuation date	June 30, 2023
Measurement date	June 30, 2023
Inflation	2.50%
Investment rate of return	6.50%, net of investment expense
Pre-65 healthcare cost trend rates	6.50% for 2023 graded to 3.90% by 2073
Post-65 healthcare cost trend rates	N/A
Pre-retirement mortality	General Employees: Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years. Teachers: Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.
Post-retirement mortality	General Employees: Pub-2010 Amount Weighted Healthy Retiree Rates projected generationally; 110% of rates for females. Teachers: Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

**Plan Investments**

In an effort to assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the VACo/VML Pooled OPEB Trust (Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials of participants in the Trust. The Board of Trustees has adopted an investment policy to achieve a compound annualized rate of return over a market cycle, including current income and capital appreciation, in excess of 5 percent after inflation, in a manner consistent with prudent risk-taking. Investment decisions of the funds' assets are made by the Board of Trustees.

The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and prevailing prudent investment practices. The Board of Trustees monitors the investments to ensure adherence to the adopted policies and guidelines, while also reviewing and evaluating the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. The Trust provides a diversified portfolio consisting of investments in various asset classes such as bonds, domestic equities, international equities and cash. Specific investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

The Trust categorizes its investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value (NAV) per share (or its equivalent) of the investment. Investments in the Trust are valued using the NAV per share, which is determined by dividing the total value of the Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

**CITY OF SALEM SCHOOL DIVISION  
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**13. Other Postemployment Benefits – Retiree Health Plan (Continued)**

**Plan Investments (Continued)**

The Trust currently invests in the assets classes and strategies as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Geometric Long-Term Expected Rate of Return</u>
US Core Fixed Income	20.00%	2.27%	2.13%
US Large Cap Equity	21.00%	5.64%	4.09%
US Small Cap Equity	10.00%	7.25%	4.67%
Foreign Developed Equity	13.00%	6.90%	5.15%
Emerging Market Equity	5.00%	9.58%	6.20%
Private Real Estate Property	15.00%	4.86%	3.70%
Private Equity	10.00%	10.74%	6.54%
Hedge Fund of Funds - Strategic	6.00%	4.42%	3.48%
Assumed Inflation - Mean		2.33%	2.33%
Assumed Inflation - Standard Deviation		1.41%	1.41%
Portfolio Real Mean Return		5.81%	4.90%
Portfolio Nominal Mean Return		8.14%	7.34%
Portfolio Standard Deviation			13.07%
Long-Term Expected Rate of Return			6.50%

At June 30, 2023, the Plan held no investments in any one organization that represented 5% or more of fiduciary net position.

**Rate of Return**

As of June 30, 2023, the annual money-weighted rate of return on the plan investments, net of OPEB plan investment expense, was 7.63% for the School Division. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the School Division to fully fund actuarially determined contribution amounts, the Retiree Health Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future benefit payments. The long-term expected rate of return on plan investments is 6.50% and, when applied to the periods of projected benefit payments, it is not anticipated that the Retiree Health Plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**13. Other Postemployment Benefits – Retiree Health Plan (Continued)**

**Changes in Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 2,324,032	\$ 2,062,855	\$ 261,177
Changes for the year:			
Service cost	99,076	-	99,076
Interest	152,908	-	152,908
Effect of economic/demographic gains or losses	381,935	-	381,935
Effect of assumption changes	31,900	-	31,900
Contributions - employer	-	240,762	(240,762)
Net investment income	-	157,543	(157,543)
Benefit payments	(143,628)	(143,628)	-
Administrative expenses	-	(2,632)	2,632
Net changes	522,191	252,045	270,146
Balances at June 30, 2023	<u>\$ 2,846,223</u>	<u>\$ 2,314,900</u>	<u>\$ 531,323</u>

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

The following presents the net OPEB liability calculated using the discount rate of 6.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

Net OPEB Liability		
1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
\$ 746,201	\$ 531,323	\$ 331,538

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

The following presents the net OPEB liability calculated using the current healthcare cost trend rate as well as what the net OPEB liability 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 rate:

Net OPEB Liability		
1% Decrease	Current Trend Rate	1% Increase
\$ 273,989	\$ 531,323	\$ 824,990

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**13. Other Postemployment Benefits – Retiree Health Plan (Continued)**

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

For the year ended June 30, 2023, the School Division recognized OPEB expense of \$156,092. At June 30, 2023, the School Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 336,887	\$ 33,110
Changes in assumptions	72,243	112,713
Net difference between projected and actual earnings on plan investments	49,510	-
Total	\$ 458,640	\$ 145,823

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30,</b>	<b>Amount</b>
2024	\$ 28,783
2025	18,128
2026	93,399
2027	39,115
2028	58,839
Thereafter	74,553
	\$ 312,817

**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit**

**Virginia Retirement System OPEB Plans**

In addition to participation in the pension plans offered through VRS, the School Division also participates in various cost sharing and agent multi-employer other postemployment benefit plans, described as follows.

**Plan Description – Group Life Insurance Program**

All full-time, salaried, permanent employees of the School Division are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. In addition to the basic group life insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI Program is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>. The GLI Program is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple-employer, cost sharing plan.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Plan Description – Political Subdivision Health Insurance Credit Program**

All full-time, salaried permanent (non-professional) employees of the School Division are automatically covered by the Political Subdivision Health Insurance Credit (HIC) Program. The Political Subdivision HIC provides all the same benefits as the Teacher HIC described below, except the Political Subdivision HIC Program is considered a multi-employer agent plan. As of the June 30, 2021, actuarial valuation, the following School Division employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

Inactive members or their beneficiaries currently receiving benefits	25
Inactive members:	
Vested inactive members	1
Total inactive members	<u>26</u>
Active members	62
Total covered employees	<u><u>88</u></u>

**Plan Description – Teacher Employee Health Insurance Credit Program**

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

Specific information about the Teacher HIC Program is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>. The Teacher HIC Program is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. It is considered a multiple-employer, cost sharing plan.

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

	<b>OPEB Contributions</b>	
	<b>Year Ended June 30, 2022</b>	<b>Year Ended June 30, 2023</b>
School Division - Non-Professional GLI	\$ 7,834	\$ 9,029
School Division - Professional GLI	141,459	150,865
School Division - Political Subdivision HIC	16,389	18,538
School Division - Teacher Employee HIC	316,975	337,914

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Contributions (Continued)**

GLI Program

Governed by	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly
Total rate	1.34% of covered employee compensation; rate allocated 60/40, 0.80% employee and 0.54% employer; employers may elect to pay all or part of the employee contribution

Political Subdivision HIC Program

Governed by	<i>Code of Virginia</i> 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly
Total rate	1.11% of covered employee compensation

Teacher Employee HIC Program

Governed by	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly
Total rate	1.21% of covered employee compensation

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

The net OPEB liabilities were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

The covered employer's proportions of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. Specific details related to the School Division's proportionate shares of the net VRS OPEB liabilities and VRS OPEB expenses for the GLI Program and Teacher Employee HIC Program are as follows:

	<b>Proportionate Share of Net OPEB Liability</b>	<b>Employer's Proportion</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
School Division - Non-Professional GLI	\$ 80,313	0.00667%	0.00614%
School Division - Professional GLI	1,450,093	0.12043%	0.11525%
School Division - Teacher Employee HIC	3,510,695	0.28107%	0.26840%

	<b>OPEB Expense</b>
	<b>Year Ended</b>
	<b>June 30, 2023</b>
School Division - Non-Professional GLI	\$ 2,787
School Division - Professional GLI	50,147
School Division - Teacher Employee HIC	281,550

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

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

Since there was a change in proportionate share between measurement dates, proportions of the OPEB expenses were related to deferred amounts from changes in proportion.

The net OPEB liabilities for the GLI Program and the Teacher Employee HIC Program represent each program'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, 2022, net OPEB liability amounts for the entire GLI Program and the entire Teacher Employee HIC Program are as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Program</b>	<b>Teacher Employee HIC OPEB Program</b>
Total OPEB liability	\$ 3,672,085	\$ 1,470,891
Plan fiduciary net position	2,467,989	221,845
Net OPEB liability	\$ 1,204,096	\$ 1,249,046
Plan fiduciary net position as a percentage of total OPEB liability	67.21%	15.08%

The total liabilities for the GLI Program and Teacher Employee HIC Program are calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liabilities are disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information. Changes in the net OPEB liability of the Political Subdivision HIC Program are as follows:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
<b>School Division - Political Subdivision HIC</b>			
Balances at June 30, 2021	\$ 126,824	\$ 70,359	\$ 56,465
Changes for the year:			
Service cost	3,280	-	3,280
Interest	8,186	-	8,186
Changes in benefit terms	62,508	-	62,508
Changes in assumptions	26,248	-	26,248
Differences between expected and actual experience	(28,738)	-	(28,738)
Contributions - employer	-	16,389	(16,389)
Net investment income	-	(12)	12
Benefit payments	(17,649)	(17,649)	-
Administrative expenses	-	(130)	130
Other changes	-	10,296	(10,296)
Net changes	53,835	8,894	44,941
Balances at June 30, 2022	\$ 180,659	\$ 79,253	\$ 101,406

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

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

For the year ended June 30, 2023, the School Division recognized OPEB expense of \$53,608 related to the Political Subdivision HIC Program.

At June 30, 2023, School Division reported deferred outflows of resources and deferred inflows of resources related to VRS OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>School Division - Non-Professional GLI</b>		
Differences between expected and actual experience	\$ 6,360	\$ 3,222
Net difference between projected and actual earnings on program investments	-	5,018
Changes in assumptions	2,996	7,823
Changes in proportion	6,442	4,218
Employer contributions subsequent to the measurement date	9,029	-
Total	<u>\$ 24,827</u>	<u>\$ 20,281</u>
<b>School Division - Professional GLI</b>		
Differences between expected and actual experience	\$ 114,829	\$ 58,174
Net difference between projected and actual earnings on program investments	-	90,609
Changes in assumptions	54,086	141,245
Changes in proportion	61,737	24,723
Employer contributions subsequent to the measurement date	150,865	-
Total	<u>\$ 381,517</u>	<u>\$ 314,751</u>
<b>School Division - Political Subdivision HIC</b>		
Differences between expected and actual experience	\$ -	\$ 26,064
Changes in assumptions	21,639	-
Net difference between projected and actual earnings on program investments	-	1,376
Employer contributions subsequent to the measurement date	18,538	-
Total	<u>\$ 40,177</u>	<u>\$ 27,440</u>
<b>School Division - Teacher Employee HIC</b>		
Differences between expected and actual experience	\$ -	\$ 143,101
Net difference between projected and actual earnings on program investments	-	3,524
Changes in assumptions	102,565	8,965
Changes in proportion	151,128	85,812
Employer contributions subsequent to the measurement date	337,914	-
Total	<u>\$ 591,607</u>	<u>\$ 241,402</u>



**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

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

The deferred outflows of resources related to OPEB resulting from the School Division's contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to VRS OPEB will be recognized in OPEB expense in future reporting periods as follows:

<b>Year ended June 30,</b>	<b>GLI Non-Professional</b>	<b>GLI Professional</b>	<b>Political Subdivision HIC</b>	<b>Teacher Employee HIC</b>
2024	\$ (1,431)	\$ (20,589)	\$ (3,459)	\$ (9,732)
2025	(1,596)	(19,437)	(1,526)	(5,584)
2026	(3,635)	(66,864)	(1,676)	(2,478)
2027	1,550	21,629	860	10,124
2028	629	1,162	-	6,458
Thereafter	-	-	-	13,503
	<u>\$ (4,483)</u>	<u>\$ (84,099)</u>	<u>\$ (5,801)</u>	<u>\$ 12,291</u>

**Actuarial Assumptions and Other Inputs**

The total VRS OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail in Note 10.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on VRS 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 OPEB 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.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		* Expected arithmetic nominal return	<u>7.83%</u>

\* The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the GLI and HIC OPEB liabilities 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 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 ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net positions were 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 OPEB liability.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

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

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

	<b>Net OPEB Liability</b>		
	<b>1%</b>	<b>Current</b>	<b>1%</b>
	<b>Decrease (5.75%)</b>	<b>Discount (6.75%)</b>	<b>Increase (7.75%)</b>
Group Life Insurance (Non-Professional)	\$ 116,865	\$ 80,313	\$ 50,774
Group Life Insurance (Professional)	2,110,056	1,450,093	916,754
Political Subdivision Health Insurance Credit	120,396	101,406	85,174
Teacher Employee Health Insurance Credit	3,956,594	3,510,695	3,312,718

**Payables to the OPEB Plans**

At June 30, 2023, the following amounts were payable to VRS for the legally required contributions related to the June 2023 payroll:

	<b>Payable to VRS June 30, 2023</b>
School Division - Non-Professional GLI	\$ 2,133
School Division - Professional GLI	36,096
School Division - Political Subdivision HIC	1,767
School Division - Teacher Employee HIC	32,559

**15. Summary of Other Postemployment Benefit Elements**

A summary of the other postemployment benefit financial statement elements is as follows:

	<b>School Division</b>
OPEB Expense	
Retiree Health Plan	\$ 156,092
VRS GLI	52,934
VRS Political Subdivision HIC	53,608
VRS Teacher Employee HIC	281,550
Total OPEB Expense	<u>\$ 544,184</u>
Net OPEB Liability	
Retiree Health Plan	\$ 531,323
VRS GLI	1,530,406
VRS Political Subdivision HIC	101,406
VRS Teacher Employee HIC	3,510,695
Total OPEB Liability	<u>\$ 5,673,830</u>

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**15. Summary of Other Postemployment Benefit Elements (Continued)**

	<b>School Division</b>
Deferred Outflows of Resources	
Differences between expected and actual experience	
Retiree Health Plan	\$ 336,887
VRS GLI	121,189
Net difference between projected and actual earnings on program investments	
Retiree Health Plan	49,510
Changes in assumptions	
Retiree Health Plan	72,243
VRS GLI	57,082
VRS Political Subdivision HIC	21,639
VRS Teacher Employee HIC	102,565
Changes in proportion	
VRS GLI	68,179
VRS Teacher Retirement Plan - HIC	151,128
Employer contributions subsequent to the measurement date	
VRS GLI	159,894
VRS Political Subdivision HIC	18,538
VRS Teacher Employee HIC	337,914
Total Deferred Outflows of Resources	\$ 1,496,768
Deferred Inflows of Resources	
Differences between expected and actual experience	
Retiree Health Plan	\$ 33,110
VRS GLI	61,396
VRS Political Subdivision HIC	26,064
VRS Teacher Employee HIC	143,101
Net difference between projected and actual earnings on program investments	
VRS GLI	95,627
VRS Political Subdivision HIC	1,376
VRS Teacher Employee HIC	3,524
Changes in assumptions	
Retiree Health Plan	112,713
VRS GLI	149,068
VRS Teacher Employee HIC	8,965
Changes in proportion	
VRS GLI	28,941
VRS Teacher Employee HIC	85,812
Total Deferred Inflows of Resources	\$ 749,697

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**16. Commitments and Contingencies**

**Construction Commitments**

The School Division was engaged in the following significant construction contracts at year-end:

	<b>Spent to Date</b>	<b>Remaining Contract</b>
Salem High School Renovation	\$ 27,438,212	\$ 12,992
Salem High School Fieldhouse Renovation	3,949,620	6,247
	<u>\$ 31,387,832</u>	<u>\$ 19,239</u>

**Special Purpose Grants**

Special purpose grants are subject to audit to determine compliance with their requirements. School Division officials believe that if any refunds are required, they will be immaterial.

**Management of Food Services**

In July 2014, the School Division engaged Aramark Educational Services, L.L.C., to provide management services for the school food programs pursuant to the federal school nutrition programs. The initial agreement has concluded, and the School Division has entered a new agreement with Aramark for a period of one year with options for four additional one-year renewals by mutual written agreement. The School Division is currently exercising the third one-year renewal option, which is in place through June 30, 2023. Beginning on July 1, 2022, Aramark received a flat fee of \$8,483.47 per month for ten months for general and administrative expenses and a flat fee of \$2,262.26 per month for ten months for management services.

**17. Jointly Governed Organizations**

**Roanoke Valley Governor's School**

The Counties of Bedford, Botetourt, Craig, Franklin and Roanoke and the Cities of Roanoke and Salem jointly participate in a regional education program focusing on science, technology, engineering and mathematics operated by Roanoke Valley Governor's School (RVGS). RVGS is governed by a seven member board, with one member from each participating locality. The School Division has control over budget and financing only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on their proportionate share of students attending RVGS. For the year ended June 30, 2023, the School Division remitted \$77,222 for services. Financial statements may be obtained from RVGS at 2104 Grandin Road, Roanoke, Virginia 24015.

**18. New Accounting Standards**

The GASB has issued Statement No. 99, *Omnibus 2022*, to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Some provisions of this statement are effective for fiscal years beginning after June 15, 2023. Management has not completed the process of evaluating the impact that will result from full adoption of the standard and is, therefore, unable to disclose the impact of adoption.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**18. New Accounting Standards (Continued)**

The GASB has issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The provisions of this statement are effective for fiscal years beginning after June 15, 2023. Management has not completed the process of evaluating the impact that will result from adoption of the standard and is, therefore, unable to disclose the impact of adoption.

The GASB has issued Statement No. 101, *Compensated Absences*, to update the recognition and measurement guidance for compensated absences. The provisions of this statement are effective for fiscal years beginning after December 15, 2023. Management has not completed the process of evaluating the impact that will result from adoption of the standard and is, therefore, unable to disclose the impact of adoption.

# REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
YEAR ENDED JUNE 30, 2023**

	Non-Professional Staff Plan Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 118,969	\$ 106,418	\$ 119,513	\$ 130,680	\$ 130,240	\$ 120,806	\$ 124,227	\$ 132,051	\$ 145,676
Interest	361,795	344,320	350,152	348,873	350,464	345,744	347,691	337,943	323,812
Changes of benefit terms	-	150,153	-	-	-	-	-	-	-
Differences between expected and actual experience	132,716	(89,731)	(195,286)	(81,471)	(177,270)	(39,860)	(182,245)	(45,142)	-
Changes in assumptions	-	-	-	134,293	-	(23,501)	-	-	-
Benefit payments, including refunds of employee contributions	(363,739)	(378,725)	(342,849)	(314,833)	(337,479)	(334,040)	(300,945)	(270,236)	(264,987)
<b>Net change in total pension liability</b>	249,741	132,435	(68,470)	217,542	(34,045)	69,149	(11,272)	154,616	204,501
<b>Total pension liability - beginning</b>	5,422,830	5,290,395	5,358,865	5,141,323	5,175,368	5,106,219	5,117,491	4,962,875	4,758,374
<b>Total pension liability - ending</b>	<b>\$ 5,672,571</b>	<b>\$ 5,422,830</b>	<b>\$ 5,290,395</b>	<b>\$ 5,358,865</b>	<b>\$ 5,141,323</b>	<b>\$ 5,175,368</b>	<b>\$ 5,106,219</b>	<b>\$ 5,117,491</b>	<b>\$ 4,962,875</b>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 22,143	\$ 19,887	\$ 39,178	\$ 40,178	\$ 51,406	\$ 51,554	\$ 92,100	\$ 93,028	\$ 97,271
Contributions - employee	65,114	57,197	58,791	57,762	61,121	61,318	58,188	59,073	61,480
Net investment income	(4,145)	1,516,515	110,040	369,207	399,866	608,458	86,505	228,863	697,591
Benefit payments, including refunds of employee contributions	(363,739)	(378,725)	(342,849)	(314,833)	(337,479)	(334,040)	(300,945)	(270,236)	(264,987)
Administrative expense	(4,345)	(3,965)	(3,871)	(3,796)	(3,562)	(3,661)	(3,256)	(3,202)	(3,812)
Other	155	141	(128)	(231)	(350)	(535)	(37)	(47)	37
<b>Net change in plan fiduciary net position</b>	(284,817)	1,211,150	(138,839)	148,287	171,002	383,094	(67,445)	107,479	587,580
<b>Plan fiduciary net position - beginning</b>	6,866,985	5,655,835	5,794,674	5,646,387	5,475,385	5,092,291	5,159,736	5,052,257	4,464,677
<b>Plan fiduciary net position - ending</b>	<b>\$ 6,582,168</b>	<b>\$ 6,866,985</b>	<b>\$ 5,655,835</b>	<b>\$ 5,794,674</b>	<b>\$ 5,646,387</b>	<b>\$ 5,475,385</b>	<b>\$ 5,092,291</b>	<b>\$ 5,159,736</b>	<b>\$ 5,052,257</b>
<b>Net pension liability (asset) - ending</b>	<b>\$ (909,597)</b>	<b>\$ (1,444,155)</b>	<b>\$ (365,440)</b>	<b>\$ (435,809)</b>	<b>\$ (505,064)</b>	<b>\$ (300,017)</b>	<b>\$ 13,928</b>	<b>\$ (42,245)</b>	<b>\$ (89,382)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	116.04%	126.63%	106.91%	108.13%	109.82%	105.80%	99.73%	100.83%	101.80%
<b>Covered payroll</b>	\$ 962,739	\$ 869,000	\$ 1,061,734	\$ 1,088,835	\$ 1,187,206	\$ 1,190,624	\$ 1,173,248	\$ 1,185,071	\$ 1,229,675
<b>Net pension liability (asset) as a percentage of covered payroll</b>	(94.48%)	(166.19%)	(34.42%)	(40.03%)	(42.54%)	(25.20%)	1.19%	(3.56%)	(7.27%)

Schedule is intended to show information for 10 years. Since 2023 (plan year 2022) is the ninth year for this presentation, only eight additional years of data are available. However, additional years will be included as they become available.

The amounts presented have a measurement date (plan year) of the previous fiscal year end.



**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2023**

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
	(a)	(b)	(a-b)	(c)	(b/c)
<b>School Division (Non-Professional Staff)</b>					
2023	\$ 17,170	\$ 17,170	\$ -	\$ 894,271	1.92%
2022	22,143	22,143	-	962,739	2.30%
2021	19,987	19,987	-	869,000	2.30%
2020	39,178	39,178	-	1,061,734	3.69%
2019**	40,178	40,178	-	1,088,835	3.69%
2018	51,406	51,406	-	1,187,206	4.33%
2017	51,554	51,554	-	1,190,624	4.33%
2016	92,100	92,100	-	1,173,248	7.85%
2015	93,028	93,028	-	1,185,071	7.85%

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\*\* Prior to 2019, VRS contributions were made over twelve months for all employees, regardless of contract term. In fiscal year 2019, the School Division began contributing to VRS over each employee's contract term. For employees with contract terms less than twelve months, contributions and covered payroll recognized in fiscal year 2019 include amounts accrued for July and August of 2018, in addition to the full annual amount for fiscal year 2019.

**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY  
VRS TEACHER RETIREMENT PLAN  
YEAR ENDED JUNE 30, 2023**

Plan Year Ended June 30	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (a)	Covered Payroll (b)	Employer's Share of the Net Pension Liability as a % of Covered Payroll (a/b)	Plan Fiduciary Net Position as a % of the Total Pension Liability
<b>School Division (Professional Staff)</b>					
2022	0.28368%	\$ 27,008,034	\$ 25,356,474	106.51%	82.61%
2021	0.27131%	21,062,060	23,117,413	91.11%	85.46%
2020	0.27321%	39,759,230	23,135,236	171.86%	71.47%
2019	0.27613%	36,340,277	22,568,718	161.02%	73.51%
2018	0.28140%	33,092,000	22,299,761	148.40%	74.81%
2017	0.27878%	34,284,000	21,639,120	158.44%	72.92%
2016	0.28026%	39,276,000	21,368,521	183.80%	68.28%
2015	0.28555%	35,941,000	21,230,718	169.29%	70.68%
2014	0.29170%	35,251,000	19,575,450	180.08%	70.88%

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**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
VRS TEACHER RETIREMENT PLAN  
YEAR ENDED JUNE 30, 2023**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
	(a)	(b)	(a-b)	(c)	(b/c)
<b>School Division (Professional Staff)</b>					
2023	\$ 4,458,980	\$ 4,458,980	\$ -	\$ 26,829,001	16.62%
2022*	4,214,246	4,214,246	-	25,356,474	16.62%
2021	3,842,114	3,842,114	-	23,117,413	16.62%
2020	3,627,605	3,627,605	-	23,135,236	15.68%
2019**	3,538,775	3,538,775	-	22,568,718	15.68%
2018	3,639,321	3,639,321	-	22,299,761	16.32%
2017	3,172,295	3,172,295	-	21,639,120	14.66%
2016	3,004,414	3,004,414	-	21,368,521	14.06%
2015	3,078,454	3,078,454	-	21,230,718	14.50%

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\* Revised to reflect actual amounts as shown in the VRS actuarial report rather than estimated amounts used in the prior year ACFR.

\*\* Prior to 2019, VRS contributions were made over twelve months for all employees, regardless of contract term. In fiscal year 2019, the School Division began contributing to VRS over each employee's contract term. For employees with contract terms less than twelve months, contributions and covered payroll recognized in fiscal year 2019 include amounts accrued for July and August of 2018, in addition to the full annual amount for fiscal year 2019.

**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
RETIREE HEALTH PLAN  
YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>							
Service cost	\$ 99,076	\$ 78,070	\$ 72,888	\$ 74,370	\$ 73,179	\$ 71,941	\$ 67,235
Interest	152,908	146,183	139,914	136,316	158,451	151,536	145,477
Effect of economic/demographic gains or losses	381,935	-	(51,503)	-	17,662	-	-
Effect of assumption changes	31,900	-	69,553	(16,279)	(255,288)	-	-
Benefit payments	(143,627)	(140,032)	(139,150)	(136,057)	(151,400)	(136,054)	(125,858)
<b>Net change in total OPEB liability</b>	522,192	84,221	91,702	58,350	(157,396)	87,423	86,854
<b>Total OPEB liability - beginning</b>	2,324,032	2,239,811	2,148,109	2,089,759	2,247,155	2,159,732	2,072,878
<b>Total OPEB liability - ending</b>	<u>\$ 2,846,224</u>	<u>\$ 2,324,032</u>	<u>\$ 2,239,811</u>	<u>\$ 2,148,109</u>	<u>\$ 2,089,759</u>	<u>\$ 2,247,155</u>	<u>\$ 2,159,732</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 240,762	\$ 237,167	\$ 236,285	\$ 233,192	\$ 248,535	\$ 233,189	\$ 211,531
Net investment income	157,543	(205,312)	480,434	44,595	59,924	105,580	116,176
Benefit payments	(143,627)	(140,032)	(139,150)	(136,057)	(151,400)	(136,054)	(125,858)
Administrative expense	(2,632)	(2,813)	(2,294)	(2,100)	(1,894)	(1,717)	(1,579)
<b>Net change in plan fiduciary net position</b>	252,046	(110,990)	575,275	139,630	155,165	200,998	200,270
<b>Plan fiduciary net position - beginning</b>	2,062,855	2,173,845	1,598,570	1,458,940	1,303,775	1,102,777	902,507
<b>Plan fiduciary net position - ending</b>	<u>\$ 2,314,901</u>	<u>\$ 2,062,855</u>	<u>\$ 2,173,845</u>	<u>\$ 1,598,570</u>	<u>\$ 1,458,940</u>	<u>\$ 1,303,775</u>	<u>\$ 1,102,777</u>
<b>Net OPEB liability - ending</b>	<u>\$ 531,323</u>	<u>\$ 261,177</u>	<u>\$ 65,966</u>	<u>\$ 549,539</u>	<u>\$ 630,819</u>	<u>\$ 943,380</u>	<u>\$ 1,056,955</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	81.33%	88.76%	97.05%	74.42%	69.81%	58.02%	51.06%
<b>Covered-employee payroll</b>	\$ 29,388,566	\$ 24,787,563	\$ 24,787,563	\$ 23,962,730	\$ 23,962,730	\$ 23,076,891	\$ 23,076,891
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	1.81%	1.05%	0.27%	2.29%	2.63%	4.09%	4.58%
<b>Annual money-weighted rate of return, net of investment expense</b>	7.63%	(9.39%)	30.01%	3.05%	4.59%	9.52%	12.79%

Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available.

**Notes to Schedule:**

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS  
RETIREE HEALTH PLAN  
YEAR ENDED JUNE 30, 2023**

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2023	\$ 128,179	\$ 240,762	\$ (112,583)	\$ 29,388,566	0.82%
2022	94,871	237,167	(142,296)	24,787,563	0.96%
2021	92,108	236,285	(144,177)	24,787,563	0.95%
2020	120,718	233,192	(112,474)	23,962,730	0.97%
2019	114,675	248,535	(133,860)	23,962,730	1.04%
2018	140,801	233,189	(92,388)	23,076,891	1.01%
2017	136,700	211,531	(74,831)	23,076,891	0.92%

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**Notes to Schedule:**

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2023
Measurement date	June 30, 2023
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	Closed over 24 years
Asset valuation method	Market value
Investment rate of return	6.50%
Projected long-term salary increases	2.50%

**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM  
YEAR ENDED JUNE 30, 2023**

	Plan Year					
	2022	2021	2020	2019	2018	2017
<b>Total HIC OPEB liability</b>						
Service cost	\$ 3,280	\$ 4,085	\$ 4,133	\$ 3,643	\$ 2,543	\$ 2,412
Interest	8,186	8,118	8,927	9,771	11,059	10,832
Changes of benefit terms	62,508	-	955	-	-	-
Changes in assumptions	26,248	2,663	-	2,818	-	370
Differences between expected and actual experience	(28,738)	(750)	(10,631)	(9,720)	(20,255)	-
Benefit payments	(17,649)	(15,100)	(15,662)	(12,020)	(11,482)	(9,254)
<b>Net change in total HIC OPEB liability</b>	<b>53,835</b>	<b>(984)</b>	<b>(12,278)</b>	<b>(5,508)</b>	<b>(18,135)</b>	<b>4,360</b>
<b>Total HIC OPEB liability - beginning</b>	<b>126,824</b>	<b>127,808</b>	<b>140,086</b>	<b>145,594</b>	<b>163,729</b>	<b>159,369</b>
<b>Total HIC OPEB liability - ending</b>	<b>\$ 180,659</b>	<b>\$ 126,824</b>	<b>\$ 127,808</b>	<b>\$ 140,086</b>	<b>\$ 145,594</b>	<b>\$ 163,729</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 16,389	\$ 8,589	\$ 7,533	\$ 7,318	\$ 8,875	\$ 8,704
Net investment income	(12)	15,149	1,341	4,257	4,693	6,952
Benefit payments	(17,649)	(15,100)	(15,662)	(12,020)	(11,482)	(9,254)
Administrative expense	(130)	(164)	(116)	(90)	(108)	(109)
Other	10,296	-	(1)	(5)	(359)	359
<b>Net change in plan fiduciary net position</b>	<b>8,894</b>	<b>8,474</b>	<b>(6,905)</b>	<b>(540)</b>	<b>1,619</b>	<b>6,652</b>
<b>Plan fiduciary net position - beginning</b>	<b>70,359</b>	<b>61,885</b>	<b>68,790</b>	<b>69,330</b>	<b>67,711</b>	<b>61,059</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 79,253</b>	<b>\$ 70,359</b>	<b>\$ 61,885</b>	<b>\$ 68,790</b>	<b>\$ 69,330</b>	<b>\$ 67,711</b>
<b>Net OPEB liability - ending</b>	<b>\$ 101,406</b>	<b>\$ 56,465</b>	<b>\$ 65,923</b>	<b>\$ 71,296</b>	<b>\$ 76,264</b>	<b>\$ 96,018</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>43.87%</b>	<b>55.48%</b>	<b>48.42%</b>	<b>49.11%</b>	<b>47.62%</b>	<b>41.36%</b>
<b>Covered payroll</b>	<b>\$ 1,450,354</b>	<b>\$ 1,263,088</b>	<b>\$ 1,276,780</b>	<b>\$ 1,240,339</b>	<b>\$ 1,286,232</b>	<b>\$ 1,261,449</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	<b>6.99%</b>	<b>4.47%</b>	<b>5.16%</b>	<b>5.75%</b>	<b>5.93%</b>	<b>7.61%</b>

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The amounts presented have a measurement date (plan year) of the previous fiscal year end.

**CITY OF SALEM SCHOOL DIVISION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS  
 POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM  
 YEAR ENDED JUNE 30, 2023**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2023	\$ 11,189	\$ 18,538	\$ (7,349)	\$ 1,670,090	1.11%
2022*	9,863	16,389	(6,526)	1,450,354	1.13%
2021	8,589	8,589	-	1,263,088	0.68%
2020	7,533	7,533	-	1,276,780	0.59%
2019**	7,318	7,318	-	1,240,339	0.59%
2018	8,875	8,875	-	1,286,232	0.69%

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\* Revised to reflect actual amounts as shown in the VRS HIC actuarial report rather than estimated amounts used in the prior year ACFR.

\*\* Prior to 2019, VRS contributions were made over twelve months for all employees, regardless of contract term. In fiscal year 2019, the School Division began contributing to VRS over each employee's contract term. For employees with contract terms less than twelve months, contributions and covered payroll recognized in fiscal year 2019 include amounts accrued for July and August of 2018, in addition to the full annual amount for fiscal year 2019.

**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY  
GLI AND TEACHER EMPLOYEE HIC PROGRAMS  
YEAR ENDED JUNE 30, 2023**

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability (a)	Covered Payroll (b)	Employer's Share of the Net OPEB Liability as a % of Covered Payroll (a/b)	Plan Fiduciary Net Position as a % of the Total OPEB Liability
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**School Division - Group Life Insurance Program (Non-Professional Staff)**

2022	0.00667%	\$ 80,313	\$ 1,450,741	5.54%	67.21%
2021	0.00614%	71,486	1,271,111	5.62%	67.45%
2020	0.00623%	103,968	1,285,000	8.09%	54.64%
2019	0.00634%	103,169	1,243,077	8.30%	52.00%
2018	0.00676%	102,000	1,286,154	7.93%	51.22%
2017	0.00687%	103,000	1,268,277	8.12%	48.86%

**School Division - Group Life Insurance Program (Professional Staff)**

2022	0.12043%	\$ 1,450,093	\$ 26,196,111	5.54%	67.21%
2021	0.11525%	1,341,822	23,860,556	5.62%	67.45%
2020	0.11525%	1,923,334	23,770,577	8.09%	52.64%
2019	0.11726%	1,908,133	22,986,731	8.30%	52.00%
2018	0.11861%	1,801,000	22,553,654	7.99%	51.22%
2017	0.11835%	1,781,000	21,829,358	8.16%	48.86%

**School Division - Teacher Employee Health Insurance Credit Program**

2022	0.28107%	\$ 3,510,695	\$ 26,196,281	13.40%	15.08%
2021	0.26840%	3,445,100	23,772,562	14.49%	9.95%
2020	0.27051%	3,528,848	23,716,667	14.88%	9.95%
2019	0.27380%	3,584,308	22,965,750	15.61%	8.97%
2018	0.27878%	3,540,000	22,545,854	15.70%	8.08%
2017	0.27639%	3,506,000	21,812,560	16.07%	7.04%

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**CITY OF SALEM SCHOOL DIVISION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS  
GLI AND TEACHER EMPLOYEE HIC PROGRAMS  
YEAR ENDED JUNE 30, 2023**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
	(a)	(b)	(a-b)	(c)	(b/c)

**School Division - Group Life Insurance Program (Non-Professional Staff)**

2023	\$ 9,029	\$ 9,029	\$ -	\$ 1,672,037	0.54%
2022*	7,834	7,834	-	1,450,741	0.54%
2021	6,864	6,864	-	1,271,111	0.54%
2020	6,682	6,682	-	1,285,000	0.52%
2019**	6,464	6,464	-	1,243,077	0.52%
2018	6,688	6,688	-	1,286,154	0.52%

**School Division - Group Life Insurance Program (Professional Staff)**

2023	\$ 150,865	\$ 150,865	\$ -	\$ 27,937,963	0.54%
2022*	141,459	141,459	-	26,196,111	0.54%
2021	128,847	128,847	-	23,860,556	0.54%
2020	123,607	123,607	-	23,770,577	0.52%
2019**	119,531	119,531	-	22,986,731	0.52%
2018	117,279	117,279	-	22,553,654	0.52%

**School Division - Teacher Employee Health Insurance Credit Program**

2023	\$ 337,914	\$ 337,914	\$ -	\$ 27,926,777	1.21%
2022*	316,975	316,975	-	26,196,281	1.21%
2021	287,648	287,648	-	23,772,562	1.21%
2020	284,600	284,600	-	23,716,667	1.20%
2019**	275,589	275,589	-	22,965,750	1.20%
2018	277,314	277,314	-	22,545,854	1.23%

Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only five additional years of data is available. However, additional years will be included as they become available.

\* Revised to reflect actual amounts as shown in the VRS actuarial report rather than estimated amounts used in the prior year ACFR.

\*\* Prior to 2019, VRS contributions were made over twelve months for all employees, regardless of contract term. In fiscal year 2019, the School Division began contributing to VRS over each employee's contract term. For employees with contract terms less than twelve months, contributions and covered payroll recognized in fiscal year 2019 include amounts accrued for July and August of 2018, in addition to the full annual amount for fiscal year 2019.

**CITY OF SALEM, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

**1. Changes of Benefit Terms**

Pension

There have been no actuarially material changes to the Virginia Retirement System (VRS) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

**2. Changes of Assumptions**

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Largest 10 – Non-Hazardous Duty:**

- Update mortality table to Pub-2010 public sector mortality tables; for future mortality improvements, replace load with a modified Mortality Scape MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- No change to disability rates
- No change to salary scale
- No change to line of duty rates
- No change to discount rate

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

- Update mortality table to Pub-2010 public sector mortality tables; for future mortality improvements, replace load with a modified Mortality Scape MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service
- No change to disability rates
- No changes to salary scale
- No change to line of duty rates
- No change to discount rate

**Largest 10 – Hazardous Duty/Public Safety Employees:**

- Update mortality table to Pub-2010 public sector mortality tables; for future mortality improvements, replace load with a modified Mortality Scape MP-2020
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70
- Decreased withdrawal rates
- No change to disability rates
- No change to salary scale
- No change to line of duty rates
- No change to discount rate

**CITY OF SALEM, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

**2. Changes of Assumptions (Continued)**

All Others (Non-10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to Pub-2010 public sector mortality tables; for future mortality improvements, replace load with a modified Mortality Scape MP-2020
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
- No change to disability rates
- No change to salary scale
- No change to line of duty rates
- No change to discount rate

Teacher Cost-Sharing Pool:

- Update mortality table to Pub-2010 public sector mortality tables; for future mortality improvements, replace load with a modified Mortality Scape MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- No change to disability rates
- No changes to salary scale
- No change to discount rate

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# STATISTICAL SECTION

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This part of the School Division's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School Division's overall health. The information included in this section is not audited.

	Pages
Financial Trends .....	97 - 101
<i>These schedules contain trend information to help the reader understand how the School Division's financial performance and well-being have changed over time.</i>	
Revenue Capacity .....	102 - 105
<i>These schedules contain information to help the reader assess the School Division's revenue sources. The schedules also include information about the City's most significant local revenue source, property taxes, as the City provides significant revenues to the School Division.</i>	
Debt Capacity .....	106 - 107
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and ability to issue additional debt in the future. These schedules are shown because the City incurs significant debt for the School Division's use.</i>	
Demographic and Economic Information .....	108 - 110
<i>These schedules offer demographic and economic indicators to help the reader understand the environment in which the School Division operates and to help make comparisons over time and with other governments.</i>	
Operating Information .....	111 - 116
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the School Division's financial report relates to the services the School provides and the activities it performs.</i>	

CITY OF SALEM SCHOOL DIVISION  
NET POSITION (DEFICIT) BY COMPONENT  
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Governmental Activities</b>			(1)			(2)			(3)	(4)
Net investment in capital assets	\$ 73,141,922	\$ 67,754,198	\$ 60,234,738	\$ 46,748,373	\$ 42,906,415	\$ 43,173,063	\$ 45,092,573	\$ 46,530,313	\$ 48,121,333	\$ 49,441,566
Restricted	909,597	1,444,155	365,440	965,614	650,756	537,062	-	78,138	78,474	-
Unrestricted	(17,913,016)	(22,317,124)	(24,507,178)	(27,114,252)	(28,122,133)	(32,351,599)	(28,646,696)	(31,510,148)	(35,459,054)	3,972,118
Total School Division net position	\$ 56,138,503	\$ 46,881,229	\$ 36,093,000	\$ 20,599,735	\$ 15,435,038	\$ 11,358,526	\$ 16,445,877	\$ 15,098,303	\$ 12,740,753	\$ 53,413,684

Notes:

Source: City of Salem Finance Department

(1) In 2021, the School Division implemented GASB Statement No. 84 requiring the reporting of the activity fund within governmental activities.

(2) In 2018, the School Division implemented GASB Statement No. 75 requiring recognition of net OPEB liabilities.

(3) In 2015, the School Division implemented GASB Statement No. 68 requiring recognition of net pension liabilities.

(4) In 2014, the School Division segregated health insurance into an internal service fund.

CITY OF SALEM SCHOOL DIVISION  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
			(1)			(2)				(3)
<b>Expenses</b>										
Central administration	\$ 1,581,633	\$ 2,011,242	\$ 2,085,923	\$ 2,016,415	\$ 1,783,674	\$ 1,596,030	\$ 1,652,209	\$ 1,593,894	\$ 1,695,545	\$ 1,879,992
Centralized instruction costs	4,344,767	3,396,049	3,567,700	4,075,157	3,840,082	3,518,687	3,543,531	3,473,872	3,636,537	3,879,440
Instructional costs	43,387,453	41,661,291	39,488,999	37,077,981	33,908,535	34,871,104	32,458,269	30,933,478	32,699,399	33,968,213
Attendance and health services	1,364,537	1,153,234	1,126,855	1,147,452	978,529	1,010,606	1,005,378	936,415	981,451	879,534
Transportation	2,171,148	1,922,120	1,762,900	1,472,764	1,500,881	1,524,848	1,408,400	1,348,170	1,463,135	1,413,079
Food services	2,442,362	2,235,602	1,960,853	1,848,960	1,792,273	1,794,237	1,756,692	1,675,156	1,973,317	1,597,475
Federal and state grants programs	-	-	-	-	-	-	1,970,034	1,844,532	1,969,993	2,963,551
Interest and other fiscal charges	1,674	-	1,212	6,006	7,106	493	6,383	10,612	-	-
Total governmental activities	55,293,574	52,379,538	49,994,442	47,644,735	43,811,080	44,316,005	43,800,896	41,816,129	44,419,377	46,571,284
<b>Program revenues</b>										
Charges for services:										
Central administration	-	-	-	-	-	-	26,251	33,158	20,106	19,524
Centralized instruction	157,396	168,533	218,111	166,551	166,262	209,937	546,197	510,968	587,734	623,222
Instructional	1,080,537	1,003,370	783,482	910,778	1,000,374	945,598	174,200	179,915	175,813	191,751
Food services	599,244	119,398	62,276	569,747	845,340	836,801	841,634	815,618	759,141	832,642
Operating grants and contributions	16,842,179	17,351,097	12,922,879	10,758,674	9,818,437	9,540,263	8,605,485	8,197,005	8,119,815	8,966,887
Capital grants and contributions	2,304,642	637,913	-	-	17,438	14,400	156,367	49,773	5,174	7,000
Total governmental activities	20,983,998	19,280,311	13,986,748	12,405,750	11,847,851	11,546,999	10,350,134	9,786,437	9,667,783	10,631,026
<b>Net expense</b>	(34,309,576)	(33,099,227)	(36,007,694)	(35,238,985)	(31,963,229)	(32,769,006)	(33,450,762)	(32,029,692)	(34,751,594)	(35,940,258)
<b>General revenues and other changes in net position</b>										
Payments from City of Salem	25,147,133	26,611,308	34,606,636	25,341,148	21,026,377	20,170,298	19,760,242	19,739,512	19,151,270	25,103,243
State aid	16,562,083	16,404,289	16,116,582	14,952,136	14,891,728	14,222,573	14,075,825	13,757,083	13,916,982	13,144,693
Other	1,857,634	871,859	169,906	110,398	121,636	123,394	962,269	890,647	954,837	778,599
Total governmental activities	43,566,850	43,887,456	50,893,124	40,403,682	36,039,741	34,516,265	34,798,336	34,387,242	34,023,089	39,026,535
<b>Change in net position</b>	\$ 9,257,274	\$ 10,788,229	\$ 14,885,430	\$ 5,164,697	\$ 4,076,512	\$ 1,747,259	\$ 1,347,574	\$ 2,357,550	\$ (728,505)	\$ 3,086,277

Notes:

Source: City of Salem Finance Department

(1) In 2021, the School Division implemented GASB Statement No. 84 requiring the reporting of the activity fund within governmental activities.

(2) Beginning in 2018, the School Division included expenses for federal and state grants programs in the instructional costs function.

(3) In 2014, the School Division segregated health insurance into an internal service fund.

CITY OF SALEM SCHOOL DIVISION  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>FUND BALANCES</b>										
<u>General Fund</u>			(1)							(2)
Nonspendable	\$ 378,303	\$ 420,882	\$ 220,392	\$ 158,753	\$ 101,494	\$ 4,068	\$ -	\$ -	\$ -	\$ 24,797
Restricted	-	-	-	529,805	650,756	537,062	-	78,138	78,474	-
Committed	555,157	765,341	699,526	351,315	545,572	454,828	85,500	-	-	-
Assigned	2,106,454	3,133,334	6,260,707	5,175,071	5,053,704	3,911,615	4,493,379	4,532,051	2,761,526	1,992,070
Total General Fund	\$ 3,039,914	\$ 4,319,557	\$ 7,180,625	\$ 6,214,944	\$ 6,351,526	\$ 4,907,573	\$ 4,578,879	\$ 4,610,189	\$ 2,840,000	\$ 2,016,867
<u>Cafeteria Fund</u>										
Nonspendable	\$ 84,724	\$ 133,878	\$ 116,984	\$ 98,571	\$ 56,438	\$ 37,579	\$ 33,103	\$ 33,187	\$ 34,125	\$ 55,511
Committed	850,599	955,362	404,295	624,572	580,465	464,331	-	-	-	-
Assigned	-	-	-	-	-	-	349,325	305,919	324,603	451,968
Total Cafeteria Fund	\$ 935,323	\$ 1,089,240	\$ 521,279	\$ 723,143	\$ 636,903	\$ 501,910	\$ 382,428	\$ 339,106	\$ 358,728	\$ 507,479
<u>Capital Projects Fund</u>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,939	\$ 14,816	\$ 24,693	\$ -	\$ -
Committed	1,877,101	3,363,092	3,267,093	2,810,420	1,765,046	2,746,660	2,030,441	905,058	1,146,489	1,550,444
Total Capital Projects Fund	\$ 1,877,101	\$ 3,363,092	\$ 3,267,093	\$ 2,810,420	\$ 1,765,046	\$ 2,751,599	\$ 2,045,257	\$ 929,751	\$ 1,146,489	\$ 1,550,444
<u>Activity Fund</u>										
Nonspendable	\$ 3,433	\$ 4,541	\$ 3,547							
Assigned	685,052	689,657	677,556							
Total Capital Projects Fund	\$ 688,485	\$ 694,198	\$ 681,103							
Total School Division	\$ 6,540,823	\$ 9,466,087	\$ 11,650,100	\$ 9,748,507	\$ 8,753,475	\$ 8,161,082	\$ 7,006,564	\$ 5,879,046	\$ 4,345,217	\$ 4,074,790

Notes:

Source: City of Salem Finance Department

(1) In 2021, the School Division implemented GASB Statement No. 84 requiring the reporting of the activity fund within governmental activities.

(2) In 2014, the School Division segregated health insurance into an internal service fund.



TABLE 4  
UNAUDITED

CITY OF SALEM SCHOOL DIVISION  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Revenues</b>			(1)							(2)
<u>General Fund</u>										
<i>Intergovernmental:</i>										
City of Salem	\$ 22,055,911	\$ 20,919,612	\$ 20,222,585	\$ 20,499,426	\$ 21,026,377	\$ 20,170,298	\$ 19,760,242	\$ 19,739,512	\$ 19,151,270	\$ 19,622,043
Commonwealth of Virginia	26,928,343	25,623,802	24,348,690	22,563,977	21,878,266	21,067,259	20,052,041	19,491,109	19,455,460	19,452,863
Federal Government	5,085,296	5,977,011	3,113,287	1,747,379	1,708,244	1,648,522	1,705,496	1,631,925	1,761,396	1,838,411
<i>Other:</i>										
Charges for services	343,459	416,929	662,966	1,077,329	1,166,636	1,155,535	746,647	724,041	783,653	834,497
Other	174,600	179,553	99,070	99,069	115,004	96,502	944,782	883,593	810,937	765,723
Total General Fund	54,587,609	53,116,907	48,446,598	45,987,180	45,894,527	44,138,116	43,209,208	42,470,180	41,962,716	42,513,537
<u>Cafeteria Fund</u>										
<i>Intergovernmental:</i>										
Commonwealth of Virginia	59,170	35,968	18,084	38,054	29,478	28,674	24,710	21,590	24,581	25,893
Federal Government	1,723,336	2,756,518	1,559,400	1,361,400	1,094,177	1,016,458	899,020	809,467	795,360	784,413
<i>Other:</i>										
Charges for services	599,244	119,398	62,276	569,747	845,340	836,801	841,634	815,617	759,141	832,642
Other	47,909	11,088	10,632	12,859	8,018	29,886	17,531	7,121	143,900	12,876
Total Cafeteria Fund	2,429,659	2,922,972	1,650,392	1,982,060	1,977,013	1,911,819	1,782,895	1,653,795	1,722,982	1,655,824
<u>Capital Projects Fund</u>										
<i>Intergovernmental:</i>										
City of Salem	3,091,222	5,691,696	14,384,051	4,841,722	-	-	-	-	-	5,481,200
Commonwealth of Virginia	1,905,758	-	-	-	-	-	-	-	-	-
<i>Other:</i>										
Other	7,000	-	-	-	-	-	-	-	5,174	7,000
Total Capital Projects Fund	5,003,980	5,691,696	14,384,051	4,841,722	-	-	-	-	5,174	5,488,200
<u>Activity Fund</u>										
<i>Other:</i>										
Charges for services	894,474	754,975	338,627	-	-	-	-	-	-	-
Other	273,570	176,946	63,788	-	-	-	-	-	-	-
Total Activity Fund	1,168,044	931,921	402,415	-	-	-	-	-	-	-
<b>Expenditures</b>										
<u>General Fund</u>										
<i>Current:</i>										
Central administration	2,193,690	2,121,974	2,040,621	2,007,754	1,734,048	1,587,712	1,608,371	1,593,852	1,658,908	1,756,494
Centralized instruction costs	4,683,958	3,739,425	3,554,076	4,074,573	4,053,997	3,768,680	3,795,451	3,687,727	3,832,984	3,711,762
<i>Instructional costs:</i>										
Salem High School	12,501,010	11,589,554	10,812,614	10,504,638	10,516,395	10,459,247	10,090,056	10,048,013	9,976,964	9,965,723
Andrew Lewis Middle School	8,237,680	7,777,571	7,582,656	7,343,857	7,133,729	7,110,842	6,985,732	6,629,696	6,769,119	6,765,055
G. W. Carver Elementary School	4,634,533	4,206,255	3,869,788	3,779,518	3,734,148	3,694,139	3,525,927	3,473,543	3,590,403	3,634,528
West Salem Elementary School	3,957,893	3,792,579	3,489,273	3,592,948	3,570,397	3,383,487	3,019,223	2,999,504	3,013,001	3,167,012
South Salem Elementary School	3,785,246	3,386,465	3,239,527	3,210,750	3,193,441	3,248,699	2,984,447	2,946,511	2,985,015	3,006,075
East Salem Elementary School	4,376,050	4,184,387	3,836,461	3,764,485	3,902,247	3,778,488	3,634,861	3,543,633	3,472,215	3,185,659
Regional Program	916,181	773,303	798,101	695,930	736,901	743,403	754,116	733,930	698,011	616,896
Federal and state grants programs	5,687,390	6,917,985	3,579,467	2,114,568	2,119,327	1,969,614	2,142,407	2,027,663	1,958,910	2,974,412
Attendance and health services	1,520,760	1,321,077	1,148,003	1,136,256	1,088,768	1,085,034	1,049,120	1,001,682	988,485	889,226
Transportation	2,285,285	2,246,537	1,567,746	1,390,916	1,577,945	1,410,894	1,317,610	1,269,037	1,269,076	1,529,625
<i>Debt service:</i>										
Principal	147,196	-	99,919	95,293	104,768	137,071	131,405	142,981	-	-
Interest	1,674	-	4,849	9,475	-	5,911	965	10,612	-	-
Total General Fund	54,928,546	52,057,112	45,623,101	43,720,961	43,466,111	42,383,221	41,039,691	40,108,384	40,213,091	41,202,467

(CONTINUED)

TABLE 4  
UNAUDITED  
(CONTINUED)

CITY OF SALEM SCHOOL DIVISION  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Expenditures</b>			(1)						(2)	
Cafeteria Fund	2,583,576	2,355,011	1,852,256	1,895,820	1,842,020	1,792,337	1,739,573	1,673,417	1,871,733	1,615,499
Food services	2,583,576	2,355,011	1,852,256	1,895,820	1,842,020	1,792,337	1,739,573	1,673,417	1,871,733	1,615,499
Total Cafeteria Fund										
Capital Projects Fund	7,726,023	9,857,321	15,785,194	6,199,149	2,270,996	719,859	1,085,321	1,219,802	1,335,621	4,297,458
Capital projects	7,726,023	9,857,321	15,785,194	6,199,149	2,270,996	719,859	1,085,321	1,219,802	1,335,621	4,297,458
Total Capital Projects Fund										
Activity Fund	1,173,757	918,826	329,147							
Instructional costs	1,173,757	918,826	329,147							
Total Activity Fund										
<b>Excess (deficiency) of revenues over (under) expenditures</b>										
General Fund	(340,937)	1,059,795	2,823,497	2,266,219	2,428,416	1,754,895	2,169,517	2,361,796	1,749,625	1,311,070
Cafeteria Fund	(153,917)	567,961	(201,864)	86,240	134,993	119,482	43,322	(19,622)	(148,751)	40,325
Capital Projects Fund	(2,722,043)	(4,165,625)	(1,401,143)	(1,357,427)	(2,270,996)	(719,859)	(1,085,321)	(1,219,802)	(1,330,447)	1,190,742
Activity Fund	(5,713)	13,095	73,268							
Total	(3,222,610)	(2,524,774)	1,293,758	995,032	292,413	1,154,518	1,127,518	1,122,372	270,427	2,542,137
<b>Other financing sources (uses)</b>										
General Fund										
Proceeds from sale of capital assets	-	15,838	-	-	-	-	-	-	-	-
Inception of leases	131,663	-	-	-	-	-	-	-	-	-
Inception of subscriptions	131,497	-	-	-	-	-	-	-	-	-
Insurance recoveries	34,186	324,923	-	-	-	-	-	-	-	-
Transfers out	(1,236,052)	(4,261,624)	(1,857,816)	(2,402,801)	(984,463)	(1,426,201)	(2,200,827)	(591,607)	(926,492)	(1,773,406)
Total General Fund	(938,706)	(3,920,863)	(1,857,816)	(2,402,801)	(984,463)	(1,426,201)	(2,200,827)	(591,607)	(926,492)	(1,773,406)
Capital Projects Fund										
Issuance of financed purchase obligation	-	-	-	299,980	-	-	-	411,457	-	-
Transfers in	1,236,052	4,261,624	1,857,816	2,402,801	984,463	1,426,201	2,200,827	591,607	926,492	1,773,406
Total Capital Projects Fund	1,236,052	4,261,624	1,857,816	2,402,801	1,284,443	1,426,201	2,200,827	1,003,064	926,492	1,773,406
<b>Net change in fund balances</b>										
General Fund	(1,279,643)	(2,861,068)	965,681	(136,582)	1,443,953	328,694	(31,310)	1,770,189	823,133	(462,336)
Cafeteria Fund	(153,917)	567,961	(201,864)	86,240	134,993	119,482	43,322	(19,622)	(148,751)	40,325
Capital Projects Fund	(1,485,991)	95,999	456,673	1,045,374	(986,553)	706,342	1,115,506	(216,738)	(403,955)	2,964,148
Activity Fund	(5,713)	13,095	73,268							
Total	(2,925,264)	(2,184,013)	1,293,758	995,032	592,393	1,154,518	1,127,518	1,533,829	270,427	2,542,137
Capital outlay	\$ 8,741,949	\$ 10,081,225	\$ 15,845,173	\$ 6,290,605	\$ 2,559,481	\$ 525,195	\$ 831,774	\$ 1,133,365	\$ 1,202,283	\$ 3,831,996
Ratio of debt service expenditures to non-capital expenditures	0.27%	0.00%	0.22%	0.23%	0.23%	0.32%	0.31%	0.37%	0.00%	0.00%

Notes:  
Source: City of Salem Finance Department  
(1) In 2021, the School Division implemented GASB Statement No. 84 requiring the reporting of the activity fund within governmental activities.  
(2) In 2014, the School Division segregated health insurance into an internal service fund.

**TABLE 5  
UNAUDITED**

**CITY OF SALEM SCHOOL DIVISION  
MAJOR REVENUE SOURCES  
GENERAL FUND  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>City of Salem</b>		<b>Commonwealth of Virginia</b>	
	<b>Revenue</b>	<b>Increase (Decrease)</b>	<b>Revenue</b>	<b>Increase (Decrease)</b>
2023	\$ 22,055,911	\$ 1,136,299	\$ 26,928,343	\$ 1,304,541
2022	20,919,612	697,027	25,623,802	1,275,112
2021	20,222,585	(276,841)	24,348,690	1,784,713
2020	20,499,426	(526,951)	22,563,977	685,711
2019	21,026,377	856,079	21,878,266	811,007
2018	20,170,298	410,056	21,067,259	1,015,218
2017	19,760,242	20,730	20,052,041	560,932
2016	19,739,512	588,242	19,491,109	35,649
2015	19,151,270	(470,773)	19,455,460	2,597
2014	19,622,043	(1,154,385)	19,452,863	946,923

Note:

Source: City of Salem Finance Department

**TABLE 6  
UNAUDITED**

**CITY OF SALEM SCHOOL DIVISION  
CHARGES FOR SERVICES REVENUE - FOOD SALES  
CAFETERIA FUND  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Food Sales</b>	<b>Increase (Decrease)</b>
2023	\$ 599,244	\$ 479,846
2022	119,398	57,122
2021	62,276	(507,471)
2020	569,747	(275,593)
2019	845,340	8,539
2018	836,801	(4,833)
2017	841,634	26,017
2016	815,617	56,476
2015	759,141	(73,501)
2014	832,642	(35,061)

Note:

Source: City of Salem Finance Department

TABLE 7  
UNAUDITED

CITY OF SALEM, VIRGINIA  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

Fiscal Year	Real Estate			Personal Property			Machinery and Tools			Public Service Corporation			Mobile Homes			Total Taxable		
	Assessed Value	Direct Tax Rate	Direct Tax Rate	Assessed Value	Direct Tax Rate	Direct Tax Rate	Assessed Value	Direct Tax Rate	Direct Tax Rate	Assessed Value	Direct Tax Rate	Direct Tax Rate	Assessed Value	Direct Tax Rate	Assessed Value	Direct Tax Rate	Assessed Value	Direct Tax Rate
2023	\$ 2,531,447,388	\$ 1.20	\$ 3.40	\$ 409,058,153	\$ 3.40	\$ 3.20	\$ 98,620,864	\$ 3.20	\$ 62,248,749	\$ 1.20	\$ 732,557	\$ 1.20	\$ 3,102,107,711	\$ 1.20	\$ 1.55			
2022	2,384,635,100	1.20	3.40	417,131,385	3.40	3.20	102,879,430	3.20	65,235,010	1.20	741,052	1.20	2,970,621,977	1.20	1.54			
2021	2,296,615,563	1.20	3.40	346,874,881	3.40	3.20	99,551,587	3.20	64,324,330	1.20	827,954	1.20	2,808,194,315	1.20	1.54			
2020	2,223,003,261	1.20	3.40	319,099,250	3.40	3.20	98,084,487	3.20	60,840,085	1.20	758,822	1.20	2,701,785,905	1.20	1.54			
2019	2,144,567,539	1.18	3.25	310,426,127	3.25	3.20	91,646,255	3.20	53,418,469	1.18	749,392	1.18	2,600,807,782	1.18	1.51			
2018	2,092,863,676	1.18	3.25	306,890,700	3.25	3.20	97,999,444	3.20	51,247,569	1.18	816,174	1.18	2,549,817,563	1.18	1.50			
2017	2,054,446,049	1.18	3.25	312,495,313	3.25	3.20	89,186,639	3.20	44,507,648	1.18	984,368	1.18	2,501,620,017	1.18	1.51			
2016	2,022,951,024	1.18	3.25	295,173,346	3.25	3.20	91,322,128	3.20	41,308,358	1.18	1,059,063	1.18	2,451,813,919	1.18	1.50			
2015	2,012,050,247	1.18	3.25	282,311,121	3.25	3.20	91,977,805	3.20	40,513,445	1.18	1,195,515	1.18	2,428,048,133	1.18	1.50			
2014	2,003,007,334	1.18	3.20	276,846,201	3.20	3.20	91,226,535	3.20	41,408,575	1.18	1,249,050	1.18	2,413,737,695	1.18	1.49			

Note:

Source: City of Salem Finance Department  
Tax rates are per \$100 of assessed value.

TABLE 8  
UNAUDITED

CITY OF SALEM, VIRGINIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN CALENDAR YEARS

Calendar Year Ended December 31,	Taxes Levied for the Calendar Year	Collected within the Calendar Year of the Levy		Supplemental Assessments & Exonerations Levied in Subsequent Years	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2023	\$ 45,280,224	\$ 43,064,907	95.11%	\$ -	-	\$ 43,064,907	95.11%
2022	43,896,135	41,921,818	95.50%	111,045	1,504,790	43,426,608	98.68%
2021	40,322,441	38,719,642	96.03%	(141)	1,257,225	39,976,867	99.14%
2020	38,547,607	35,634,651	92.44%	32,424	2,637,147	38,271,798	99.20%
2019	36,274,839	35,191,478	97.01%	170,855	1,206,102	36,397,580	99.87%
2018	35,837,963	34,375,408	95.92%	(350,519)	1,075,471	35,450,879	99.90%
2017	35,253,119	34,012,836	96.48%	(71,996)	1,138,857	35,151,693	99.92%
2016	33,896,364	32,608,317	96.20%	(19,524)	1,222,259	33,830,576	99.86%
2015	33,407,499	31,903,905	95.50%	(62,546)	1,332,578	33,236,483	99.67%
2014	32,905,743	31,229,276	94.91%	(83,736)	1,552,138	32,781,414	99.88%

Notes:

Source: City of Salem Finance Department

In 2020, the due date for the second half of Real Estate and Personal Property was extended to June 30th due to the COVID-19 pandemic.

**TABLE 9  
UNAUDITED**

**CITY OF SALEM, VIRGINIA  
PRINCIPAL REAL ESTATE PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

<b>Taxpayer</b>	<b>2023</b>			<b>2014</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Lewis-Gale Medical Center LLC (1)	\$ 67,221,700	1	2.43%	\$ 36,118,600	1	1.81%
Carter Machinery/Carthy Corp/Mount Sinai	16,316,000	2	0.59%	7,586,000	10	0.38%
Lowes/NS Retail Holdings LLC (2)	15,628,000	3	0.57%	12,462,800	4	0.62%
Yokohama Industries	15,357,900	4	0.56%	13,946,300	3	0.70%
EGAP Salem I LLC - Spartan Square	12,864,500	5	0.47%	8,953,000	8	0.45%
USF Propco I LLC (3)	12,033,100	6	0.44%	10,708,600	5	0.54%
Phoenix Salem Industrial	10,560,900	7	0.38%			
Valley Properties & L&M Properties LLC	10,491,000	8	0.38%			
Chateau Riviera Apts/CSW Associates	10,256,800	9	0.37%	9,694,200	7	0.49%
Friendship Salem Terrace LLC	10,192,100	10	0.37%	8,361,700	9	0.42%
Lewis-Gale Clinic/HRT				22,095,300	2	1.11%
General Electric				10,655,700	6	0.53%

**Notes:**

Source: City of Salem Real Estate Valuation Department

(1) In 2018, Lewis-Gale Medical Center LLC acquired the assets of Lewis-Gale Hospital HCA and Lewis Gale Clinic/HRT.

(2) In 2020, Lowes transferred from VALO LLC to NS Retail Holdings LLC

(3) Formerly U.S Food Service Inc.

CITY OF SALEM, VIRGINIA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds	Total Primary Government
	(1)		
2023	\$ 64,619,132	\$ 29,177,914	\$ 93,797,046
2022	68,803,018	32,714,325	101,517,343
2021	57,250,371	35,559,482	92,809,853
2020	60,686,620	39,296,513	99,983,133
2019	32,910,038	40,780,877	73,690,915
2018	30,897,265	41,669,640	72,566,905
2017	33,916,905	45,723,894	79,640,799
2016	36,971,375	49,665,950	86,637,325
2015	34,681,163	47,663,394	82,344,557
2014	37,640,582	49,258,943	86,899,525

Fiscal Year	Total Taxable Assessed Value	Percentage of Estimated Actual Value of Taxable Property	Population	Bonded Debt Per Capita	Per Capita Personal Income	Percentage of Bonded Debt Per Capita to Per Capita Personal Income
	(2)		(3)		(3)	
2023	\$ 3,102,107,711	3.02%	25,523	\$ 3,675	\$ 57,434	6.00%
2022	2,970,621,977	3.42%	25,373	4,001	54,977	7.00%
2021	2,808,194,315	3.30%	25,346	3,662	53,489	7.00%
2020	2,701,785,905	3.70%	25,301	3,952	52,248	8.00%
2019	2,600,807,782	2.83%	25,643	2,874	49,860	6.00%
2018	2,549,817,563	2.85%	25,862	2,806	48,384	6.00%
2017	2,501,620,017	3.18%	25,549	3,117	48,047	6.00%
2016	2,451,813,919	3.53%	25,432	3,407	45,577	7.00%
2015	2,428,048,133	3.39%	25,483	3,231	43,418	7.00%
2014	2,413,737,695	3.60%	25,299	3,435	42,288	8.00%

Source: City of Salem Finance Department

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

The City is independent from any county, town, or other political subdivision of the Commonwealth of Virginia. There is no overlapping general obligation debt or taxing power.

(1) Outstanding debt for the School Division is included with Governmental Activities.

(2) See Table 7 for actual value of taxable property.

(3) See Table 12 for population and per capita personal income.

CITY OF SALEM, VIRGINIA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value of Real Property	Debt Limit 10% of Assessed Value	Total General Obligation Bonds	Financed Purchase Obligation	Enterprise Bonds	RVRA Supported Debt	Net Debt Applicable to Limit	Legal Debt Margin	Net Debt Applicable to Limit as a Percent of Debt Limit
2023	\$ 2,593,696,137	\$ 259,369,614	\$ 93,797,046	\$ 14,529	\$ (29,177,914)	\$ (189,981)	\$ 64,443,680	\$ 194,925,934	24.85%
2022	2,449,870,110	244,987,011	101,517,343	29,059	(32,714,325)	(385,416)	68,446,661	176,540,350	27.94%
2021	2,360,939,893	236,093,989	92,809,853	43,589	(35,559,482)	(585,396)	56,708,564	179,385,425	24.02%
2020	2,283,843,346	228,384,335	99,983,133	99,520	(39,296,513)	(789,921)	59,996,219	168,388,116	26.27%
2019	2,197,986,008	219,798,601	73,690,915	121,467	(40,780,877)	(998,082)	32,033,423	187,765,178	14.57%
2018	2,144,111,245	214,411,125	72,566,905	198,016	(41,669,640)	(1,209,879)	29,885,402	184,525,723	13.94%
2017	2,098,953,697	209,895,370	79,640,799	271,203	(45,723,894)	(1,425,312)	32,762,796	177,132,574	15.61%
2016	2,064,259,382	206,425,938	86,637,325	341,175	(49,665,950)	-	37,312,550	169,113,388	18.08%
2015	2,052,563,692	205,256,369	82,344,557	-	(47,663,394)	-	34,681,163	170,575,206	16.90%
2014	2,044,415,909	204,441,591	86,899,525	-	(49,258,943)	-	37,640,582	166,801,009	18.41%

Notes:

Source: City of Salem Finance Department

(1) Includes real estate and public service corporation assessments from Table 7.

(2) See Table 10 for information about primary government outstanding debt.

(3) The Enterprise Fund bonds are backed by the full faith and credit of the City but are expected to be paid from the revenue and receipts of the Enterprise Funds.

(4) School debt is included in the amount of debt applicable to limit.



**TABLE 12  
UNAUDITED**

**CITY OF SALEM, VIRGINIA  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Population</b>	<b>Total Personal Income (In Thousands)</b>	<b>Per Capita Personal Income</b>	<b>Public School Enrollment</b>	<b>Unemployment Rate</b>
(1)	(2)	(3)	(3)	(4)	(5)
2023	25,523	\$ 7,004,787	\$ 57,434	3,650	3.0%
2022	25,373	6,588,916	54,977	3,701	3.0%
2021	25,346	6,391,212	53,489	3,756	4.0%
2020	25,301	6,254,966	52,248	3,882	7.7%
2019	25,643	5,962,802	49,860	3,872	2.9%
2018	25,862	5,785,780	48,384	3,889	3.4%
2017	25,549	5,758,037	48,047	3,843	4.1%
2016	25,432	5,435,865	45,577	3,751	4.0%
2015	25,483	5,159,100	43,418	3,797	5.2%
2014	25,299	4,984,547	42,288	3,770	5.2%

Notes:

(1) Population, public school enrollment and unemployment rate figures are based on fiscal years ending June 30. Per capita personal income figures are as of November.

(2) Population is based on intercensal estimates of the resident population for counties of Virginia: U.S. Census Bureau, Population Division. Population was obtained from U.S. Census Bureau Population Estimates Program.

(3) Bureau of Economic Analysis (BEA). Total personal income reported is for Roanoke County and the City of Salem. No data is available for the City of Salem only. Per capita personal income was computed using Census Bureau midyear population estimates.

(4) Director of Business, School Division

(5) Virginia Employment Commission

**TABLE 13  
UNAUDITED**

**CITY OF SALEM, VIRGINIA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>2023</b>			<b>2014</b>		
	<b>Rank</b>	<b>Ownership</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Ownership</b>	<b>Number of Employees</b>
Veterans Administration Medical Center	1	Fed Govt.	1500-1800	1	Fed Govt.	1800-2000
Lewis-Gale Hospital HCA	2	Private	1100-1300	2	Private	1300-1500
Virginia Department of Transportation	3	State Govt.	600-700	7	State Govt.	400-500
Yokohama Industries	4	Private	600-700	3	Private	800-1000
Lewis Gale Physicians	5	Private	500-600	5	Private	500-600
City of Salem Schools	6	Local Govt.	500-600	6	Local Govt.	500-600
Roanoke College	7	Private	400-500	8	Private	400-500
City of Salem	8	Local Govt.	400-450	9	Local Govt.	400-500
Integer	9	Private	380-450			
Carter Machinery	10	Private	300-500			
U.S. Foodservice, Inc.				10	Private	400-500
General Electric				4	Private	700-900

**Notes:**

Source: City of Salem Economic Development Department

CITY OF SALEM SCHOOL DIVISION  
MEMBERSHIP AND PER PUPIL SPENDING  
LAST TEN FISCAL YEARS

Fiscal Year Ended	Average Daily Membership		Average Daily Membership		Average Daily Attendance		Special Education	Salem		State	
	September 30	March 31	June 30	June 30	March 31	March 31	Child Count December 1	Per Pupil Expenditures	Per Pupil Expenditures	Average Per Pupil Expenditures	Composite Index
2023	(1) 3,751	(1) 3,606	(1) 3,650	(2) 3,657	(3), (7) 3,394	(4) 640	(2) N/A	(2) N/A	(2) N/A		0.3713
2022	3,801	3,659	3,701	3,707	3,448	623	N/A	\$14,393	\$15,541		0.3641
2021	3,834	3,694	3,756	3,743	3,581	621		12,390	14,206		0.3641
2020	3,931	3,810	3,882	3,860	3,652	622		11,571	13,241		0.3715
2019	3,962	3,836	3,872	3,876	3,676	584		11,349	12,931		0.3715
2018	3,953	3,872	3,889	3,906	3,709	586		11,038	12,548		0.3704
2017	3,852	3,775	3,843	3,818	3,625	527		11,017	12,171		0.3704
2016	3,808	3,716	3,751	3,752	3,585	514		10,858	11,745		0.3695
2015	3,815	3,774	3,797	3,813	3,636	528		10,844	11,523		0.3695
2014 (6)	3,799	3,761	3,772	3,796	3,628	505		11,057	11,242		0.3628

Census Count (including special education count) used as Basis for State Sales Tax Allocation (6)

2022	4,182
2021	4,288
2020	4,389
2019	4,393
2018	4,429
2017	4,317
2016	4,285
2015	4,364
2014	4,361
2013	4,446

Notes:

- N/A Not available
- (1) Superintendent's Annual Report Table 1 and Virginia Department of Education website (excludes part-time students)
- (2) Superintendent's Annual Report Table 15 (2014-2023)
- (3) Superintendent's Annual Report Table 8 (2014-2023)
- (4) Director of Student Services and Virginia Department of Education website
- (5) Weldon Cooper Center at the University of Virginia will estimate school age population in Virginia. The latest estimate is as of July 1, 2022.
- (6) Figures for 2014 were adjusted to match the Superintendent's Annual Reports for the school year.
- (7) Spring student record collection

CITY OF SALEM SCHOOL DIVISION  
VIRGINIA STANDARDS OF LEARNING (SOL) TEST RESULTS  
PERCENT OF STUDENTS WITH PASSING SCORES  
LAST TEN FISCAL YEARS

COURSE	2023		2022		2021		2020		2019		2018		2017		2016		2015		2014	
	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA
Grade 3 English RLR	79	66	72	68	64	61	*	80	71	77	72	81	75	83	76	85	75	78	69	
Grade 3 Mathematics	83	69	78	67	60	54	*	86	82	80	73	83	75	86	77	85	74	75	67	
Grade 3 History	n/a	n/a	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	86	
Grade 3 Science	n/a	n/a	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	88	
Grade 4 English RLR	79	73	70	72	75	68	*	77	75	77	76	84	79	84	77	84	77	79	70	
Grade 4 Mathematics	78	70	66	66	68	56	*	83	83	83	79	88	81	91	83	88	84	86	80	
VA Studies	76	69	68	66	n/a	n/a	*	80	81	87	85	87	87	89	87	93	87	92	85	
Grade 5 English RLR	68	71	74	72	70	66	*	77	78	83	80	83	81	88	81	83	79	82	73	
Grade 5 English Writing	n/a	n/a	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	71	
Grade 5 Mathematics	76	67	74	64	63	51	*	88	81	83	77	78	79	79	79	85	79	76	73	
Grade 5 Science	67	66	68	61	57	50	*	79	79	85	79	79	79	83	81	86	79	81	73	
Grade 6 English RLR	76	71	72	70	71	69	*	83	77	79	80	82	78	85	77	84	76	80	73	
Grade 6 Mathematics	74	61	74	57	57	45	*	71	78	71	79	77	82	88	82	80	83	73	76	
Grade 6 US History I	n/a	n/a	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	83	
Grade 7 English RLR	79	70	70	72	68	71	*	80	79	80	81	88	82	87	82	91	81	82	76	
Grade 7 Mathematics	73	59	66	55	42	45	*	70	78	65	69	74	71	84	72	85	72	74	65	
Grade 7 US History II	n/a	n/a	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	84	
Grade 8 English RLR	76	71	76	72	77	69	*	77	76	79	77	81	76	82	75	81	75	72	70	
Grade 8 English Writing	54	55	63	57	70	69	*	78	70	77	73	77	73	78	71	76	72	72	70	
Grade 8 Mathematics	60	60	64	57	25	43	*	75	77	63	71	72	74	69	73	86	74	77	67	
Grade 8 Civics	79	73	71	70	n/a	n/a	*	79	82	85	86	87	87	87	87	92	86	83	83	
Grade 8 Science	68	62	72	61	62	58	*	84	78	87	78	88	79	87	79	87	78	85	74	
End of Course English RLR	89	85	86	85	91	81	*	91	86	91	87	91	87	91	89	91	89	93	90	
End of Course English Writing	n/a	76	n/a	74	n/a	n/a	*	<	81	82	84	87	84	88	83	88	83	90	84	
Algebra I	91	82	90	80	61	63	*	83	86	82	81	89	82	83	83	90	82	81	79	
Algebra II	93	86	93	86	95	78	*	98	91	93	89	98	90	99	89	98	87	81	82	
Geometry	89	78	96	80	82	73	*	83	83	80	77	91	78	86	80	90	80	86	77	
Earth Science	83	67	84	72	72	67	*	91	81	84	81	93	82	97	84	93	83	91	83	
Biology	85	72	75	70	73	66	*	86	83	89	82	90	82	89	84	92	84	89	83	
Chemistry	<	37	99	64	90	52	*	91	88	93	89	96	89	98	88	100	88	95	87	
World History I	47	66	36	66	n/a	n/a	*	82	80	92	82	93	85	95	84	98	85	93	85	
World History II	30	30	56	48	n/a	n/a	*	57	81	89	84	95	87	95	86	94	87	96	86	
World Geography	67	67	64	66	n/a	n/a	*	83	80	85	82	86	83	88	86	88	86	88	86	
VAVUS History	43	38	53	38	n/a	n/a	*	72	68	89	84	92	86	91	86	90	87	96	87	

Notes:

Source: Virginia Department of Education website; www.doe.virginia.gov

n/a: not applicable

< = A group below state definition for personally identifiable results

\* Virginia Governor Ralph Northam issued Executive Order Fifty-Three closing all K-12 schools for the remainder of the 19-20 school year. No SOL testing took place.

**TABLE 16  
UNAUDITED**

**CITY OF SALEM SCHOOL DIVISION  
SCHOLASTIC APTITUDE TEST (SAT) SCORES  
LAST TEN YEARS**

Fiscal Year Ended June 30	Number of Students Who Took SATs	Combined Score for Verbal and Math		
		Salem	Virginia	National
2023	88	1,114	1,113	1,028
2022	91	1,104	1,124	1,050
2021	98	1,149	1,151	1,160
2020	157	1,134	1,116	1,051
2019	171	1,099	1,112	1,039
2018	173	1,108	1,095	1,044
2017	157	1,080	1,288	1,264
2016	123	1,047	1,029	981
2015	148	1,046	1,028	987
2014	148	1,046	1,033	1,010

Note:

Source: Assistant Superintendent of Instruction

**TABLE 17  
UNAUDITED**

**CITY OF SALEM SCHOOL DIVISION  
ACCREDITATION STATUS  
2021-2022 SCHOOL YEAR**

School Name	Virginia Accreditation Status
Salem High School	Fully Accredited
Andrew Lewis Middle School	Fully Accredited
G.W. Carver Elementary School	Fully Accredited
West Salem Elementary School	Fully Accredited
South Salem Elementary School	Fully Accredited
East Salem Elementary School	Fully Accredited

Note:

Source: Assistant Superintendent of Instruction

TABLE 18  
UNAUDITED

CITY OF SALEM SCHOOL DIVISION  
FULL-TIME EQUIVALENT POSITIONS  
LAST TEN FISCAL YEARS

Positions	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board Member	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Administrator	9.9	9.1	9.7	9.1	9.1	8.5	9.7	9.5	10.3	9.7
Principal	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Assistant Principal	8.5	8.5	8.5	8.5	9.5	9.0	9.0	9.0	9.0	9.0
Teachers	332.3	335.1	312.3	307.7	306.6	303.1	300.5	302.1	307.1	309.6
Instructional Assistants	106.7	98.2	91.2	74.3	71.6	72.1	71.7	65.1	54.3	49.7
Secretary/Specialist	23.2	24.5	24.8	24.9	22.8	21.6	21.7	21.4	21.8	25.2
Attendance & Health	13.4	12.7	10.9	10.5	10.3	10.5	10.4	10.5	10.6	10.6
Transportation	37.9	34.3	30.0	30.6	30.0	30.4	27.5	26.2	27.1	31.4
Maintenance	39.0	38.6	39.6	39.3	38.0	37.3	37.6	37.3	38.5	39.3
Technology	12.2	11.7	10.7	10.7	10.8	10.8	9.8	9.7	10.0	8.8
School Nutrition	5.0	5.0	5.0	6.0	10.8	14.6	20.0	20.0	27.0	28.8
<b>Total</b>	<b>599.1</b>	<b>588.7</b>	<b>553.7</b>	<b>532.6</b>	<b>530.5</b>	<b>528.9</b>	<b>528.9</b>	<b>521.8</b>	<b>526.7</b>	<b>533.1</b>

CITY OF SALEM SCHOOL DIVISION  
TEACHER SALARY INFORMATION  
LAST TEN FISCAL YEARS

Degree	Level	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Bachelors	Minimum	\$ 48,880	\$ 46,740	\$ 42,119	\$ 42,714	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 41,000
	Maximum	\$ 74,352	\$ 71,097	\$ 64,697	\$ 65,613	\$ 64,516	\$ 63,469	\$ 61,710	\$ 60,328	\$ 60,179	\$ 59,736
Masters	Minimum	\$ 53,426	\$ 51,088	\$ 45,905	\$ 46,554	\$ 45,776	\$ 45,776	\$ 45,776	\$ 45,776	\$ 45,720	\$ 44,647
	Maximum	\$ 81,268	\$ 77,711	\$ 70,155	\$ 71,182	\$ 69,958	\$ 68,494	\$ 66,035	\$ 64,104	\$ 63,899	\$ 63,383
Doctorate	Minimum	\$ 55,132	\$ 52,718	\$ 47,732	\$ 48,406	\$ 47,597	\$ 47,597	\$ 47,597	\$ 47,597	\$ 47,514	\$ 46,406
	Maximum	\$ 83,862	\$ 80,191	\$ 72,788	\$ 73,818	\$ 72,584	\$ 70,919	\$ 68,122	\$ 65,925	\$ 65,693	\$ 65,142
Average Salary		\$ 65,429	\$ 62,691	\$ 59,494	\$ 58,760	\$ 57,980	\$ 58,418	\$ 57,387	\$ 55,776	\$ 55,352	\$ 55,115
Virginia Average Salary		n/a	\$ 64,427	\$ 61,684	\$ 60,265	\$ 58,714	\$ 56,861	\$ 56,351	\$ 54,891	\$ 54,486	\$ 53,818

Note:

Source: Salary Scales and Annual School Report

CITY OF SALEM SCHOOL DIVISION  
EXPENDITURES BY FUNCTION - GENERAL FUND  
LAST TEN FISCAL YEARS

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<i>Current:</i>						(1)				
Central administration	\$ 2,193,690 3.99%	\$ 2,121,974 4.08%	\$ 2,040,621 4.47%	\$ 2,007,754 4.59%	\$ 1,734,048 3.99%	\$ 1,587,712 3.75%	\$ 1,608,371 3.92%	\$ 1,593,852 3.97%	\$ 1,658,908 4.13%	\$ 1,756,494 4.26%
Centralized instruction costs	4,683,958 8.53%	3,739,425 7.18%	3,554,076 7.79%	4,074,573 9.32%	4,053,997 9.33%	3,768,680 8.89%	3,795,451 9.25%	3,687,727 9.19%	3,832,984 9.53%	3,711,762 9.01%
Instructional costs:	44,095,983 80.28%	42,628,099 81.89%	37,207,887 81.55%	35,006,694 80.07%	34,906,585 80.31%	34,387,919 81.14%	30,994,362 75.52%	30,374,830 75.73%	30,504,728 75.86%	30,340,948 73.64%
Attendance and health services	1,520,760 2.77%	1,321,077 2.54%	1,148,003 2.52%	1,136,256 2.60%	1,088,768 2.50%	1,085,034 2.56%	1,049,120 2.56%	1,001,682 2.50%	988,485 2.46%	889,226 2.16%
Transportation	2,285,285 4.16%	2,246,537 4.32%	1,567,746 3.44%	1,390,916 3.18%	1,577,945 3.63%	1,410,894 3.33%	1,317,610 3.21%	1,269,037 3.16%	1,269,076 3.16%	1,529,625 3.71%
Federal and state grants programs	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	2,142,407 5.22%	2,027,663 5.06%	1,958,910 4.87%	2,974,412 7.22%
Non-departmental	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
<i>Debt service:</i>										
Principal	147,196 0.27%	- 0.00%	99,919 0.22%	95,293 0.22%	104,768 24.00%	137,071 0.32%	131,405 0.32%	142,981 0.36%	- 0.00%	- 0.00%
Interest	1,674 0.00%	- 0.00%	4,849 0.01%	9,475 0.02%	- 0.00%	5,911 0.01%	965 0.00%	10,612 0.03%	- 0.00%	- 0.00%
<b>Total expenditures</b>	<b>\$ 54,928,546</b>	<b>\$ 52,057,112</b>	<b>\$ 45,623,101</b>	<b>\$ 43,720,961</b>	<b>\$ 43,466,111</b>	<b>\$ 42,383,221</b>	<b>\$ 41,039,691</b>	<b>\$ 40,108,384</b>	<b>\$ 40,213,091</b>	<b>\$ 41,202,467</b>

Notes:  
Source: City of Salem Finance Department  
(1) Beginning in 2018, the School Division included expenditures for federal and state grants programs in the instructional costs function.



TABLE 21  
UNAUDITED

CITY OF SALEM SCHOOL DIVISION  
CAPITAL ASSET STATISTICS  
LAST TEN FISCAL YEARS

School / Statistic	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
East Salem Elementary (1962)	(1)									
Square feet	56,308	56,308	56,308	56,308	56,308	56,308	56,308	56,308	56,308	53,714
Capacity (students)	600	500	500	500	500	500	500	500	500	500
Enrollment	374	379	382	406	397	387	413	419	416	414
G W Carver Elementary (1939)										
Square feet	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000
Capacity (students)	700	600	600	600	600	600	600	600	600	600
Enrollment	415	427	429	431	422	431	462	461	444	423
South Salem Elementary (2013)										
Square feet	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000
Capacity (students)	600	600	600	600	600	600	600	600	600	600
Enrollment	365	379	363	401	419	420	397	394	412	408
West Salem Elementary (1952)										
Square feet	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000
Capacity (students)	550	450	450	450	450	450	450	450	450	450
Enrollment	399	399	392	460	426	439	427	396	423	406
Andrew Lewis Middle (1933)										
Square feet	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000
Capacity (students)	1,150	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Enrollment	896	889	927	916	942	914	893	898	901	924
Salem High School (2023)										
Square feet	281,991	220,812	220,812	220,812	220,812	220,812	220,812	220,812	220,812	220,812
Capacity (students)	1,897	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Enrollment	1,228	1,251	1,268	1,258	1,281	1,278	1,188	1,170	1,187	1,191
Central Administration Office (1958)										
Square feet	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
AIMS Alternative Education Center (1965)										
Square feet	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500

Note:

Source: City of Salem School Division Business Office

The year of original construction or major replacement is shown in parentheses. Increases in square footage are the result of renovations and additions.

(1) The student capacity was re-evaluated and updated.

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# COMPLIANCE SECTION

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**CITY OF SALEM SCHOOL DIVISION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2023**

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b><u>Department of Agriculture</u></b>				
<b><i>Virginia Department of Agriculture and Consumer Services</i></b>				
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	202222S900941	\$ 3,135	\$ 3,135
Child Nutrition Cluster Food Distribution - Commodities	10.555	-	194,604	194,604
<b><i>Virginia Department of Education</i></b>				
Child Nutrition Cluster (Continued) National School Breakfast Program	10.553	202222N11994 1	41,799	
National School Breakfast Program	10.553	202323N11994 1	286,369	
National School Lunch Program	10.555	202222N11994 1	176,646	
National School Lunch Program	10.555	202222N89034 1	66,373	
National School Lunch Program	10.555	202323N11994 1	922,222	
National School Lunch Program	10.555	202322N89034 1	<u>32,185</u>	1,525,594
<b><u>Department of Treasury</u></b>				
<b><i>Virginia Department of Education</i></b>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP1026	778,950	778,950
<b><u>Department of Education</u></b>				
<b><i>Virginia Department of Education</i></b>				
Adult Education - Basic Grants to States 2020	84.002	V002A200047	633	
Adult Education - Basic Grants to States 2021	84.002	V002A210047	18,610	84
Adult Education - Basic Grants to States 2022	84.002	V002A220047	<u>292,667</u>	231,669
Title I Grants to Local Educational Agencies 2020	84.010	S010A200046	913	
Title I Grants to Local Educational Agencies 2021	84.010	S010A210046	56,207	
Title I Grants to Local Educational Agencies 2022	84.010	S010A220046	<u>558,638</u>	615,758
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B) 2020	84.027	H027A200107	13,385	
Special Education - Grants to States (IDEA, Part B) 2021	84.027	H027A210107	32,197	
Special Education - Grants to States (IDEA, Part B) 2022	84.027	H027A220107	761,978	
Special Education - Grants to States (IDEA, Part B) 2023	84.027	H027A230107	128,953	
Special Education - Grants to States (IDEA, Part B ARP) 2021	84.027X	H027X210107	109,594	
Special Education - Preschool Grants (IDEA Preschool) 2021	84.173	H173A210112	630	
Special Education - Preschool Grants (IDEA Preschool) 2022	84.173	H173A220112	<u>13,897</u>	1,060,634
Total Special Education Cluster (IDEA)				
Career and Technical Education - Basic Grants to States (Perkins IV) 2021	84.048	V048A210046	839	
Career and Technical Education - Basic Grants to States (Perkins IV) 2022	84.048	V048A220046	<u>55,779</u>	56,618
English Language Acquisition State Grants 2019	84.365	S365A190046	463	
English Language Acquisition State Grants 2022	84.365	S365A220046	<u>16,396</u>	16,859
Supporting Effective Instruction State Grants 2020	84.367	S367A200044	143	
Supporting Effective Instruction State Grants 2021	84.367	S367A210044	15,658	
Supporting Effective Instruction State Grants 2022	84.367	S367A220044	<u>79,898</u>	95,699
Student Support and Academic Enrichment Grants 2020	84.424	S424A200048	1,045	
Student Support and Academic Enrichment Grants 2022	84.424	S424A220048	<u>39,632</u>	40,677
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	S425C200042	18,804	
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund 2021	84.425D	S425D210008	384,882	
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	S425U210008	<u>1,648,160</u>	2,051,846

**CITY OF SALEM SCHOOL DIVISION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2023**

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b><i>The College of William &amp; Mary</i></b>				
COVID19-American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	S425W210048	7,495	7,495
<b><u>Department of Health and Human Services</u></b>				
<b><i>Virginia Department of Health</i></b>				
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	SLCSST610GY23	16,928	16,928
Public Health Crisis Response - COVID-19	93.354	NU90TP922153	31,925	31,925
<b>Total Expenditures of Federal Awards</b>			<b>\$ 6,808,632</b>	<b>\$ 231,753</b>

Note 1: Basis of Accounting

This schedule was prepared on the modified accrual basis of accounting.

Note 2: Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities disbursed. As of June 30, 2023, the City of Salem School Division (School Division) had food commodities in inventory of \$58,821.

Note 3: Indirect Cost Rate

The School Division did not elect to use the 10% de minimis indirect cost rate.

Note 4: Reporting Information

This Schedule of Expenditures of Federal Awards is part of the overall Schedule of Expenditures of Federal Awards for the City of Salem, Virginia (City). The City and the School Division have a combined federal audit, and the Annual Comprehensive Financial Report for the City includes reporting for the combined federal audit. The City's Annual Comprehensive Financial Report may be obtained from the City of Salem, Finance Department, 114 North Broad Street, Salem, VA 24153.

Note 5: Outstanding Loan Balances

At June 30, 2023, the School Division had no outstanding loan balances requiring continuing disclosure.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the  
Board of the City of Salem School Division  
Salem, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Salem School Division (the “School Division”) a component unit of the City of Salem, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Division’s basic financial statements, and have issued our report thereon dated November 16, 2023.

**Report on Internal Control over Financial Reporting**

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Division'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 that are required to be reported under *Government Auditing Standards*.**

### Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 16, 2023

**CITY OF SALEM SCHOOL DIVISION**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2023**

As more fully described in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the School Division’s compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

Code of Virginia:

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Procurement Laws  
Uniform Disposition of Unclaimed Property Act

State Agency Requirements:

Education