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**SALEM**  
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, 2021

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, 2021



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 18, 2021

To the Honorable Chairman 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, 2021. 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.

### **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

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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.

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 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 25,346 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 75 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.

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 2021 was 3,694 and projected budgeted enrollment for fiscal year 2022 is 3,670. Students between the grades of kindergarten and twelfth are offered a broad range of services including regular education, special education, career and technical education, gifted education and an International Baccalaureate program 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 and G. W. Carver Elementary 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 72% of the students are Caucasian, 14% are African-American, 7% are Hispanic, 2% are Asian, and 5% are in other categories (including mixed). Approximately 43% 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 21% of the total student enrollment, and English Learners (EL) represents approximately 6% of the student population.

Salem High School was named a Blue Star School for their students' outstanding performance on the 2019-2020 Wise Financial Literacy Certification Test. Salem High School was one of 74 high schools in the nation to earn this distinction.

Several teachers and staff members in Salem received high honors during the 2020-21 school year.

- Dr. Wendy Grimshaw of Andrew Lewis Middle School, was named the STEM Teacher of the Year for the greater Roanoke area.
- 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**

In January 2016, City Council adopted the Downtown Plan. The Downtown Plan has been successful well beyond expectations, attracting significant investment not just in Downtown, but in surrounding areas. Construction of the new streetscape is underway. Improvements include wider sidewalks, renovated crosswalks, new lighting and landscaping. Additional phases are planned and will proceed as grant awards and other funding become available. The project has been extremely timely, providing much needed outdoor seating for restaurants and businesses during the pandemic.

The Salem Red Sox resumed playing baseball at Salem Memorial Stadium after nearly two years since fans have been in the stands. Salem also hosted the NCAA Division III women's softball championship at Moyer Sports Complex after the COVID-19 pandemic cancelled most college sports last year. The annual Salem Fair returned in June after being cancelled in 2020 due to the pandemic.

In June, the state's GO Virginia economic development initiative announced the counties of Alleghany, Botetourt, Franklin and Roanoke, the cities of Covington, Roanoke and Salem, and the town of Vinton would be included in a grant for helping local employers prepare the existing workforce for industry and will aid in training in new technology and skill gaps among the current and future workforce. The same localities will also receive funding to establish the Blue Ridge Partnership for Health Science Careers to work as a consortium with public institutions and private employers to help them to more systematically collaborate to leverage resources and align curriculum with employers' future growth strategies. Salem's unemployment rate of 4.0% (June 2021), 3.7% lower than the prior year, was below the state rate of 4.5% and below the national unemployment rate of 6.1%. The decrease in the unemployment rate was due to the number of businesses reopening that were forced to close or reduce services during the COVID-19 global pandemic.

### **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 plans.
- 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 accomplishing budgetary control. Activities of the General Fund, Grant Fund, and Cafeteria Fund are included in the annual appropriated budget. For reporting purposes, the Grant 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. All funds not encumbered or spent by the end of the fiscal year

(June 30<sup>th</sup>) shall be returned to City Council. 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 2019 SOL tests results, all Salem City School Division elementary, middle and high schools were fully accredited. SOL testing did not occur in 2020 due to the COVID-19 pandemic that resulted in all K-12 schools being closed by the Governors Executive Order. Accreditation is based on the 2018-19 test results.

- **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 PreK 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 13, 2020 reflects total school capital projects of \$42.1 million. The renovation of Salem High School was identified and prioritized by the School Board as the next major capital project. Construction began in March 2020 and has an expected completion date in the summer of 2022. 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, 2020. This was the fourth 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, 2021. 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,

A handwritten signature in blue ink that reads "Curtis Hicks". The signature is written in a cursive style with a large initial "C".

Curtis N. Hicks  
Superintendent

A handwritten signature in blue ink that reads "Mandy C. Hall". The signature is written in a cursive style with a large initial "M".

Mandy C. Hall  
Director of Business

A handwritten signature in black ink that reads "Rosemarie B. Jordan". The signature is written in a cursive style with a large initial "R".

Rosemarie B. Jordan  
Director of Finance

**CITY OF SALEM SCHOOL DIVISION  
 DIRECTORY OF PRINCIPAL OFFICIALS  
 JUNE 30, 2021**



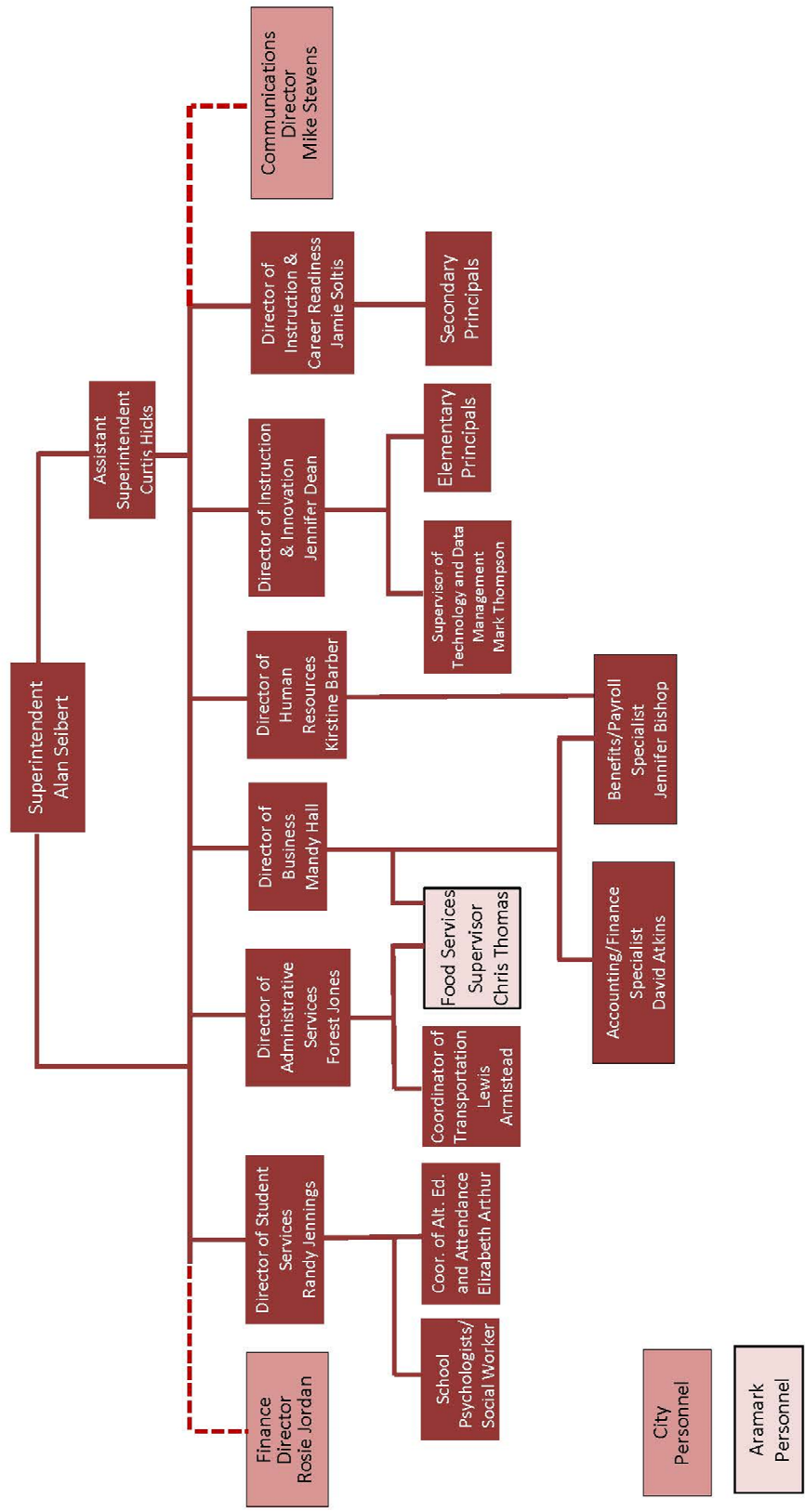
From left to right above - Dr. Nancy A. Bradley, Ms. Artice M. Ledbetter, Vice Chair, Mr. David H. Preston, Chair, Ms. Teresa Sizemore-Hernandez, and Mr. John A. (Andy) Raines

**School Administration**

Dr. H. Alan Seibert, Superintendent

|  |                              |
|--|------------------------------|
| Assistant Superintendent .....                     | Dr. Curtis N. Hicks          |
| Director of Human Resources .....                  | Ms. Kirstine M. Barber       |
| Director of Instruction and Innovation .....       | Ms. Jennifer P. Dean         |
| Director of Business .....                         | Ms. Mandy C. Hall, SFO       |
| Director of Student Services .....                 | Dr. Randy L. Jennings        |
| Director of Administrative Services .....          | Dr. Forest I. Jones          |
| Supervisor of Technology & Data Management .....   | Mr. Jim L. Rieflin           |
| Director of Instruction and Career Readiness ..... | Mr. Jamie C. Soltis          |
| Clerk to the Board .....                           | Ms. Kathy A. Jordan          |
| Director of Finance .....                          | Ms. Rosemarie B. Jordan, CPA |
| Communications Director .....                      | Mr. Mike Stevens             |

# Salem City School Division Organizational Chart



| Direct Reports               |                                      |                                      |                                      |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Superintendent               | Assistant Superintendent             | Director of Instruction & Innovation | Director of Inst. & Career Readiness |
| Assistant Superintendent     | Director of Instruction & Innovation | Elementary Principals                | Secondary Principals                 |
| Director of Business         | Director of Inst. & Career Readiness | Supervisor of Technology             |                                      |
| Director of Student Services | Director of Human Resources          |                                      |                                      |
|                              | Director of Admin. Services          |                                      |                                      |

Note: The Finance Director and Communications Director are employees of the Salem City Government and are indicated by the dotted lines.



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

**City of Salem School Board**

for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2020.

The CAFR meets the criteria established for  
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'W. Edward Chabal'.

W. Edward Chabal  
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis  
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 Financial Statements**

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, 2021, 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.

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

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

### ***Auditor's Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Division, as of June 30, 2021, 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.

### ***Adoption of New Accounting Standard***

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

### ***Other Matters***

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

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

#### ***Supplementary and Other 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 introductory section, other supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

**Report on the Financial Statements (Continued)*****Other Matters (Continued)******Supplementary and Other Information (Continued)***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021 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 18, 2021



**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. 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 \$36.1 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 are shown on the City's Statement of Net Position, except for capital leases entered into by the School Division.
- The School Division had expenses, net of program revenues, of \$36.0 million, which were \$14.9 million less than general revenue of \$50.9 million.
- For the governmental funds, General Fund revenues accounted for \$48.4 million or 74.7% of all revenues, and expenditures were \$45.6 million or 71.7% of all expenditures, compared to \$46.0 million (87.1%) in revenues and \$43.7 million (84.4%) in expenditures in fiscal year 2020.

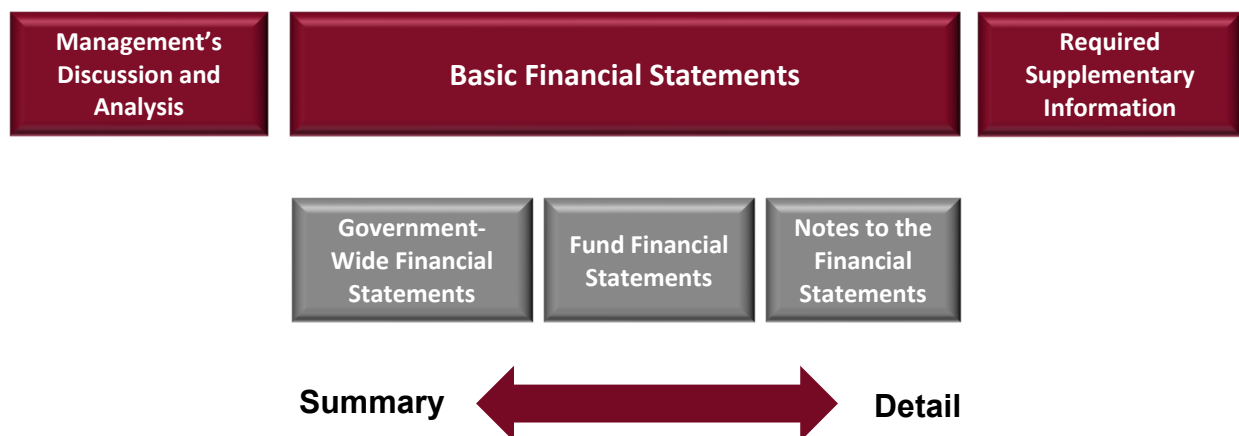
The Cafeteria Fund ended the fiscal year with a fund balance of \$521,279, a decrease of \$201,864 from the previous year. The decrease in fund balance is attributed to lower sales of lunch, breakfast and a la carte items, higher salary and fringe benefit costs and higher furniture and equipment costs.

**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 Divisions' 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 (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**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 also 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 (net 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, instructional, 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, capital leases, claims, and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures and acquisitions under capital leases 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 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

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

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.

Adoption of GASB Statement No. 84 in 2021 required the reporting of the Activity Fund as a special revenue fund in the governmental funds' statements, resulting in a restatement of prior year balances. Unless otherwise indicated, comparative prior year information presented within the Management's Discussion and Analysis has not been restated because the necessary information is not available.

**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, 2021 and 2020**

|                                       | Governmental Activities |                      | Percentage     |
|---------------------------------------|-------------------------|----------------------|----------------|
|                                       | 2021                    | 2020                 | Change         |
| Current and other assets              | \$ 23,117,724           | \$ 20,258,110        | 14.1%          |
| Capital assets, net                   | 60,234,738              | 46,848,292           | 28.6%          |
| <b>Total assets</b>                   | <b>83,352,462</b>       | <b>67,106,402</b>    | <b>24.2%</b>   |
| <b>Deferred outflows of resources</b> | <b>10,837,798</b>       | <b>8,403,655</b>     | <b>29.0%</b>   |
| Current and other liabilities         | 8,099,235               | 7,185,068            | 12.7%          |
| Long-term liabilities                 | 45,933,918              | 43,072,879           | 6.6%           |
| <b>Total liabilities</b>              | <b>54,033,153</b>       | <b>50,257,947</b>    | <b>7.5%</b>    |
| <b>Deferred inflows of revenues</b>   | <b>4,064,107</b>        | <b>4,652,375</b>     | <b>(12.6%)</b> |
| Net investment in capital assets      | 60,234,738              | 46,748,373           | 28.8%          |
| Restricted                            | 365,440                 | 965,614              | (62.2%)        |
| Unrestricted                          | (24,507,178)            | (27,114,252)         | (9.6%)         |
| <b>Total net position</b>             | <b>\$ 36,093,000</b>    | <b>\$ 20,599,735</b> | <b>75.2%</b>   |

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

For fiscal year 2021, current assets increased by \$2,859,614. This increase was comprised of increases in cash and cash equivalents of \$2,627,543, in receivables of \$31,597, in due from other governmental units of \$187,244, in inventories of \$21,960 and in prepaid items of \$61,639, and a decrease in the net pension asset of \$70,369.



The net investment in capital assets (capital assets net of accumulated depreciation and capital lease obligations) represented \$60,234,738 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 increased by \$914,167. The net increase for this category was comprised of decreases in accrued interest of \$3,637 and capital lease obligations of \$99,919, which were offset by increases in accounts payable and accrued liabilities of

\$459,088, in accrued payroll and related expenses of \$52,021, self-insurance claims liability of \$235,558, unearned revenues of \$201,262, and compensated absences of \$69,794.

Long-term liabilities increased by \$2,861,039. The net increase for this category was due to decreases in compensated absences of \$29,508 and net OPEB liability of \$528,406 and offset by an increase of \$3,418,953 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 \$365,440 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 \$(24,507,178), a decrease in the deficit of \$2,607,074 from June 30, 2020. The deficit is a result of recognizing the School Division's proportionate share of the net pension liability of the Virginia Retirement System.



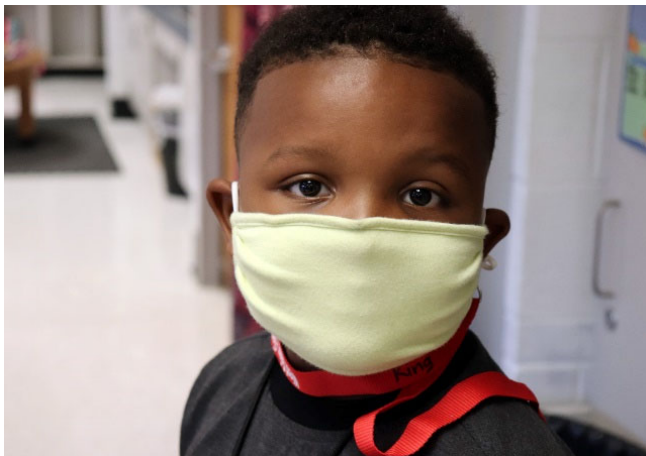


**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

The chart below summarizes the changes in the School Division's net position for fiscal year 2021, as compared to fiscal year 2020.

**Summary of Changes in Net Position  
For the Years Ended June 30, 2021 and 2020**

|   | Governmental Activities<br>2021 | 2020                 | Percentage<br>Change |
|---|---------------------------------|----------------------|----------------------|
| Program revenues:                                   |                                 |                      |                      |
| Charges for services                                | \$ 1,063,869                    | \$ 1,647,076         | (35.4%)              |
| Operating grants and contributions                  | 12,922,879                      | 10,758,674           | 20.1%                |
| General revenues:                                   |                                 |                      |                      |
| City appropriation                                  | 34,606,636                      | 25,341,148           | 36.6%                |
| State aid   | 16,116,582                      | 14,952,136           | 7.8%                 |
| Other   | 169,906                         | 110,398              | 53.9%                |
| <b>Total revenues</b>                               | <b>64,879,872</b>               | <b>52,809,432</b>    | <b>22.9%</b>         |
| Central administration                              | 2,085,923                       | 2,016,415            | 3.4%                 |
| Centralized instructional costs                     | 3,567,700                       | 4,075,157            | (12.5%)              |
| Instructional costs                                 | 39,488,999                      | 37,077,981           | 6.5%                 |
| Attendance and health services                      | 1,126,855                       | 1,147,452            | (1.8%)               |
| Transportation                                      | 1,762,900                       | 1,472,764            | 19.7%                |
| Food services                                       | 1,960,853                       | 1,848,960            | 6.1%                 |
| Capital lease interest                              | 1,212                           | 6,006                | (79.8%)              |
| <b>Total expenses</b>                               | <b>49,994,442</b>               | <b>47,644,735</b>    | <b>4.9%</b>          |
| <b>Change in net position</b>                       | <b>14,885,430</b>               | <b>5,164,697</b>     | <b>188.2%</b>        |
| Total net position, beginning of year (as restated) | 21,207,570                      | 15,435,038           | 37.4%                |
| Total net position, end of year                     | <b>\$ 36,093,000</b>            | <b>\$ 20,599,735</b> | <b>75.2%</b>         |

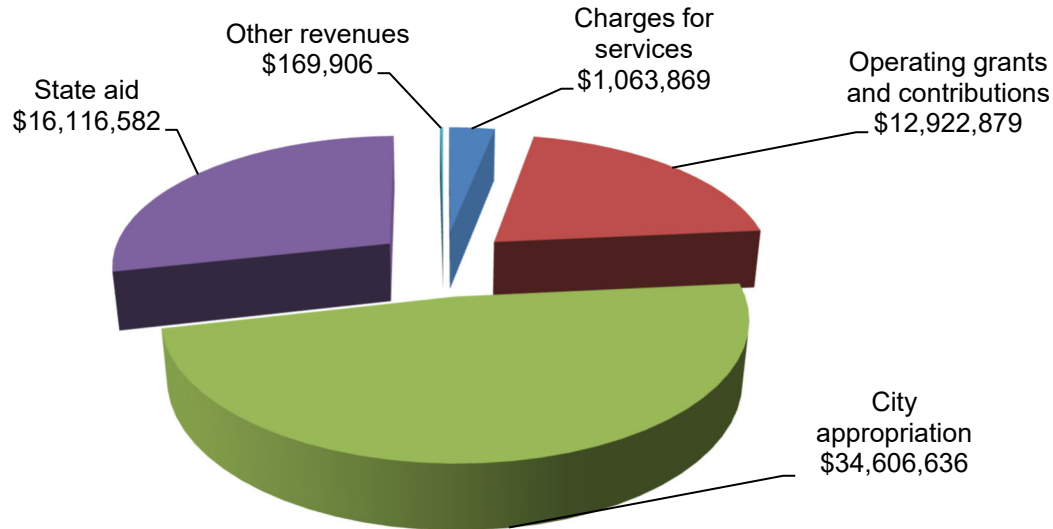


Appropriations from the City and State aid account for the majority of the School Division revenue. Most of the School Division's expenses are directly related to providing services to students including classroom instruction, attendance and health services, transportation, and food services. The remaining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

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Governmental Activities – Revenues**

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



For fiscal year 2021, revenues from governmental activities totaled \$64,879,872 and reflected a \$12,070,440, or 22.9%, increase over fiscal year 2020.

The appropriation from the City was the largest funding source, representing 53.3% of total governmental revenues. These revenues were up \$9,265,488 over the previous year. Funding of \$19.8 million was transferred to cover operating costs, a decrease of \$135,000 or 0.7%. In fiscal year 2021, \$14.4 million was transferred to cover Salem High School renovation costs compared to \$4.8 million transferred in fiscal year 2020. In fiscal year 2021, the City allocated \$360,000 of CARES Act funding to the School Division for Chromebook purchases. Meals tax revenue is shared with the School Division and \$530,000 was transferred in fiscal year 2020. No meals tax was transferred in fiscal year 2021 as it was used to pay debt service on the 2020 general obligation bonds that funded the Salem High School renovation.

State aid, which was 24.8% of total government revenues, increased 7.8% or \$1,164,446, due to growth in sales tax collections and basic aid.

Operating grants and contributions, which were 19.9% of total government revenues, increased 20.1%, or \$2,164,205, primarily due to increases in the supplemental lottery per pupil allocation, basic aid, Title I and VI-B funding, and the expanded CARES summer food service program which was expanded to provide meals to students.

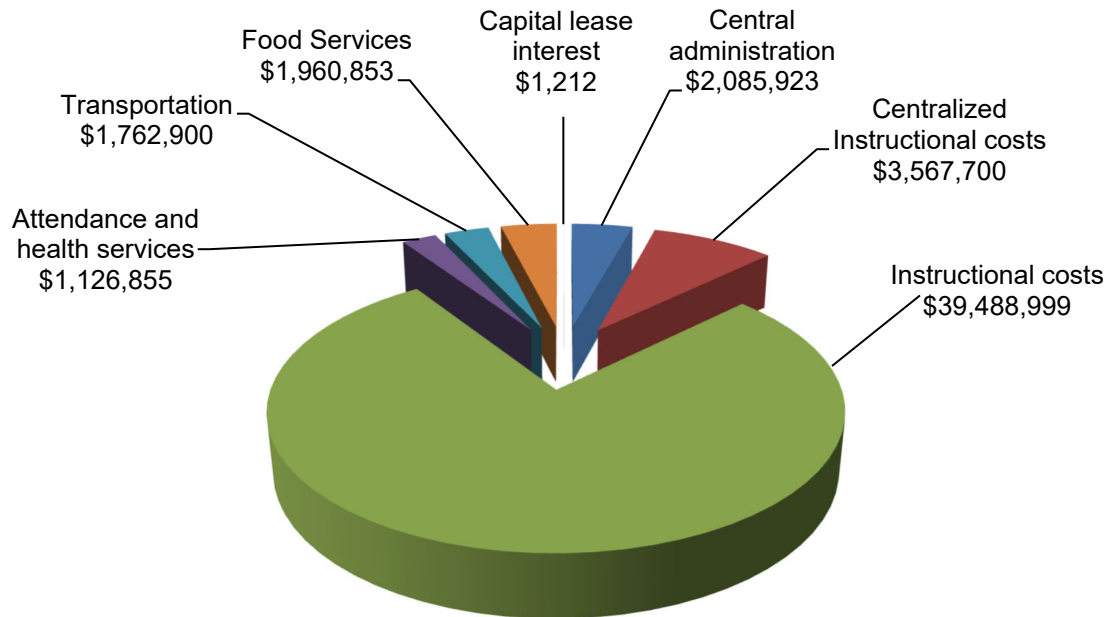
Charges for services were 1.6% of total government revenues, decreased by 35.4%, or \$583,207, due to lower reimbursements for Virginia Western Community College Dual Enrollment and Roanoke Valley Regional Board.

Other revenues, which made up 0.3% of the total governmental revenues, increased by 53.9% or \$59,508. The increase was largely due to an increase in sales of property and equipment, contributions, and miscellaneous and other income.

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

*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 2021 were \$49,994,442, which represented an increase of \$2,349,707, or 4.9% from fiscal year 2020.

Instructional costs were 79.0%, or \$39,488,999, of the total expenses of the School Division, up 6.5%, or \$2,411,018. Pension expense for the VRS Teacher Retirement Plan was the primary factor contributing to the increase. The expense was an actuarially determined amount and represents the School Division's expense share of the state-wide teacher retirement plan.

Centralized instruction costs accounted for 7.1%, or \$3,567,700, of total expenses for fiscal year 2021. Elimination of the regional special education program contributed to the \$507,457 decrease from the previous year.

Centralized administrative costs accounted for 4.2%, or \$2,085,923, of total expenses. Increases in salary and fringe benefit costs contributed to the \$69,508 increase.

Transportation costs accounted for 3.5%, or \$1,762,900, of total expenses. Salary and benefit increases associated with a mid-year bonus, bus purchases, increased need for substitute bus drivers, and the transfer of a custodial position to transportation department, contributed to the overall \$290,136 increase.

Food service cost, which was 3.9%, or \$1,960,853 of total government expenses, included costs associated with operation of the school cafeterias. The \$111,893 increase was attributable to higher salary and fringe costs, and furniture and equipment costs.

Attendance and health services expenses accounted for 2.3%, or \$1,126,855, of the total government expenses. Lower expenses associated with the drug testing program, lower travel expenses, and lower purchases of nursing supplies was the primary reason for the \$20,597 decrease.

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

***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> |                      | Percent     |
|---------------------------------|-------------------------------|----------------------|-------------|
|                                 | 2021                          | 2020                 | Change      |
| Central administration          | \$ 2,085,923                  | \$ 2,016,415         | 3.4%        |
| Centralized Instructional costs | 3,567,700                     | 4,075,157            | (12.5%)     |
| Instructional costs             | 39,488,999                    | 37,077,981           | 6.5%        |
| Attendance and health services  | 1,126,855                     | 1,147,452            | (1.8%)      |
| Transportation                  | 1,762,900                     | 1,472,764            | 19.7%       |
| Food services                   | 1,960,853                     | 1,848,960            | 6.1%        |
| Capital lease interest          | 1,212                         | 6,006                | (79.8%)     |
| <b>Total expenses</b>           | <b>\$ 49,994,442</b>          | <b>\$ 47,644,735</b> | <b>4.9%</b> |

|                                 | <b>Net Cost of Services</b> |                      | Percent     |
|---------------------------------|-----------------------------|----------------------|-------------|
|                                 | 2021                        | 2020                 | Change      |
| Central administration          | \$ 2,085,923                | \$ 2,016,415         | 3.4%        |
| Centralized Instructional costs | 3,349,589                   | 3,908,606            | (14.3%)     |
| Instructional costs             | 27,360,122                  | 26,807,983           | 2.1%        |
| Attendance and health services  | 1,126,855                   | 1,147,452            | (1.8%)      |
| Transportation                  | 1,762,900                   | 1,472,764            | 19.7%       |
| Food services                   | 321,093                     | (120,241)            | (367.0%)    |
| Capital lease interest          | 1,212                       | 6,006                | (79.8%)     |
| <b>Total expenses</b>           | <b>\$ 36,007,694</b>        | <b>\$ 35,238,985</b> | <b>2.2%</b> |

**Significant Aspects of Governmental Activities Include:**

- The cost of all governmental activities was \$49,994,442.
- The net cost of governmental activities was \$36,007,694.
- The federal and state governments subsidized certain programs with operating and capital grant and contributions of \$12,922,879.
- City of Salem taxpayers paid for these activities through local taxes and bond proceeds in the amount of \$34,606,636.



**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE FUNDS**

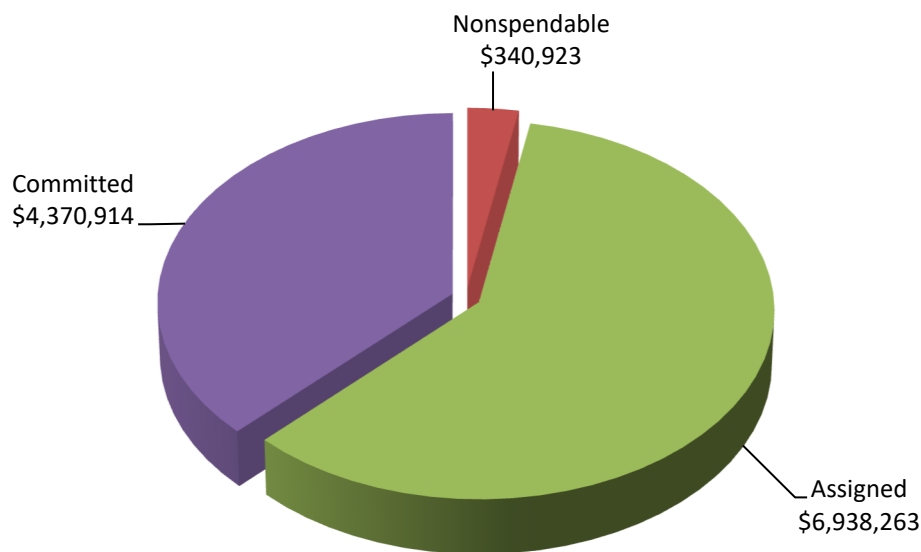
**Governmental Funds**

The School Division's combined fund balance for the governmental funds was \$11,650,100 as of June 30, 2021. The current year compared to last year is as follows:

**Fund Balance Comparison**

| Fund:                       | 2021                 | 2020                |
|-----------------------------|----------------------|---------------------|
| General                     | \$ 7,180,625         | \$ 6,214,944        |
| Cafeteria                   | 521,279              | 723,143             |
| Capital Projects            | 3,267,093            | 2,810,420           |
| Activity Fund               | 681,103              | -                   |
| Total combined fund balance | <u>\$ 11,650,100</u> | <u>\$ 9,748,507</u> |

The chart below shows the classifications of the fund balance of governmental funds as of June 30, 2021:



As of June 30, 2021, the School Division's governmental funds reported a combined fund balance of \$11,650,100, an increase of \$1,901,593 in comparison to fiscal year 2020. Of this amount, \$340,923 constituted non-spendable fund balance, which reflected inventories and prepaid assets that were in a form that could not be spent, \$4,370,914 constituted committed fund balance, which was designated for future projects and food services, and \$6,938,263 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 \$7,180,625, an increase of \$965,681 from the fund balance reported for fiscal year 2020. The cafeteria fund reported a fund balance at the end of fiscal year 2021 of \$521,279, a \$201,864 decrease from the fund balance reported for fiscal year 2020. The Capital Projects Fund reported a fund balance of \$3,267,093 at the end of fiscal year 2021, which represented a \$456,673 increase from the fiscal year 2020 fund balance. The Activity Fund, which was added this year as a result of GASB Statement No. 84, reported a fund balance of \$681,103 which represented an increase of \$73,268 over the 2020 fund balance (as restated).

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

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 \$48,446,598, while expenditures totaled \$45,623,101. In addition, there was a transfer of \$1,857,816 of prior year reserves to the Capital Projects Fund. This resulted in an increase in fund balance of \$965,681.

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 \$521,279, a decrease of \$201,864 from the previous year. The decrease in fund balance was attributable to lower sales of lunch, breakfast and a la carte items, higher salary and fringe benefit costs and higher furniture and equipment costs.

The Capital Projects Fund is used to account for building improvements, machinery, and equipment. This fund had a beginning balance of \$2,810,420. After a transfer from the City of \$14,384,051, expenditures of \$15,785,194, a transfer from the general fund of \$1,857,816, the ending balance of the fund was \$3,267,093. Costs associated with the Salem High School renovation project, chiller replacement at West Salem Elementary School, renovation and equipment for the new Robotics and Cosmetology classrooms at Salem High School, bus and vehicle purchases, new bleachers for the Salem High School gymnasium, new playground at Salem High School, HVAC control system for East Salem Elementary School, a hot food counter and frost top for the cafeteria serving line at West Salem Elementary School, and flooring replacement in the small gym at Salem High School were 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 \$607,835. Revenue collected amounted to \$402,415 and expenditures amounted to \$329,147, resulting in an increase in fund balance of \$73,268.

**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, 2021**

|                          | Original<br>Budget | Amended<br>Budget     | Actual            |
|--------------------------|--------------------|-----------------------|-------------------|
| Revenues:                |                    |                       |                   |
| City of Salem            | \$ 20,455,621      | \$ 20,624,739         | \$ 20,222,585     |
| Commonwealth of Virginia | 23,947,757         | 24,390,567            | 24,348,690        |
| Federal Government       | 1,913,877          | 5,239,567             | 3,113,287         |
| Charges for Services     | 434,365            | 607,089               | 662,966           |
| Other                    | 58,604             | 71,104                | 99,070            |
| Total                    | <u>46,810,224</u>  | <u>50,933,066</u>     | <u>48,446,598</u> |
| Expenditures             | 46,810,224         | 51,868,026            | 45,623,101        |
| Transfers                | -                  | 1,857,816             | 1,857,816         |
| Total                    | <u>46,810,224</u>  | <u>53,725,842</u>     | <u>47,480,917</u> |
|                          | <u>\$ -</u>        | <u>\$ (2,792,776)</u> | <u>\$ 965,681</u> |

During fiscal year 2021, the School Division amended its General Fund budget to appropriate other revenue and grant funds when the official notice of the award was received. Actual revenues varied from the amended budget with the transfer from the City coming in above budget due to receiving meals tax collections that were not budgeted. Revenues received from the state and charges for services were just below budget, while other revenues were above budget. Actual expenditures were less than the final budget due to personnel savings and expenditure savings throughout all departments.

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**CAPITAL ASSETS**

At the end of fiscal year 2021, the School Division had \$60,234,738 (a 28.6% increase from fiscal year 2020) invested in machinery and equipment, land, buildings, and construction in progress in governmental activities. The following table displays fiscal year 2021 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, 2021 and 2020**

|                            | Governmental Activities |                      | Percentage   |
|----------------------------|-------------------------|----------------------|--------------|
|                            | 2021                    | 2020                 | Change       |
| Land                       | \$ 1,123,637            | \$ 1,123,637         | 0.0%         |
| Construction in progress   | 21,216,515              | 6,279,698            | 237.9%       |
| Machinery and equipment    | 2,416,599               | 2,468,236            | (2.1%)       |
| Buildings and improvements | 35,477,987              | 36,976,721           | (4.1%)       |
| Total                      | <u>\$ 60,234,738</u>    | <u>\$ 46,848,292</u> | <u>28.6%</u> |

**Major Capital Asset Additions for Fiscal Year 2021 included:**

- Chiller for West Salem Elementary School
- Bus purchases
- Equipment for Robotics and Cosmetology classrooms
- New bleachers for the Salem High School gymnasium
- New playground at Salem High School
- HVAC control system for East Salem Elementary School
- Car for vehicle pool
- Hot food counter and frost top for cafeteria serving line at West Salem Elementary School
- Small gym flooring at Salem High School
- CNC Plasma System for welding classroom at Salem High School

**OUTSTANDING LONG-TERM DEBT**



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.

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 school board and reflected as program revenue and expense on the government-wide financial statements for the local school

**CITY OF SALEM SCHOOL DIVISION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**FACTORS INFLUENCING FUTURE BUDGETS**

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

- Recovery from the COVID-19 pandemic
- Unknown changes in state funding by the Governor and the General Assembly
- Uncertainty of federal grant funding
- Student enrollment fluctuations
- Healthcare cost increases
- Contribution rates assessed by the Virginia Retirement System

**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:

**Director of Business**  
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, 2021**

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>ASSETS</b>   |                            |
| <i>Current assets:</i>                                  |                            |
| Cash and cash equivalents                               | \$ 21,009,020              |
| Receivables   | 50,260                     |
| Due from other governmental units                       | 1,352,081                  |
| Net pension asset                                       | 365,440                    |
| Inventories   | 120,531                    |
| Prepaid items   | 220,392                    |
| <i>Capital assets:</i>                                  |                            |
| Nondepreciable  | 22,340,152                 |
| Depreciable, net  | 37,894,586                 |
| Total assets  | <u>83,352,462</u>          |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b>               |                            |
| Pension Plan and OPEB                                   | <u>10,837,798</u>          |
| <br><b>LIABILITIES</b>                                  |                            |
| <i>Current liabilities:</i>                             |                            |
| Accounts payable and accrued liabilities                | 2,422,799                  |
| Accrued payroll and related liabilities                 | 4,652,860                  |
| Self-insurance claims liability                         | 335,558                    |
| Unearned revenues                                       | 321,208                    |
| <i>Long-term liabilities due in less than one year:</i> |                            |
| Compensated absences                                    | 366,810                    |
| <i>Long-term liabilities due in more than one year:</i> |                            |
| Compensated absences                                    | 486,649                    |
| Net pension liability                                   | 39,759,230                 |
| Net OPEB liability                                      | 5,688,039                  |
| Total liabilities                                       | <u>54,033,153</u>          |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>                |                            |
| Pension Plan and OPEB                                   | <u>4,064,107</u>           |
| <br><b>NET POSITION (DEFICIT)</b>                       |                            |
| Net investment in capital assets                        | 60,234,738                 |
| Restricted for net pension asset                        | 365,440                    |
| Unrestricted  | (24,507,178)               |
| Total net position                                      | <u>\$ 36,093,000</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, 2021**

|  |                      |                         |  |  | Net (Expense)<br>Revenue and<br>Changes in Net<br>Position |
|--|----------------------|-------------------------|--|--|--|
| Functions/Programs                             | Expenses             | Program Revenues        |  |  | Governmental<br>Activities                                 |
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| <i>Governmental activities:</i>                |                      |                         |  |  |  |
| Central administration                         | \$ 2,085,923         | \$ -                    | \$ -                                     | \$ -                                   | \$ (2,085,923)   |
| Centralized Instructional costs                | 3,567,700            | 218,111                 | -  | -                                      | (3,349,589)  |
| Instructional costs                            | 39,488,999           | 783,482                 | 11,345,395                               | -                                      | (27,360,122)   |
| Attendance and health services                 | 1,126,855            | -                       | -  | -                                      | (1,126,855)  |
| Transportation                                 | 1,762,900            | -                       | -  | -                                      | (1,762,900)  |
| Food services                                  | 1,960,853            | 62,276                  | 1,577,484                                | -                                      | (321,093)  |
| Capital lease interest                         | 1,212                | -                       | -  | -                                      | (1,212)  |
| Total governmental activities                  | <u>\$ 49,994,442</u> | <u>\$ 1,063,869</u>     | <u>\$ 12,922,879</u>                     | <u>\$ -</u>                            | <u>\$ (36,007,694)</u>                                     |
| <i>General revenues:</i>                       |                      |                         |  |  |  |
| Payments from City of Salem                    |                      |                         |  |  | 34,606,636   |
| Unrestricted State aid                         |                      |                         |  |  | 16,116,582   |
| Other  |                      |                         |  |  | 169,906  |
| Total general revenues                         |                      |                         |  |  | <u>50,893,124</u>  |
| Change in net position                         |                      |                         |  |  | 14,885,430   |
| Net position, beginning, as restated (Note 18) |                      |                         |  |  | <u>21,207,570</u>  |
| Net position, ending                           |                      |                         |  |  | <u>\$ 36,093,000</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, 2021**

|  | General              | Cafeteria         | Capital<br>Projects | Activity Fund     | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------|---------------------|-------------------|--------------------------------|
| <b>ASSETS</b>                            |                      |                   |                     |                   |                                |
| Cash and cash equivalents                | \$ 10,964,967        | \$ 467,939        | \$ 5,165,587        | \$ 680,361        | \$ 17,278,854                  |
| Receivables, net                         | 28,047               | 228               | -                   | 10,761            | 39,036                         |
| Due from other funds                     | 9,045                | -                 | -                   | -                 | 9,045                          |
| Due from other governmental units        | 1,258,295            | 93,786            | -                   | -                 | 1,352,081                      |
| Inventories                              | -                    | 116,984           | -                   | 3,547             | 120,531                        |
| Prepaid items                            | 220,392              | -                 | -                   | -                 | 220,392                        |
| Total assets                             | <u>\$ 12,480,746</u> | <u>\$ 678,937</u> | <u>\$ 5,165,587</u> | <u>\$ 694,669</u> | <u>\$ 19,019,939</u>           |
| <b>LIABILITIES</b>                       |                      |                   |                     |                   |                                |
| Accounts payable and accrued liabilities | \$ 415,829           | \$ 88,065         | \$ 1,898,494        | \$ 4,521          | \$ 2,406,909                   |
| Accrued payroll and related liabilities  | 4,628,713            | 24,147            | -                   | -                 | 4,652,860                      |
| Due to other funds                       | -                    | -                 | -                   | 9,045             | 9,045                          |
| Unearned revenues                        | 255,579              | 45,446            | -                   | -                 | 301,025                        |
| Total liabilities                        | <u>5,300,121</u>     | <u>157,658</u>    | <u>1,898,494</u>    | <u>13,566</u>     | <u>7,369,839</u>               |
| <b>FUND BALANCES</b>                     |                      |                   |                     |                   |                                |
| Nonspendable                             | 220,392              | 116,984           | -                   | 3,547             | 340,923                        |
| Committed                                | 699,526              | 404,295           | 3,267,093           | -                 | 4,370,914                      |
| Assigned                                 | 6,260,707            | -                 | -                   | 677,556           | 6,938,263                      |
| Total fund balances                      | <u>7,180,625</u>     | <u>521,279</u>    | <u>3,267,093</u>    | <u>681,103</u>    | <u>11,650,100</u>              |
| Total liabilities and fund balances      | <u>\$ 12,480,746</u> | <u>\$ 678,937</u> | <u>\$ 5,165,587</u> | <u>\$ 694,669</u> | <u>\$ 19,019,939</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, 2021**

|   |                             |
|---|-----------------------------|
| Total fund balance of governmental funds  | \$ 11,650,100               |
| Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.   | 60,234,738                  |
| 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  | (853,459)                   |
| 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   | 9,931,574                   |
| Deferred inflows of resources related to pension  | (3,277,429)                 |
| Net pension asset   | 365,440                     |
| Net pension liability   | (39,759,230)                |
| 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  | 906,224                     |
| Deferred inflows of resources related to OPEB   | (786,678)                   |
| Net OPEB liability  | (5,688,039)                 |
| 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. | 3,369,759                   |
| Net position of governmental activities   | <u><u>\$ 36,093,000</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**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

|  | General             | Cafeteria         | Capital<br>Projects | Activity Fund     | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|---------------------|-------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                   |                     |                   |                                |
| <i>Intergovernmental:</i>                                    |                     |                   |                     |                   |                                |
| City of Salem  | \$ 20,222,585       | \$ -              | \$ 14,384,051       | \$ -              | \$ 34,606,636                  |
| Commonwealth of Virginia                                     | 24,348,690          | 18,084            | -                   | -                 | 24,366,774                     |
| Federal Government   | 3,113,287           | 1,559,400         | -                   | -                 | 4,672,687                      |
| <i>Other:</i>  |                     |                   |                     |                   |                                |
| Charges for services   | 662,966             | 62,276            | -                   | 338,627           | 1,063,869                      |
| Other  | 99,070              | 10,632            | -                   | 63,788            | 173,490                        |
| Total revenues   | <u>48,446,598</u>   | <u>1,650,392</u>  | <u>14,384,051</u>   | <u>402,415</u>    | <u>64,883,456</u>              |
| <b>EXPENDITURES</b>  |                     |                   |                     |                   |                                |
| <i>Current:</i>  |                     |                   |                     |                   |                                |
| Central administration                                       | 2,040,621           | -                 | -                   | -                 | 2,040,621                      |
| Centralized instruction costs                                | 3,554,076           | -                 | -                   | -                 | 3,554,076                      |
| Instructional costs  | 37,207,887          | -                 | -                   | 329,147           | 37,537,034                     |
| Attendance and health services                               | 1,148,003           | -                 | -                   | -                 | 1,148,003                      |
| Transportation   | 1,567,746           | -                 | -                   | -                 | 1,567,746                      |
| Food services  | -                   | 1,852,256         | -                   | -                 | 1,852,256                      |
| Capital projects   | -                   | -                 | 15,785,194          | -                 | 15,785,194                     |
| <i>Capital lease debt service:</i>                           |                     |                   |                     |                   |                                |
| Principal  | 99,919              | -                 | -                   | -                 | 99,919                         |
| Interest   | 4,849               | -                 | -                   | -                 | 4,849                          |
| Total expenditures   | <u>45,623,101</u>   | <u>1,852,256</u>  | <u>15,785,194</u>   | <u>329,147</u>    | <u>63,589,698</u>              |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>2,823,497</u>    | <u>(201,864)</u>  | <u>(1,401,143)</u>  | <u>73,268</u>     | <u>1,293,758</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                   |                     |                   |                                |
| Transfers in   | -                   | -                 | 1,857,816           | -                 | 1,857,816                      |
| Transfers out  | (1,857,816)         | -                 | -                   | -                 | (1,857,816)                    |
| Total other financing sources (uses), net                    | <u>(1,857,816)</u>  | <u>-</u>          | <u>1,857,816</u>    | <u>-</u>          | <u>-</u>                       |
| Net change in fund balances                                  | <u>965,681</u>      | <u>(201,864)</u>  | <u>456,673</u>      | <u>73,268</u>     | <u>1,293,758</u>               |
| <b>Fund balances, beginning</b>                              | <u>6,214,944</u>    | <u>723,143</u>    | <u>2,810,420</u>    | <u>607,835</u>    | <u>10,356,342</u>              |
| <b>Fund balances, ending</b>                                 | <u>\$ 7,180,625</u> | <u>\$ 521,279</u> | <u>\$ 3,267,093</u> | <u>\$ 681,103</u> | <u>\$ 11,650,100</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' STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

|   |                             |
|---|-----------------------------|
| Net changes in fund balances of governmental funds  | \$ 1,293,758                |
| 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  | 15,845,173                  |
| Depreciation expense  | (2,454,678)                 |
| 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  | (29,855)                    |
| Net gain from sale of assets  | 25,806                      |
| Repayment of capital lease principal is an expenditure in the governmental funds but reduces long-term liabilities in the Statement of Net Position.  |                             |
| Principal payments  | 99,919                      |
| 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 accrued interest payable  | 3,637                       |
| Change in compensated absences  | (40,286)                    |
| 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  | 3,878,089                   |
| Pension expense   | (4,120,010)                 |
| 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   | 667,953                     |
| OPEB expense  | (364,537)                   |
| 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. |                             |
|   | 80,461                      |
| Change in net position of governmental activities   | <u><u>\$ 14,885,430</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, 2021**

|  | Budgeted Amounts |                | Actual Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|----------------|----------------|---|
|  | Original         | Final          |                |   |
| <b>REVENUES</b>  |                  |                |                |   |
| <i>Intergovernmental:</i>                                    |                  |                |                |   |
| City of Salem  | \$ 20,455,621    | \$ 20,624,739  | \$ 20,222,585  | \$ (402,154)  |
| Commonwealth of Virginia                                     | 23,947,757       | 24,390,567     | 24,348,690     | (41,877)  |
| Federal Government   | 1,913,877        | 5,239,567      | 3,113,287      | (2,126,280)   |
| <i>Other:</i>  |                  |                |                |   |
| Charges for Services   | 434,365          | 607,089        | 662,966        | 55,877  |
| Other  | 58,604           | 71,104         | 99,070         | 27,966  |
| Total revenues   | 46,810,224       | 50,933,066     | 48,446,598     | (2,486,468)   |
| <b>EXPENDITURES</b>  |                  |                |                |   |
| <i>Current:</i>  |                  |                |                |   |
| Central administration                                       | 2,151,320        | 2,216,055      | 2,040,621      | 175,434   |
| Centralized instructional costs                              | 3,793,289        | 3,933,783      | 3,554,076      | 379,707   |
| Instructional costs:   |                  |                |                |   |
| Salem High School  | 10,691,949       | 11,862,305     | 10,812,614     | 1,049,691   |
| Andrew Lewis Middle School                                   | 7,423,422        | 7,790,992      | 7,582,656      | 208,336   |
| G.W. Carver Elementary School                                | 3,873,747        | 4,038,441      | 3,869,788      | 168,653   |
| West Salem Elementary School                                 | 3,665,665        | 3,825,067      | 3,489,273      | 335,794   |
| South Salem Elementary School                                | 3,265,359        | 3,424,014      | 3,239,527      | 184,487   |
| East Salem Elementary School                                 | 3,777,840        | 3,974,540      | 3,836,461      | 138,079   |
| Regional Special Education Program                           | 819,810          | 1,022,710      | 798,101        | 224,609   |
| Federal and state grants programs                            | 2,320,958        | 6,024,664      | 3,579,467      | 2,445,197   |
| Attendance and health services                               | 1,173,799        | 1,200,115      | 1,148,003      | 52,112  |
| Transportation   | 1,872,714        | 2,022,389      | 1,567,746      | 454,643   |
| Non-departmental   | 1,861,352        | 413,951        | -              | 413,951   |
| <i>Capital lease debt service:</i>                           |                  |                |                |   |
| Principal  | 105,000          | 105,000        | 99,919         | 5,081   |
| Interest   | 14,000           | 14,000         | 4,849          | 9,151   |
| Total expenditures   | 46,810,224       | 51,868,026     | 45,623,101     | 6,244,925   |
| Excess (deficiency) of revenues over<br>(under) expenditures | -                | (934,960)      | 2,823,497      | 3,758,457   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                  |                |                |   |
| Transfers out  | -                | (1,857,816)    | (1,857,816)    | -   |
| Total other financing sources (uses)                         | -                | (1,857,816)    | (1,857,816)    | -   |
| Net change in fund balances*                                 | \$ -             | \$ (2,792,776) | \$ 965,681     | \$ 3,758,457  |

\* The net change in fund balances 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, 2021**

|  | Budgeted Amounts |                    | Actual Amounts      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|--------------------|---------------------|---|
|  | Original         | Final              |                     |   |
| <b>REVENUES</b>  |                  |                    |                     |   |
| <i>Intergovernmental:</i>                                    |                  |                    |                     |   |
| City of Salem  | \$ -             | \$ 17,050          | \$ -                | \$ (17,050)   |
| Commonwealth of Virginia                                     | 47,688           | 47,688             | 18,084              | (29,604)  |
| Federal Government   | 940,140          | 965,140            | 1,559,400           | 594,260   |
| <i>Other:</i>  |                  |                    |                     |   |
| Charges for Services   | 863,046          | 863,046            | 62,276              | (800,770)   |
| Other  | 4,800            | 4,800              | 10,632              | 5,832   |
| Total revenues   | <u>1,855,674</u> | <u>1,897,724</u>   | <u>1,650,392</u>    | <u>(247,332)</u>  |
| <b>EXPENDITURES</b>  |                  |                    |                     |   |
| <i>Current:</i>  |                  |                    |                     |   |
| Food services:   |                  |                    |                     |   |
| Salem High School  | 649,958          | 621,458            | 440,991             | 180,467   |
| Andrew Lewis Middle School                                   | 409,627          | 394,127            | 364,201             | 29,926  |
| G.W. Carver Elementary School                                | 198,967          | 235,267            | 281,322             | (46,055)  |
| West Salem Elementary School                                 | 204,110          | 262,660            | 258,221             | 4,439   |
| South Salem Elementary School                                | 206,670          | 234,470            | 252,518             | (18,048)  |
| East Salem Elementary School                                 | 186,342          | 230,742            | 255,003             | (24,261)  |
| Total expenditures   | <u>1,855,674</u> | <u>1,978,724</u>   | <u>1,852,256</u>    | <u>126,468</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                | (81,000)           | (201,864)           | (120,864)   |
| Net change in fund balances                                  | <u>\$ -</u>      | <u>\$ (81,000)</u> | <u>\$ (201,864)</u> | <u>\$ (120,864)</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, 2021**

|  | Internal<br>Service<br>Fund |
|--|-----------------------------|
| <b>ASSETS</b>                            |                             |
| <i>Current assets:</i>                   |                             |
| Cash and cash equivalents                | \$ 3,730,166                |
| Receivables                              | 11,224                      |
| Total assets                             | <u>3,741,390</u>            |
| <b>LIABILITIES</b>                       |                             |
| <i>Current liabilities:</i>              |                             |
| Accounts payable and accrued liabilities | 15,890                      |
| Self-insurance claims liability          | 335,558                     |
| Unearned revenues                        | 20,183                      |
| Total liabilities                        | <u>371,631</u>              |
| <b>NET POSITION</b>                      |                             |
| Unrestricted                             | 3,369,759                   |
| Total net position                       | <u><u>\$ 3,369,759</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, 2021**

|                                | Internal<br>Service<br>Fund |
|--------------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>      |                             |
| Charges for services           | \$ 4,987,857                |
| Total operating revenues       | <u>4,987,857</u>            |
| <b>OPERATING EXPENSES</b>      |                             |
| Claims                         | 4,668,595                   |
| Contractual services           | 9,700                       |
| Administration                 | 239,620                     |
| Miscellaneous                  | 1,740                       |
| Total operating expenses       | <u>4,919,655</u>            |
| Operating income               | <u>68,202</u>               |
| <b>NONOPERATING REVENUES</b>   |                             |
| Interest income                | 12,259                      |
| Total nonoperating revenues    | <u>12,259</u>               |
| Change in net position         | <u>80,461</u>               |
| <b>Net position, beginning</b> | 3,289,298                   |
| <b>Net position, ending</b>    | <u><u>\$ 3,369,759</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, 2021**

|   | Internal<br>Service<br>Fund |
|---|-----------------------------|
| <b>OPERATING ACTIVITIES</b>                 |                             |
| Receipts from customers and users           | \$ 4,988,087                |
| Payments to City                            | (239,620)                   |
| Payments for claims                         | (4,433,037)                 |
| Payments for contractual services           | (2,005)                     |
| Net cash provided by operating activities   | <u>313,425</u>              |
| <b>INVESTING ACTIVITIES</b>                 |                             |
| Interest received                           | 12,259                      |
| Net cash provided by investing activities   | <u>12,259</u>               |
| <b>Cash and cash equivalents, beginning</b> | 3,404,482                   |
| <b>Cash and cash equivalents, ending</b>    | <u><u>\$ 3,730,166</u></u>  |

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

|   |                          |
|---|--------------------------|
| Operating income  | \$ 68,202                |
| <i>Adjustments to reconcile operating income to<br/>net cash provided by operating activities</i> |                          |
| <i>Decrease in assets:</i>  |                          |
| Receivables   | 666                      |
| <i>Increase (decrease) in liabilities:</i>  |                          |
| Accounts payable and accrued liabilities  | 9,435                    |
| Self-insurance claims liability   | 235,558                  |
| Unearned revenues   | (436)                    |
| Net cash provided by operating activities   | <u><u>\$ 313,425</u></u> |

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



## EXHIBIT 12

**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021**

|   | OPEB<br>Trust Fund         |
|---|----------------------------|
| <b>ASSETS</b>   |                            |
| Investments held by trustee, fair value of pooled funds | \$ 2,173,845               |
| Total assets  | <u>2,173,845</u>           |
| <b>LIABILITIES</b>                                      |                            |
| Liability to agency                                     | <u>-</u>                   |
| Total liabilities                                       | <u>-</u>                   |
| <b>NET POSITION</b>                                     |                            |
| Net position restricted for OPEB                        | <u><u>\$ 2,173,845</u></u> |

## EXHIBIT 13

**CITY OF SALEM SCHOOL DIVISION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2021**

|                                       | OPEB<br>Trust Fund         |
|---------------------------------------|----------------------------|
| <b>ADDITIONS</b>                      |                            |
| Employer contributions                | \$ 236,285                 |
| <i>Investment income</i>              |                            |
| Increase in fair value of investments | 480,434                    |
| Total additions                       | <u>716,719</u>             |
| <b>DEDUCTIONS</b>                     |                            |
| Retirement benefits                   | 139,150                    |
| Administrative expenses               | 2,294                      |
| Total deductions                      | <u>141,444</u>             |
| Net increase in plan net position     | <u>575,275</u>             |
| <b>Net position, beginning</b>        | 1,598,570                  |
| <b>Net position, ending</b>           | <u><u>\$ 2,173,845</u></u> |

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, 2021**

**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, 2021**

**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, capital leases, claims, and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures and acquisitions under capital leases 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, 2021**

**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 \$6,915,618 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, 2021**

**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, 2021 total \$1,356,602 in the General Fund, \$17,788 in the Cafeteria Fund, and \$9,378,138 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.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School 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 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.

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

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Capital Assets (Continued)**

Depreciation expense for capital assets is identified with a function, whenever possible, and is 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 position 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 position 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 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.

**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.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**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.

**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.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Fund Balances (Continued)**

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.



**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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 totaling \$21,009,020. Deposits and investments held by Fiduciary Funds total \$2,173,845 for the OPEB Trust Fund.

**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, 2021, the School Division's deposits and investments consisted of the following:

| Investment Type        | Fair Value           | S&P Credit Rating |
|------------------------|----------------------|-------------------|
| Demand & time deposits | \$ 21,008,505        | unrated           |
| Cash on hand           | 515                  | unrated           |
| Total                  | <u>\$ 21,009,020</u> |                   |

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.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**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 obligations 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.

**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:

|               |         | Due from (fund) |
|---------------|---------|-----------------|
|               |         | Activity        |
| Due to (fund) | General | \$ 9,045        |

During the year, the School Division transferred \$1,857,816 from the General Fund to the Capital Projects Fund for current projects.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**4. Due from Other Governmental Units**

Amounts due from other governmental units are as follows:

|   | General<br>Fund     | Cafeteria<br>Fund | Governmental<br>Activities |
|---|---------------------|-------------------|----------------------------|
| Commonwealth of Virginia  |                     |                   |                            |
| Sales tax   | \$ 596,894          | \$ -              | \$ 596,894                 |
| Medicaid reimbursement  | 6,820               | -                 | 6,820                      |
| Federal government  |                     |                   |                            |
| Special Education - Grants to States (IDEA, Part B)                     | 241,214             | -                 | 241,214                    |
| Special Education - Preschool   | 6,625               | -                 | 6,625                      |
| Title I Grants to Local Educational Agencies                            | 121,592             | -                 | 121,592                    |
| Adult Education - Basic Grants to States                                | 92,355              | -                 | 92,355                     |
| National School Breakfast and Lunch Programs                            | -                   | 93,786            | 93,786                     |
| English Language Acquisition State Grants                               | 6,432               | -                 | 6,432                      |
| Supporting Effective Instruction State Grants                           | 8,202               | -                 | 8,202                      |
| Career and Technical Education - Basic Grants<br>to States (Perkins IV) | 15,182              | -                 | 15,182                     |
| Education Stabilization Fund D - ESSER                                  | 148,003             | -                 | 148,003                    |
| Education Stabilization Fund C - GEER                                   | 6,014               | -                 | 6,014                      |
| Student Support and Academic Enrichment Grants                          | 7,603               | -                 | 7,603                      |
| Other   | 1,359               | -                 | 1,359                      |
|   | <u>\$ 1,258,295</u> | <u>\$ 93,786</u>  | <u>\$ 1,352,081</u>        |

**5. Capital Assets**

Capital asset activity for the year was as follows:

|                                  | Beginning<br>Balance | Increases            | Decreases           | Ending<br>Balance    |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|
| Capital assets, nondepreciable   |                      |                      |                     |                      |
| Land                             | \$ 1,123,637         | \$ -                 | \$ -                | \$ 1,123,637         |
| Construction in progress         | 6,279,698            | 15,259,129           | (322,312)           | 21,216,515           |
| Capital assets, nondepreciable   | <u>7,403,335</u>     | <u>15,259,129</u>    | <u>(322,312)</u>    | <u>22,340,152</u>    |
| Capital assets, depreciable      |                      |                      |                     |                      |
| Machinery and equipment          | 9,227,075            | 486,168              | (340,018)           | 9,373,225            |
| Buildings and improvements       | 70,734,672           | 422,188              | -                   | 71,156,860           |
| Capital assets, depreciable      | <u>79,961,747</u>    | <u>908,356</u>       | <u>(340,018)</u>    | <u>80,530,085</u>    |
| Accumulated depreciation         |                      |                      |                     |                      |
| Machinery and equipment          | (6,758,839)          | (533,756)            | 335,969             | (6,956,626)          |
| Buildings and improvements       | (33,757,951)         | (1,920,922)          | -                   | (35,678,873)         |
| Accumulated depreciation         | <u>(40,516,790)</u>  | <u>(2,454,678)</u>   | <u>335,969</u>      | <u>(42,635,499)</u>  |
| Capital assets, depreciable, net | <u>39,444,957</u>    | <u>(1,546,322)</u>   | <u>(4,049)</u>      | <u>37,894,586</u>    |
| Capital assets, net              | <u>\$ 46,848,292</u> | <u>\$ 13,712,807</u> | <u>\$ (326,361)</u> | <u>\$ 60,234,738</u> |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**5. Capital Assets (Continued)**

Depreciation expense was charged to functions as follows:

|                                 |                     |
|---------------------------------|---------------------|
| Central administration          | \$ 59,707           |
| Centralized instructional costs | 2,042               |
| Instructional costs             | 2,186,283           |
| Transportation                  | 172,606             |
| Food services                   | 34,040              |
| Total depreciation expense      | <u>\$ 2,454,678</u> |

**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                              | \$ 9,931,574         |
| OPEB                                 | 906,224              |
| Total deferred outflows of resources | <u>\$ 10,837,798</u> |
| Deferred inflows of resources        |                      |
| Pension                              | \$ 3,277,429         |
| OPEB                                 | 786,678              |
| Total deferred inflows of resources  | <u>\$ 4,064,107</u>  |

**7. Long-Term Liabilities**

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

|                               | Beginning<br>Balance | Increases            | Decreases              | Ending<br>Balance    | Due Within<br>One Year |
|-------------------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| Capital lease obligation      | \$ 99,919            | \$ -                 | \$ (99,919)            | \$ -                 | \$ -                   |
| Compensated absences          | 813,173              | 407,096              | (366,810)              | 853,459              | 366,810                |
| Net pension liability (asset) | (435,809)            | 276,474              | (206,105)              | (365,440)            | -                      |
| Net pension liability         | 36,340,277           | 14,048,947           | (10,629,994)           | 39,759,230           | -                      |
| Net OPEB liability            | 6,216,445            | 1,356,509            | (1,884,915)            | 5,688,039            | -                      |
|                               | <u>\$ 43,034,005</u> | <u>\$ 16,089,026</u> | <u>\$ (13,187,743)</u> | <u>\$ 45,935,288</u> | <u>\$ 366,810</u>      |

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

**8. Leases**

**Operating Leases**

The School Division entered several non-cancelable operating leases for equipment. Rent expenditures for the current year were \$11,567. Scheduled future minimum rental payments for the next five years are as follows:

| Fiscal Year Ending | Amount          |
|--------------------|-----------------|
| June 30, 2022      | \$ 3,425        |
|                    | <u>\$ 3,425</u> |

**CITY OF SALEM SCHOOL DIVISION  
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**9. 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<br>Projects Fund | Activity Fund     |
|---------------------|---------------------|-------------------|--------------------------|-------------------|
| Fund Balances       |                     |                   |                          |                   |
| Nonspendable:       |                     |                   |                          |                   |
| Inventories         | \$ -                | \$ 116,984        | \$ -                     | \$ 3,547          |
| Prepays             | 220,392             | -                 | -                        | -                 |
| Committed to:       |                     |                   |                          |                   |
| Other projects      | 699,526             | -                 | 3,267,093                | -                 |
| Food services       | -                   | 404,295           | -                        | -                 |
| Assigned to:        |                     |                   |                          |                   |
| General education   | 6,260,707           | -                 | -                        | -                 |
| Activity fund       | -                   | -                 | -                        | 677,556           |
| Total fund balances | <u>\$ 7,180,625</u> | <u>\$ 521,279</u> | <u>\$ 3,267,093</u>      | <u>\$ 681,103</u> |

**10. 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 \$112,830.

**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 \$131,876.

**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 4% 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 \$200,000 per covered individual and approximately \$9,796,102 in the aggregate.

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

**Healthcare (Continued)**

During the current fiscal year, total claim expenses of \$8,932,896, which did not exceed the stop loss provisions, were incurred. This represents claims processed and an estimate for claims incurred but not reported (IBNR) as of June 30, 2021. The estimated liability for the City and School Division was \$394,238 and \$322,558, respectively for a total of \$716,796 at year-end.

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

| Year Ended<br>June 30 | Beginning<br>Balance | Claim<br>Expenses | Claim<br>Payments | Ending<br>Balance |
|-----------------------|----------------------|-------------------|-------------------|-------------------|
| 2021                  | \$ 581,259           | \$ 8,932,896      | \$ 3,797,359      | \$ 716,796        |
| 2020                  | 936,640              | 8,952,998         | 9,308,379         | 581,259           |
| 2019                  | 1,234,976            | 7,482,834         | 7,781,170         | 936,640           |

**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 is obligated for claims payments under the program.

During the current fiscal year, total claim expenses of \$535,775 were incurred. This represents claims processed and an estimate for claims incurred but not reported (IBNR) as of June 30, 2021. The estimated liability for the City and School Division was \$11,000 and \$13,000, respectively for a total of \$24,000 at year-end.

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

| Year Ended<br>June 30 | Beginning<br>Balance | Claim<br>Expenses | Claim<br>Payments | Ending<br>Balance |
|-----------------------|----------------------|-------------------|-------------------|-------------------|
| 2021                  | \$ 19,400            | \$ 535,775        | \$ 531,175        | \$ 24,000         |
| 2020                  | -                    | 220,597           | 201,197           | 19,400            |

**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.

**11. Pension Plan**

**Plan Description**

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

All full-time, salaried permanent (professional) teachers of the School Division are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is administered by VRS along with plans for other employer groups in the Commonwealth of Virginia. The VRS Teacher Retirement Plan is a multiple-employer, cost-sharing plan.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**11. Pension 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 are paying 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 set out below:

**VRS PLAN 1**

**About VRS Plan 1** – Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund.

**Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remained as VRS Plan 1 or ORP members.

**Retirement Contributions** – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**Service Credit** – Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

**Calculating the Benefit** – The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

**Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

**CITY OF SALEM SCHOOL DIVISION  
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**11. Pension Plan (Continued)**

**Plan Description (Continued)**

**VRS PLAN 1 (Continued)**

**Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

**Normal Retirement Age** – The normal retirement age is age 65 for non-hazardous duty employees and age 60 for hazardous duty employees.

**Earliest Unreduced Retirement Eligibility** – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or at age 50 with at least 30 years of service credit. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

**Earliest Reduced Retirement Eligibility** – Members who are not in hazardous duty positions may retire with a reduced benefit at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit. Hazardous duty members may retire with a reduced benefit at age 50 with at least five years of service credit.

**Cost-of-Living Adjustment (COLA) in Retirement** – The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1<sup>st</sup> after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1<sup>st</sup> after one calendar year following the unreduced retirement eligibility date.

The COLA is effective July 1<sup>st</sup> following one full calendar year (January 1<sup>st</sup> to December 31<sup>st</sup>) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.

The COLA will go into effect on July 1<sup>st</sup> following one full calendar year (January 1<sup>st</sup> to December 31<sup>st</sup>) from the date the monthly benefit begins.



**CITY OF SALEM SCHOOL DIVISION  
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**11. Pension Plan (Continued)**

**Plan Description (Continued)**

**VRS PLAN 1 (Continued)**

**Disability Coverage** – For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

**Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

**VRS PLAN 2**

VRS Plan 2 is the same as VRS Plan 1 except for the following:

Under the VRS Retirement Plan, employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of July 1, 2013

Under the VRS Teacher Retirement Plan, members are in VRS Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund. Members are covered under VRS Plan 2 if they have a membership date prior to July 1, 2010, and they were not vested as of January 1, 2013.

**Average Final Compensation** – A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier** – For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.

**Normal Retirement Age** – The normal retirement age is normal Social Security retirement age for non-hazardous duty employees.

**Earliest Unreduced Retirement Eligibility** – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.

**Earliest Reduced Retirement Eligibility** – Members who are not in hazardous duty positions may retire with a reduced benefit as early as age 60 with at least five years (60 months) of service credit.

**COLA in Retirement** – The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

**Disability Coverage** – For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

**CITY OF SALEM SCHOOL DIVISION  
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**11. Pension Plan (Continued)**

**Plan Description (Continued)**

**HYBRID RETIREMENT PLAN**

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

**About the Hybrid Retirement Plan** – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

**Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees\*
- School division employees
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

\* Non-Eligible Members – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**CITY OF SALEM SCHOOL DIVISION  
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**11. Pension Plan (Continued)**

**Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**Service Credit**

Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

**Vesting**

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions are not required, except as governed by law.

**Calculating the Benefit**

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**Average Final Compensation** – Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

**Service Retirement Multiplier**

Defined Benefit Component: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**CITY OF SALEM SCHOOL DIVISION  
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**11. Pension Plan (Continued)**

**Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

Defined Contribution Component: Not applicable.

**Normal Retirement Age**

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Earliest Unreduced Retirement Eligibility**

Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Earliest Reduced Retirement Eligibility**

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of service credit.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**COLA in Retirement**

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

**Disability Coverage** – Employees of political subdivisions and school divisions (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**Purchase of Prior Service**

Defined Benefit Component: Same as VRS Plan 1, except Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component: Not applicable

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**11. Pension Plan (Continued)**

**Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the VRS Retirement Plan:

|   | <b><u>School Division<br/>(Non-Professional)</u></b> |
|---|--|
| Inactive members or their beneficiaries<br>currently receiving benefits | 75   |
| Inactive members:   |  |
| Vested inactive members   | 16   |
| Non-vested inactive members   | 36   |
| Inactive members active elsewhere in VRS                                | 20   |
| Total inactive members  | <u>72</u>  |
| Active members  | <u>65</u>  |
| Total covered employees   | <u><u>212</u></u>                                    |

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions 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, 2021, was 2.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Division were \$19,987 and \$39,178 for the years ended June 30, 2021, and June 30, 2020, respectively.

For the School Division's professional employees covered under the VRS Teacher Retirement Plan, each school division's contractually required contribution rate for the year ended June 30, 2021, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Division were \$3,841,661 and \$3,627,605 for the years ended June 30, 2021, and June 30, 2020, respectively.

**Net Pension Liability**

Under the VRS Retirement Plan, 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. The School Division's net pension liabilities under the VRS Retirement Plan were measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

**CITY OF SALEM SCHOOL DIVISION  
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**11. Pension Plan (Continued)**

**Net Pension Liability (Continued)**

Under the VRS Teacher Retirement Plan, the School Division reported a liability of \$39,759,230 for its proportionate share of the net pension liability at June 30, 2021. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The School Division's proportion of the net pension liability was based on the School Division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the School Division's proportion was 0.27321% as compared to 0.27613% at June 30, 2019.

Under the VRS Teacher Retirement Plan, the net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GAAP, less that system's fiduciary net position. As of June 30, 2020, net pension liability amounts for the VRS Teacher Retirement Plan are as follows (amounts expressed in thousands):

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

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

**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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**11. Pension Plan (Continued)**

**Actuarial Assumptions – General Employees (Continued)**

Mortality rates:

Largest Ten – Non-Hazardous Duty: 20% of deaths are assumed to be service-related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest Ten – Non-Hazardous Duty:

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) – Updated to a more current mortality table – RP-2014 projected to 2020
- Retirement Rates – Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal Rates – Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability Rates – Lowered rates
- Salary Scale – No change
- Line of Duty Disability – Increased rate from 14% to 20%
- Discount Rate – Decreased rate from 7.00% to 6.75%

All Others (Non-Ten Largest) – Non-Hazardous Duty:

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) – Updated to a more current mortality table – RP-2014 projected to 2020
- Retirement Rates – Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal Rates – Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability Rates – Lowered rates
- Salary Scale – No change
- Line of Duty Disability – Increased rate from 14% to 15%
- Discount Rate – Decreased rate from 7.00% to 6.75%

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**11. Pension Plan (Continued)**

**Actuarial Assumptions – VRS Teacher Retirement Plan**

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

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

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

**Mortality rates:**

**Pre-Retirement:**

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

**Post-Retirement:**

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

**Post-Disablement:**

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

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

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



**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**11. Pension Plan (Continued)**

**Long-Term Expected Rate of Return**

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

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, 2020, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**11. Pension Plan (Continued)**

**Discount Rate (Continued)**

Through the fiscal year ending June 30, 2020, the rate contributed by the School Division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rates.

From July 1, 2020, on, participating employers and school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

|  | <b>Increase (Decrease)</b>                     |  |  |
|--|--|--|--|
|  | <b>Total<br/>Pension<br/>Liability<br/>(a)</b> | <b>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>Pension<br/>Liability (Asset)<br/>(a) - (b)</b> |
| <b>School Division (Non-Professional Staff)</b>                  |  |  |  |
| Balances at June 30, 2019  | \$ 5,358,865                                   | \$ 5,794,674                                       | \$ (435,809)   |
| Changes for the year:  |  |  |  |
| Service cost   | 119,513  | -  | 119,513  |
| Interest   | 350,152  | -  | 350,152  |
| Differences between expected<br>and actual experience            | (195,286)                                      | -  | (195,286)  |
| Contributions - employer   | -  | 39,178   | (39,178)   |
| Contributions - employee   | -  | 58,791   | (58,791)   |
| Net investment income  | -  | 110,040  | (110,040)  |
| Benefit payments, including refunds<br>of employee contributions | (342,849)                                      | (342,849)  | -  |
| Administrative expenses  | -  | (3,871)  | 3,871  |
| Other changes  | -  | (128)  | 128  |
| Net changes  | <u>(68,470)</u>                                | <u>(138,839)</u>                                   | <u>70,369</u>  |
| Balances at June 30, 2020  | <u>\$ 5,290,395</u>                            | <u>\$ 5,655,835</u>                                | <u>\$ (365,440)</u>  |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**11. Pension Plan (Continued)**

**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 Retirement Plan and the School Division's proportionate share of the net pension liability under the VRS Teacher Retirement Plan using the discount rate of 6.75%, as well as what the 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:

|  | <b>Net Pension Liability (Asset)</b> |   |                                    |
|--|--------------------------------------|---|------------------------------------|
|  | <b>1%<br/>Decrease<br/>(5.75%)</b>   | <b>Current<br/>Discount<br/>(6.75%)</b> | <b>1%<br/>Increase<br/>(7.75%)</b> |
| Retirement Plan (Non-Professional Staff) | \$ 203,808                           | \$ (365,440)                            | \$ (845,021)                       |
| Teacher Retirement Plan                  | 58,335,720                           | 39,759,230                              | 24,394,124                         |

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

For the year ended June 30, 2021, the School Division recognized pension expense of \$3,898 under the VRS Retirement Plan.

For the year ended June 30, 2021, the School Division recognized pension expense of \$4,116,112 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.

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

|  | <b>Deferred Outflows of<br/>Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| <b>School Division (Non-Professional Staff)</b>                                  |   |  |
| Differences between expected and actual experience                               | \$ -                                      | \$ 98,143                                |
| Changes in assumptions   | 3,275                                     | -  |
| Net difference between projected and actual earnings on pension plan investments | 167,327                                   | -  |
| Employer contributions subsequent to the measurement date                        | 19,987                                    | -  |
| <b>Total</b>   | <b>\$ 190,589</b>                         | <b>\$ 98,143</b>                         |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**11. Pension Plan (Continued)**

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

|   | <b>Deferred Outflows of<br/>Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|---|---|--|
| <b>School Division - Teacher Retirement Plan</b>  |   |  |
| Differences between expected and actual experience  | \$ -                                      | \$ 2,330,504                             |
| Changes in assumptions  | 2,714,066                                 | -  |
| Net difference between projected and actual earnings on pension plan investments                              | 3,024,130                                 | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 161,128                                   | 848,782                                  |
| Employer contributions subsequent to the measurement date   | 3,841,661                                 | -  |
| Total   | <u>\$ 9,740,985</u>                       | <u>\$ 3,179,286</u>                      |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of (increase to) the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                            | <b>School Division<br/>(Non-Professional)</b> | <b>School Division -<br/>Teacher<br/>Retirement Plan</b> |
|----------------------------|---|--|
| <b>Year ended June 30,</b> |   |  |
| 2022                       | \$ (93,564)                                   | \$ (189,343)   |
| 2023                       | 53,283  | 892,873  |
| 2024                       | 58,200  | 1,175,306  |
| 2025                       | 54,540  | 903,820  |
| 2026                       | -   | (62,618)   |
|                            | <u>\$ 72,459</u>                              | <u>\$ 2,720,038</u>                                      |

**Payable to the Pension Plan**

At June 30, 2021, \$7,215 were payable to the System under the VRS Retirement Plan for the legally required contributions of the School Division related to the June 2021 payroll.

At June 30, 2021, \$494,171 was payable to the System under the VRS Teacher Retirement Plan for the legally required contributions related to the June 2021 payroll.

**Pension Plan Data**

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

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**12. Summary of Pension Elements**

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

|   | <u><b>School Division</b></u> |
|---|-------------------------------|
| Pension Expense   |                               |
| VRS Retirement Plan   | \$ 3,898                      |
| VRS Teacher Retirement Plan   | 4,116,112                     |
| Total Pension Expense   | <u>\$ 4,120,010</u>           |
| Net Pension Asset   |                               |
| VRS Retirement Plan   | <u>\$ 365,440</u>             |
| Net Pension Liability   |                               |
| VRS Teacher Retirement Plan   | \$ 39,759,230                 |
| Total Pension Liability   | <u>\$ 39,759,230</u>          |
|   |                               |
|   | <u><b>School Division</b></u> |
| Deferred Outflows of Resources  |                               |
| Changes in assumptions  |                               |
| VRS Retirement Plan   | \$ 3,275                      |
| VRS Teacher Retirement Plan   | 2,714,066                     |
| Net difference between projected and actual earnings on pension plan investments                              |                               |
| VRS Retirement Plan   | 167,327                       |
| VRS Teacher Retirement Plan   | 3,024,130                     |
| Changes in proportion and differences between employer contributions and proportionate share of contributions |                               |
| VRS Teacher Retirement Plan   | 161,128                       |
| Employer contributions subsequent to the measurement date   |                               |
| VRS Retirement Plan   | 19,987                        |
| VRS Teacher Retirement Plan   | 3,841,661                     |
| Total Deferred Outflows of Resources  | <u>\$ 9,931,574</u>           |
| Deferred Inflows of Resources   |                               |
| Differences between expected and actual experience  |                               |
| VRS Retirement Plan   | \$ 98,143                     |
| VRS Teacher Retirement Plan   | 2,330,504                     |
| Changes in proportion and differences between employer contributions and proportionate share of contributions |                               |
| VRS Teacher Retirement Plan   | 848,782                       |
| Total Deferred Inflows of Resources   | <u>\$ 3,277,429</u>           |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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 cost of the entire premium.

The benefits and employee/employer contributions are governed by City Council or School Board policy and can be amended through Council or School Board action. The Retiree Health Plan does not issue a publicly available financial report.

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, 2021, the date of the latest actuarial valuation for the City and School Division, the following employees were covered by the benefit terms of the Retiree Health Plan:

|                      |            |
|----------------------|------------|
| Active employees     | 532        |
| Retired participants | 29         |
| Total participants   | <u>561</u> |

**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 and \$250,816 of the total premiums through their required contributions of between \$16.40 and \$1,707, depending on the type of coverage and years of service.

The School Division contributed \$139,150 in pay-as-you-go contributions to the Retiree Health Plan for the year ended June 30, 2021. In addition, the School Division contributed \$97,135 to the OPEB Trust Fund. It is the School Division's intent to fully fund the actuarially determined contributions each year.

**Net OPEB Liability**

Under the Retiree Health Plan, the School Division's net OPEB liabilities were measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2021.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Net OPEB Liability (Continued)**

The components of the net OPEB liability as of June 30, 2021 were as follows:

|                             |                  |
|-----------------------------|------------------|
| Total OPEB liability        | \$ 2,239,811     |
| Plan fiduciary net position | 2,173,845        |
| Net OPEB liability          | <u>\$ 65,966</u> |

|  |        |
|--|--------|
| Plan fiduciary net position as a<br>percentage of total OPEB liability | 97.05% |
|--|--------|

**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, 2021  |
| Measurement date                    | June 30, 2021  |
| Inflation                           | 2.50%  |
| Investment rate of return           | 6.50%, net of investment expense   |
| Pre-65 healthcare cost trend rates  | 5.70% for 2021 graded to 4.00% by 2073   |
| Post-65 healthcare cost trend rates | N/A  |
| Pre-retirement mortality            | RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020 set back 1 year for males at 85% of rates and set back 1 year for females                                     |
| Post-retirement mortality           | RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020 set forward 1 year for males and set back 1 year for females with 1.5% increase compounded from ages 70 to 85 |

**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.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**13. Other Postemployment Benefits – Retiree Health Plan (Continued)**

**Plan Investments (Continued)**

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 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.

The Trust currently invests in the following assets classes and strategies:

| <b><u>Asset Class</u></b>         | <b><u>Target<br/>Allocation</u></b> | <b><u>Arithmetic<br/>Long-Term<br/>Expected<br/>Rate of Return</u></b> | <b><u>Geometric<br/>Long-Term<br/>Expected<br/>Rate of Return</u></b> |
|-----------------------------------|-------------------------------------|--|---|
| Core Fixed Income                 | 21.00%                              | 0.83%  | 0.76%   |
| Large Cap US Equities             | 26.00%                              | 3.93%  | 2.74%   |
| Small Cap US Equities             | 10.00%                              | 5.09%  | 3.08%   |
| Foreign Developed Equities        | 13.00%                              | 5.73%  | 4.16%   |
| Emerging Market Equities          | 5.00%                               | 7.51%  | 4.70%   |
| Private Real Estate Property      | 7.00%                               | 3.89%  | 3.18%   |
| Private Equity                    | 5.00%                               | 8.99%  | 5.19%   |
| Commodities                       | 3.00%                               | 2.29%  | 0.68%   |
| Hedge FOF Strategic               | 10.00%                              | 2.71%  | 2.20%   |
| Assumed Inflation                 |                                     | 2.40%  | 2.40%   |
| Portfolio Real Mean Return        |                                     | 3.93%  | 3.27%   |
| Portfolio Nominal Mean Return     |                                     | 6.33%  | 5.74%   |
| Portfolio Standard Deviation      |                                     |  | 11.60%  |
| Long-Term Expected Rate of Return |                                     |  | 6.50%   |

At June 30, 2021, 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, 2021, the annual money-weighted rate of return on the plan investments, net of OPEB plan investment expense, was 30.01% 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, 2021**

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

**Changes in Net OPEB Liability**

|  | <b>Increase (Decrease)</b>                  |  |   |
|--|---|--|---|
|  | <b>Total<br/>OPEB<br/>Liability<br/>(a)</b> | <b>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>OPEB<br/>Liability<br/>(a) - (b)</b> |
| Balances at June 30, 2020                      | \$ 2,148,109                                | \$ 1,598,570                                       | \$ 549,539                                      |
| Changes for the year:                          |   |  |   |
| Service cost                                   | 72,888                                      | -  | 72,888  |
| Interest                                       | 139,914                                     | -  | 139,914   |
| Effect of economic/demographic gains or losses | (51,503)                                    | -  | (51,503)  |
| Effect of assumption changes                   | 69,553                                      | -  | 69,553  |
| Contributions - employer                       | -   | 236,285  | (236,285)                                       |
| Net investment income                          | -   | 480,434  | (480,434)                                       |
| Benefit payments                               | (139,150)                                   | (139,150)  | -   |
| Administrative expenses                        | -   | (2,294)  | 2,294   |
| Net changes                                    | 91,702                                      | 575,275  | (483,573)                                       |
| Balances at June 30, 2021                      | <u>\$ 2,239,811</u>                         | <u>\$ 2,173,845</u>                                | <u>\$ 65,966</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:

| <b>Net OPEB Liability</b>          |   |                                    |
|------------------------------------|---|------------------------------------|
| <b>1%<br/>Decrease<br/>(5.50%)</b> | <b>Current<br/>Discount<br/>(6.50%)</b> | <b>1%<br/>Increase<br/>(7.50%)</b> |
| \$ 240,857                         | \$ 65,966                               | \$ (95,612)                        |

**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:

| <b>Net OPEB Liability</b> |                               |                        |
|---------------------------|-------------------------------|------------------------|
| <b>1%<br/>Decrease</b>    | <b>Current Trend<br/>Rate</b> | <b>1%<br/>Increase</b> |
| \$ (144,684)              | \$ 65,966                     | \$ 309,139             |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**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, 2021, the School Division recognized OPEB expense of \$20,337. At June 30, 2021, the School Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                       | \$ 11,428                                 | \$ 45,372                                |
| Changes in assumptions   | 61,273                                    | 177,123                                  |
| Net difference between projected and actual earnings on plan investments | -   | 260,303                                  |
| Total  | <u>\$ 72,701</u>                          | <u>\$ 482,798</u>                        |

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

| <u>Year ended June 30,</u> | <u>Amount</u>       |
|----------------------------|---------------------|
| 2022                       | \$ (90,696)         |
| 2023                       | (85,672)            |
| 2024                       | (92,596)            |
| 2025                       | (103,251)           |
| 2026                       | (27,978)            |
| Thereafter                 | (9,904)             |
|                            | <u>\$ (410,097)</u> |

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

**Plan Description**

All full-time, salaried permanent employees of the School Division are automatically covered by the VRS Group Life Insurance Program upon employment. This multiple-employer, cost-sharing plan is administered by the Virginia Retirement System (VRS or System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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 Group Life Insurance Program OPEB.

**CITY OF SALEM SCHOOL DIVISION  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Plan Description (Continued)**

All full-time, salaried permanent (non-professional) employees of the School Division are automatically covered by the VRS multiple-employer, agent defined Political Subdivision Health Insurance Credit Program upon employment. All full-time, salaried permanent (professional) employees of the School Division are automatically covered by the VRS multiple-employer, cost-sharing Teacher Employee Health Insurance Credit Program. The plans are administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The 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. The specific information about each plan, including eligibility, coverage and benefits is set out below:

**GROUP LIFE INSURANCE PROGRAM**

**Eligible Employees** – The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated member contributions and accrued interest.

**Benefit Amounts** – The benefits payable under the Group Life Insurance Program have several components.

- Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

**Reduction in Benefit Amounts** – The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1<sup>st</sup> following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1<sup>st</sup> until it reaches 25% of its original value.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Plan Description (Continued)**

**GROUP LIFE INSURANCE PROGRAM (Continued)**

**Minimum Benefit Amounts and Cost-of-Living Adjustment (COLA)** – For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

**POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM**

**Eligible Employees** – The Political Subdivision Health Insurance Credit Program was established July 1, 1993, for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

**Benefit Amounts** – The Political Subdivision Health Insurance Credit Program provides the following benefits for eligible employees:

- At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

**Health Insurance Credit Program Notes:**

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

**TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM**

**Eligible Employees** – The Teacher Employee Health Insurance Credit Program was established July 1, 1993, for retired teacher employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Plan Description (Continued)**

**TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (Continued)**

**Benefit Amounts** – The Teacher Employee Health Insurance Credit Program provides the following benefits for eligible employees:

- At Retirement – For teachers and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement – For teachers and other professional school employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is either:
  - \$4.00 per month, multiplied by twice the amount of service credit, or
  - \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

**Health Insurance Credit Program Notes:**

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

**Employees Covered by Benefit Terms**

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the Political Subdivision Health Insurance Credit OPEB plan:

|   |           |
|---|-----------|
| Inactive members or their beneficiaries |           |
| currently receiving benefits            | 29        |
| Active members                          | 65        |
| Total covered employees                 | <u>94</u> |

**Contributions**

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the School Division for non-professional employees were \$6,844 and \$6,682 for the years ended June 30, 2021, and June 30, 2020, respectively. Employer contributions from the School Division for professional employees were \$128,493 and \$123,607 for years ended June 30, 2021, and June 30, 2020, respectively.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Contributions (Continued)**

The contribution requirement for active employees in the Political Subdivision Health Insurance Credit Program is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Division's contractually required employer contribution rate for the year ended June 30, 2021, was 0.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Division were \$8,587 and \$7,533 for years ended June 30, 2021, and June 30, 2020, respectively.

The contribution requirement for active employees in the Teacher Employee Health Insurance Credit Program is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021, was 1.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Division were \$287,218 and \$284,600 for years ended June 30, 2021, and June 30, 2020, respectively.

**Net OPEB Liability**

Under the Political Subdivision Health Insurance Credit Program, the School Division's net OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Under the Group Life Insurance Program, the School Division non-professional employees and School Division professional employees reported liabilities of \$103,968, and \$1,923,334, respectively, for their proportionate shares of the Group Life Insurance Program net OPEB liability. Under the Teacher Employee Health Insurance Credit Program, the School Division reported a liability of \$3,528,848 for its proportionate share of the Teacher Employee Health Insurance Credit Program net OPEB liability. The net OPEB liability for each plan was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions to the plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2020, the proportions of the Group Life Insurance Program for the School Division non-professional employees and School Division professional employees were 0.00623% and 0.11525%, respectively, as compared to 0.00634% and 0.11726%, respectively, at June 30, 2019. At June 30, 2020, the proportion of the Teacher Employee Health Insurance Credit Program for the School Division was 0.27051%, as compared to 0.27380% at June 30, 2019.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Net OPEB Liability (Continued)**

The net OPEB liabilities for the Group Life Insurance Program and the Teacher Employee Health Insurance Credit Program represent each program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2020, net OPEB liability amounts are as follows (amounts expressed in thousands):

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

The total OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

**Actuarial Assumptions**

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

|                                       |  |
|---------------------------------------|--|
| Inflation                             | 2.50%  |
| Salary increases, including inflation |  |
| Teachers                              | 3.50% - 5.95%  |
| Locality – General employees          | 3.50% - 5.35%  |
| Locality – Hazardous Duty employees   | 3.50% - 4.75%  |
| Investment rate of return             | 6.75%, net of pension plan investment<br>expense, including inflation* |

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

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality rates - Teachers:**

Pre-Retirement:

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

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

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

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

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

**Mortality rates – General Employees:**

**Largest Ten Locality Employers:**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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



**CITY OF SALEM SCHOOL DIVISION  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality rates – General Employees: (Continued)**

**Non-Largest Ten Locality Employers:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

**Largest Ten Locality Employers:**

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) – Updated to a more current mortality table – RP-2014 projected to 2020
- Retirement Rates – Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Withdrawal Rates – Adjusted termination rates to better fit experience at each age and service year
- Disability Rates – Lowered disability rates
- Salary Scale – No change
- Line of Duty Disability – Increased rate from 14% to 20%
- Discount Rate – Decreased rate from 7.00% to 6.75%

**Non-Largest Ten Locality Employers:**

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) – Updated to a more current mortality table – RP-2014 projected to 2020
- Retirement Rates – Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Withdrawal Rates – Adjusted termination rates to better fit experience at each age and service year
- Disability Rates – Lowered disability rates
- Salary Scale – No change
- Line of Duty Disability – Increased rate from 14% to 15%
- Discount Rate – Decreased rate from 7.00% to 6.75%

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality rates – Hazardous Duty Employees:**

**Largest Ten Locality Employers:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Non-Largest Ten Locality Employers:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

**Largest Ten Locality Employers:**

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) – Updated to a more current mortality table – RP-2014 projected to 2020
- Retirement Rates – Lowered retirement rates at older ages
- Withdrawal Rates – Adjusted termination rates to better fit experience at each age and service year
- Disability Rates – Increased disability rates
- Salary Scale – No change
- Line of Duty Disability – Increased rate from 60% to 70%
- Discount Rate – Decreased rate from 7.00% to 6.75%

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Actuarial Assumptions (Continued)**

Non-Largest Ten Locality Employers:

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) – Updated to a more current mortality table – RP-2014 projected to 2020
- Retirement Rates – Increased age 50 rates and lowered rates at older ages
- Withdrawal Rates – Adjusted termination rates to better fit experience at each age and service year
- Disability Rates – Adjusted rates to better match experience
- Salary Scale – No change
- Line of Duty Disability – Decreased rate from 60% to 45%
- Discount Rate – Decreased rate from 7.00% to 6.75%

**Long-Term Expected Rate of Return**

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

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

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

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

**Discount Rate**

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

**Changes in Net OPEB Liability**

|   | <b>Increase (Decrease)</b>                  |  |   |
|---|---|--|---|
|   | <b>Total<br/>OPEB<br/>Liability<br/>(a)</b> | <b>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>OPEB<br/>Liability<br/>(a) - (b)</b> |
| <b>School Division - Political Subdivision HIC</b>    |   |  |   |
| Balances at June 30, 2019                             | \$ 140,086                                  | \$ 68,790  | \$ 71,296                                       |
| Changes for the year:                                 |   |  |   |
| Service cost  | 4,133                                       | -  | 4,133   |
| Interest  | 8,927                                       | -  | 8,927   |
| Changes in benefit terms                              | 955   | -  | 955   |
| Differences between expected<br>and actual experience | (10,631)                                    | -  | (10,631)  |
| Contributions - employer                              | -   | 7,533  | (7,533)   |
| Net investment income                                 | -   | 1,341  | (1,341)   |
| Benefit payments                                      | (15,662)                                    | (15,662)   | -   |
| Administrative expenses                               | -   | (116)  | 116   |
| Other changes   | -   | (1)  | 1   |
| Net changes   | (12,278)                                    | (6,905)  | (5,373)   |
| Balances at June 30, 2020                             | \$ 127,808                                  | \$ 61,885  | \$ 65,923                                       |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit (Continued)**

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

The following presents the School Division's proportionate shares of the Group Life Insurance Program net GLI OPEB liability, the School Division's Political Subdivision Health Insurance Credit Program net HIC OPEB liability, and the School Division's proportionate share of the Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the net OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

|   | <b>Net OPEB Liability (Rounded to nearest thousand)</b> |   |                                    |
|---|---|---|------------------------------------|
|   | <b>1%<br/>Decrease<br/>(5.75%)</b>                      | <b>Current<br/>Discount<br/>(6.75%)</b> | <b>1%<br/>Increase<br/>(7.75%)</b> |
| Group Life Insurance (Non-Professional)       | \$ 136,674  | \$ 103,968                              | \$ 77,408                          |
| Group Life Insurance (Professional)           | 2,528,370   | 1,923,334                               | 1,431,988                          |
| Political Subdivision Health Insurance Credit | 78,136  | 65,923                                  | 55,366                             |
| Teacher Employee Health Insurance Credit      | 3,950,177   | 3,528,848                               | 3,170,748                          |

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

For the year ended June 30, 2021, the School Division non-professional employees and School Division professional employees recognized Group Life Insurance OPEB expense of \$3,203 and \$65,830, respectively. For the year ended June 30, 2021, the School Division recognized Political Subdivision Health Insurance Credit Program OPEB expense of \$905 and Teacher Employee Health Insurance Credit Program OPEB expense of \$274,262. Since there was a change in proportionate share between measurement dates for the Group Life Insurance Program and the Teacher Employee Health Insurance Credit Program, a portion of the OPEB expense for these plans was related to deferred amounts from changes in proportion.

At June 30, 2021, the City and School Division reported deferred outflows of resources and deferred inflows of resources related to Group Life Insurance (GLI) Program and Health Insurance Credit (HIC) Program OPEB from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| <b>School Division - Non-Professional GLI</b>                               |   |  |
| Differences between expected and actual experience                          | \$ 6,669                                  | \$ 935                                   |
| Net difference between projected and actual earnings on program investments | 3,123                                     | -  |
| Changes in assumptions  | 5,200                                     | 2,171                                    |
| Changes in proportion   | 1,102                                     | 5,957                                    |
| Employer contributions subsequent to the measurement date                   | 6,844                                     | -  |
| <b>Total</b>  | <b>\$ 22,938</b>                          | <b>\$ 9,063</b>                          |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| <b>School Division - Professional GLI</b>                                   |   |  |
| Differences between expected and actual experience                          | \$ 123,364                                | \$ 17,275                                |
| Net difference between projected and actual earnings on program investments | 57,775                                    | -  |
| Changes in assumptions  | 96,189                                    | 40,160                                   |
| Changes in proportion   | 1,884                                     | 44,682                                   |
| Employer contributions subsequent to the measurement date                   | 128,493                                   | -  |
| Total   | <u>\$ 407,705</u>                         | <u>\$ 102,117</u>                        |
| <b>School Division - Political Subdivision HIC</b>                          |   |  |
| Differences between expected and actual experience                          | \$ -                                      | \$ 18,568                                |
| Net difference between projected and actual earnings on program investments | 1,490                                     | -  |
| Changes in assumptions  | 2,113                                     | -  |
| Employer contributions subsequent to the measurement date                   | 8,587                                     | -  |
| Total   | <u>\$ 12,190</u>                          | <u>\$ 18,568</u>                         |
| <b>School Division - Teacher Employee HIC</b>                               |   |  |
| Differences between expected and actual experience                          | \$ -                                      | \$ 47,125                                |
| Net difference between projected and actual earnings on program investments | 15,638                                    | -  |
| Changes in assumptions  | 69,760                                    | 19,281                                   |
| Changes in proportion   | 18,074                                    | 107,726                                  |
| Employer contributions subsequent to the measurement date                   | 287,218                                   | -  |
| Total   | <u>\$ 390,690</u>                         | <u>\$ 174,132</u>                        |

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

| <b>Year ended<br/>June 30,</b> | <b>GLI<br/>Non-Professional</b> | <b>GLI<br/>Professional</b> | <b>Political<br/>Subdivision HIC</b> | <b>Teacher<br/>Employee HIC</b> |
|--------------------------------|---------------------------------|-----------------------------|--------------------------------------|---------------------------------|
| 2022                           | \$ 805                          | \$ 21,455                   | \$ (8,931)                           | \$ (14,728)                     |
| 2023                           | 1,687                           | 37,771                      | (3,783)                              | (13,178)                        |
| 2024                           | 2,246                           | 53,652                      | (2,092)                              | (13,698)                        |
| 2025                           | 2,078                           | 54,774                      | (159)                                | (9,611)                         |
| 2026                           | 221                             | 9,476                       | -                                    | (6,534)                         |
| Thereafter                     | (6)                             | (33)                        | -                                    | (12,911)                        |
|                                | <u>\$ 7,031</u>                 | <u>\$ 177,095</u>           | <u>\$ (14,965)</u>                   | <u>\$ (70,660)</u>              |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Payables to the OPEB Plans**

At June 30, 2021, \$1,604, and \$31,704 were payable to the System under the Group Life Insurance Program from the School Division non-professional employees and School Division professional employees, respectively, for contributions related to the June 2021 payroll.

At June 30, 2021, \$814 and \$28,576 were payable to the System under the Political Subdivision Health Insurance Credit Program and the Teacher Employee Health Insurance Program, respectively, from the School Division for contributions related to the June 2021 payroll.

**Program Plan Data**

Information about the Group Life Insurance Program, the Political Subdivision Health Insurance Credit Program, and the Teacher Employee Health Insurance Credit Program is available in the separately issued VRS 2020 Annual Report. A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

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

|                                   | <b><u>School Division</u></b> |
|-----------------------------------|-------------------------------|
| OPEB Expense                      |                               |
| Retiree Health Plan               | \$ 20,337                     |
| VRS Retirement Plan - GLI         | 3,203                         |
| VRS Retirement Plan - HIC         | 905                           |
| VRS Teacher Retirement Plan - GLI | 65,830                        |
| VRS Teacher Retirement Plan - HIC | 274,262                       |
| Total OPEB Expense                | <u>\$ 364,537</u>             |
| Net OPEB Liability                |                               |
| Retiree Health Plan               | \$ 65,966                     |
| VRS Retirement Plan - GLI         | 103,968                       |
| VRS Retirement Plan - HIC         | 65,923                        |
| VRS Teacher Retirement Plan - GLI | 1,923,334                     |
| VRS Teacher Retirement Plan - HIC | 3,528,848                     |
| Total OPEB Liability              | <u>\$ 5,688,039</u>           |

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

|   | <u><b>School Division</b></u> |
|---|-------------------------------|
| Deferred Outflows of Resources  |                               |
| Differences between expected and actual experience                          |                               |
| Retiree Health Plan   | \$ 11,428                     |
| VRS Retirement Plan - GLI   | 6,669                         |
| VRS Teacher Retirement Plan - GLI   | 123,364                       |
| Net difference between projected and actual earnings on program investments |                               |
| VRS Retirement Plan - GLI   | 3,123                         |
| VRS Retirement Plan - HIC   | 2,113                         |
| VRS Teacher Retirement Plan - GLI   | 57,775                        |
| VRS Teacher Retirement Plan - HIC   | 15,638                        |
| Changes in assumptions  |                               |
| Retiree Health Plan   | 61,273                        |
| VRS Retirement Plan - GLI   | 5,200                         |
| VRS Retirement Plan - HIC   | 1,490                         |
| VRS Teacher Retirement Plan - GLI   | 96,189                        |
| VRS Teacher Retirement Plan - HIC   | 69,760                        |
| Changes in proportion   |                               |
| VRS Retirement Plan - GLI   | 1,102                         |
| VRS Teacher Retirement Plan - GLI   | 1,884                         |
| VRS Teacher Retirement Plan - HIC   | 18,074                        |
| Employer contributions subsequent to the measurement date                   |                               |
| VRS Retirement Plan - GLI   | 6,844                         |
| VRS Retirement Plan - HIC   | 8,587                         |
| VRS Teacher Retirement Plan - GLI   | 128,493                       |
| VRS Teacher Retirement Plan - HIC   | 287,218                       |
| Total Deferred Outflows of Resources  | <u><u>\$ 906,224</u></u>      |

|   | <u><b>School Division</b></u> |
|---|-------------------------------|
| Deferred Inflows of Resources   |                               |
| Differences between expected and actual experience                          |                               |
| Retiree Health Plan   | \$ 45,372                     |
| VRS Retirement Plan - GLI   | 935                           |
| VRS Retirement Plan - HIC   | 18,568                        |
| VRS Teacher Retirement Plan - GLI   | 17,275                        |
| VRS Teacher Retirement Plan - HIC   | 47,125                        |
| Net difference between projected and actual earnings on program investments |                               |
| Retiree Health Plan   | 260,303                       |
| Changes in assumptions  |                               |
| Retiree Health Plan   | 177,123                       |
| VRS Retirement Plan - GLI   | 2,171                         |
| VRS Teacher Retirement Plan - GLI   | 40,160                        |
| VRS Teacher Retirement Plan - HIC   | 19,281                        |
| Changes in proportion   |                               |
| VRS Retirement Plan - GLI   | 5,957                         |
| VRS Teacher Retirement Plan - GLI   | 44,682                        |
| VRS Teacher Retirement Plan - HIC   | 107,726                       |
| Total Deferred Inflows of Resources   | <u><u>\$ 786,678</u></u>      |



**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**16. Commitments and Contingencies**

**Construction Commitments**

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

|   | <b>Spent<br/>to Date</b> | <b>Remaining<br/>Contract</b> |
|---|--------------------------|-------------------------------|
| Salem High School Renovation                | \$ 17,860,137            | \$ 9,014,209                  |
| Andrew Lewis Middle School Roof Replacement | 305,415                  | 209,185                       |
|   | <u>\$ 18,165,552</u>     | <u>\$ 9,223,394</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, which is currently in place through June 30, 2021. Beginning on July 1, 2020, Aramark received a flat fee of \$7,725 per month for ten months for general and administrative expenses and a flat fee of \$2,060 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, 2021, the School Division remitted \$51,865 for services. Financial statements may be obtained from RVGS at 2104 Grandin Road, Roanoke, Virginia 24015.

**18. Accounting Change and Restatement**

In fiscal year 2021, the School Division adopted GASB Statement No. 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments. The criteria focused generally on whether a government controlled the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship existed. The statement described the following four fiduciary funds, which should be reported if applicable: pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds.

Adoption of GASB Statement No. 84 resulted in the School Division reporting a special revenue fund in its governmental funds' statements for the School Activity Fund (Activity Fund) and including the Activity Fund in its governmental activities. The Activity Fund accounts for all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, etc., and from school-sponsored activities of the School Division that involve school personnel, students, or property. This change required a restatement of the School Division's beginning net position. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**18. Accounting Change and Restatement (Continued)**

The following is a summary of the restatement of the School Division's beginning net position resulting from the adoption of GASB Statement No. 84:

|  | Activity<br>Fund  | Governmental<br>Activities |
|--|-------------------|----------------------------|
| Beginning fund balance/net position, as previously reported              | \$ -              | \$ 20,599,735              |
| Recognition of Activity Fund in accordance with GASB<br>Statement No. 84 | 607,835           | 607,835                    |
| Beginning fund balance/net position, as restated                         | <u>\$ 607,835</u> | <u>\$ 21,207,570</u>       |

**19. New Accounting Standards**

The GASB has issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement are effective for fiscal years beginning after December 15, 2019, but Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective date of certain provisions of Statement No. 87 by eighteen months. 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. 91, *Conduit Debt Obligations*, to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The provisions of this statement are effective for fiscal years beginning after December 15, 2020, but Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective date of certain provisions of Statement No. 91 by one year. 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. 92, *Omnibus 2020*, 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. Some provisions of this statement are effective upon issuance, and other provisions of this statement are effective for fiscal years beginning after June 15, 2020. Management has not completed the process of evaluating the full 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. 93, *Replacement of Interbank Offered Rates*, to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The provisions of this statement related to the removal of the London Interbank Offered Rate are effective for reporting periods ending after December 31, 2021. All other provisions of this statement are effective for reporting periods beginning after June 15, 2021. 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.

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

The GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements. The provisions of this statement are effective for fiscal years beginning after June 15, 2022. 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. 96, *Subscription-Based Information Technology Arrangements*, to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement defines a subscription-based information technology arrangement, establishes that a subscription-based information technology arrangement results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a subscription-based information technology arrangement, and requires note disclosures regarding a subscription-based information technology arrangement. The provisions of this statement are effective for fiscal years beginning after June 15, 2022. 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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The first objective of this statement is to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. The second objective of this statement is to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans, and employee benefit plans other than pension plans or other postemployment plans as fiduciary component units in fiduciary financial statements. The third objective of this statement is to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through these plans. Some provisions of this statement are effective immediately, and some provisions of this statement are effective for reporting periods beginning after June 15, 2021. Management has not completed the process of evaluating the full impact that will result from adoption of the standard and is, therefore, unable to disclose the impact of adoption.

**20. COVID-19 Impact**

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

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

**CITY OF SALEM SCHOOL DIVISION  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**20. COVID-19 Impact (Continued)**

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the School Division's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School Division is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

## 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, 2021**

|   | 2020                | 2019                | 2018                | Non-Professional Staff<br>Plan Year |                     | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>  |                     |                     |                     |                                     |                     |                     |                     |
| Service cost  | \$ 119,513          | \$ 130,680          | \$ 130,240          | \$ 120,806                          | \$ 124,227          | \$ 132,051          | \$ 145,676          |
| Interest  | 350,152             | 348,873             | 350,464             | 345,744                             | 347,691             | 337,943             | 323,812             |
| Differences between expected and actual experience                                | (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                     | (342,849)           | (314,833)           | (337,479)           | (334,040)                           | (300,945)           | (270,236)           | (264,987)           |
| <b>Net change in total pension liability</b>                                      | (68,470)            | 217,542             | (34,045)            | 69,149                              | (11,272)            | 154,616             | 204,501             |
| <b>Total pension liability - beginning</b>  | 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>   | <u>\$ 5,290,395</u> | <u>\$ 5,358,865</u> | <u>\$ 5,141,323</u> | <u>\$ 5,175,368</u>                 | <u>\$ 5,106,219</u> | <u>\$ 5,117,491</u> | <u>\$ 4,962,875</u> |
| <b>Plan fiduciary net position</b>  |                     |                     |                     |                                     |                     |                     |                     |
| Contributions - employer  | \$ 39,178           | \$ 40,178           | \$ 51,406           | \$ 51,554                           | \$ 92,100           | \$ 93,028           | \$ 97,271           |
| Contributions - employee  | 58,791              | 57,762              | 61,121              | 61,318                              | 58,188              | 59,073              | 61,480              |
| Net investment income   | 110,040             | 369,207             | 399,866             | 608,458                             | 86,505              | 228,863             | 697,591             |
| Benefit payments, including refunds of employee contributions                     | (342,849)           | (314,833)           | (337,479)           | (334,040)                           | (300,945)           | (270,236)           | (264,987)           |
| Administrative expense  | (3,871)             | (3,796)             | (3,562)             | (3,661)                             | (3,256)             | (3,202)             | (3,812)             |
| Other   | (128)               | (231)               | (350)               | (535)                               | (37)                | (47)                | 37                  |
| <b>Net change in plan fiduciary net position</b>                                  | (138,839)           | 148,287             | 171,002             | 383,094                             | (67,445)            | 107,479             | 587,580             |
| <b>Plan fiduciary net position - beginning</b>                                    | 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>                                       | <u>\$ 5,655,835</u> | <u>\$ 5,794,674</u> | <u>\$ 5,646,387</u> | <u>\$ 5,475,385</u>                 | <u>\$ 5,092,291</u> | <u>\$ 5,159,736</u> | <u>\$ 5,052,257</u> |
| <b>Net pension liability (asset) - ending</b>                                     | <u>\$ (365,440)</u> | <u>\$ (435,809)</u> | <u>\$ (505,064)</u> | <u>\$ (300,017)</u>                 | <u>\$ 13,928</u>    | <u>\$ (42,245)</u>  | <u>\$ (89,382)</u>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | 106.91%             | 108.13%             | 109.82%             | 105.80%                             | 99.73%              | 100.83%             | 101.80%             |
| <b>Covered payroll</b>  | \$ 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>           | (34.42%)            | (40.03%)            | (42.54%)            | (25.20%)                            | 1.19%               | (3.56%)             | (7.27%)             |

Schedule is intended to show information for 10 years. Since 2021 (plan year 2020) 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.

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, 2021**

| Year Ended<br>June 30                           | Actuarially<br>Determined<br>Contribution | Contributions in<br>Relation to<br>Actuarially<br>Determined<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered<br>Payroll | Contributions<br>as a % of<br>Covered<br>Payroll |
|---|---|--|--|--------------------|--|
|   | (a)                                       | (b)  | (a-b)                                  | (c)                | (b/c)  |
| <b>School Division (Non-Professional Staff)</b> |   |  |  |                    |  |
| 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%  |

Schedule is intended to show information for 10 years. Since 2021 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.

\* 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 EMPLOYER'S SHARE OF NET PENSION LIABILITY  
VRS TEACHER RETIREMENT PLAN  
YEAR ENDED JUNE 30, 2021**

| Plan Year<br>Ended<br>June 30               | Employer's<br>Proportion of<br>the Net Pension<br>Liability | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(a) | Covered<br>Payroll<br>(b) | Employer's Share<br>of the Net<br>Pension Liability<br>as a % of<br>Covered<br>Payroll<br>(a/b) | Plan Fiduciary<br>Net Position as a<br>% of the Total<br>Pension Liability |
|---|---|--|---------------------------|---|--|
| <b>School Division (Professional Staff)</b> |   |  |                           |   |  |
| 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%   |

Schedule is intended to show information for 10 years. Since 2021 (plan year 2020) 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.

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  
VRS TEACHER RETIREMENT PLAN  
YEAR ENDED JUNE 30, 2021**

| Year Ended<br>June 30                       | Contractually<br>Required<br>Contribution | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered<br>Payroll | Contributions<br>as a % of<br>Covered<br>Payroll |
|---|---|--|--|--------------------|--|
|   | (a)                                       | (b)  | (a-b)                                  | (c)                | (b/c)  |
| <b>School Division (Professional Staff)</b> |   |  |  |                    |  |
| 2021  | \$ 3,841,661                              | \$ 3,841,661   | \$ -                                   | \$ 23,114,687      | 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%   |

Schedule is intended to show information for 10 years. Since 2021 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.

\* 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, 2021**

|  | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB liability</b>  |                      |                      |                      |                      |                      |
| Service cost   | \$ 72,888            | \$ 74,370            | \$ 73,179            | \$ 71,941            | \$ 67,235            |
| Interest   | 139,914              | 136,316              | 158,451              | 151,536              | 145,477              |
| Effect of economic/demographic gains or losses                                 | (51,503)             | -                    | 17,662               | -                    | -                    |
| Effect of assumption changes   | 69,553               | (16,279)             | (255,288)            | -                    | -                    |
| Benefit payments   | (139,150)            | (136,057)            | (151,400)            | (136,054)            | (125,858)            |
| <b>Net change in total OPEB liability</b>                                      | <b>91,702</b>        | <b>58,350</b>        | <b>(157,396)</b>     | <b>87,423</b>        | <b>86,854</b>        |
| <b>Total OPEB liability - beginning</b>  | <b>2,148,109</b>     | <b>2,089,759</b>     | <b>2,247,155</b>     | <b>2,159,732</b>     | <b>2,072,878</b>     |
| <b>Total OPEB liability - ending</b>   | <b>\$ 2,239,811</b>  | <b>\$ 2,148,109</b>  | <b>\$ 2,089,759</b>  | <b>\$ 2,247,155</b>  | <b>\$ 2,159,732</b>  |
| <b>Plan fiduciary net position</b>   |                      |                      |                      |                      |                      |
| Contributions - employer   | \$ 236,285           | \$ 233,192           | \$ 248,535           | \$ 233,189           | \$ 211,531           |
| Net investment income  | 480,434              | 44,595               | 59,924               | 105,580              | 116,176              |
| Benefit payments   | (139,150)            | (136,057)            | (151,400)            | (136,054)            | (125,858)            |
| Administrative expense   | (2,294)              | (2,100)              | (1,894)              | (1,717)              | (1,579)              |
| <b>Net change in plan fiduciary net position</b>                               | <b>575,275</b>       | <b>139,630</b>       | <b>155,165</b>       | <b>200,998</b>       | <b>200,270</b>       |
| <b>Plan fiduciary net position - beginning</b>                                 | <b>1,598,570</b>     | <b>1,458,940</b>     | <b>1,303,775</b>     | <b>1,102,777</b>     | <b>902,507</b>       |
| <b>Plan fiduciary net position - ending</b>                                    | <b>\$ 2,173,845</b>  | <b>\$ 1,598,570</b>  | <b>\$ 1,458,940</b>  | <b>\$ 1,303,775</b>  | <b>\$ 1,102,777</b>  |
| <b>Net OPEB liability - ending</b>   | <b>\$ 65,966</b>     | <b>\$ 549,539</b>    | <b>\$ 630,819</b>    | <b>\$ 943,380</b>    | <b>\$ 1,056,955</b>  |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability</b> | <b>97.05%</b>        | <b>74.42%</b>        | <b>69.81%</b>        | <b>58.02%</b>        | <b>51.06%</b>        |
| <b>Covered-employee payroll</b>  | <b>\$ 24,787,563</b> | <b>\$ 23,962,730</b> | <b>\$ 23,962,730</b> | <b>\$ 23,076,891</b> | <b>\$ 23,076,891</b> |
| <b>Net OPEB liability as a percentage of covered-employee payroll</b>          | <b>0.27%</b>         | <b>2.29%</b>         | <b>2.63%</b>         | <b>4.09%</b>         | <b>4.58%</b>         |
| <b>Annual money-weighted rate of return, net of investment expense</b>         | <b>30.01%</b>        | <b>3.05%</b>         | <b>4.59%</b>         | <b>9.52%</b>         | <b>12.79%</b>        |

Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, only four 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, 2021**

| Year Ended<br>June 30 | Actuarially<br>Determined<br>Contribution | Contributions in<br>Relation to<br>Actuarially<br>Determined<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered<br>Employee<br>Payroll | Contributions<br>as a % of<br>Covered<br>Employee<br>Payroll |
|-----------------------|---|--|--|--------------------------------|--|
|                       | (a)                                       | (b)  | (a-b)                                  | (c)                            | (b/c)  |
| 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%  |

Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, only four 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.

Methods and assumptions used to determine contribution rates:

|                                      |                          |
|--------------------------------------|--------------------------|
| Valuation date                       | June 30, 2021            |
| Measurement date                     | June 30, 2021            |
| Actuarial cost method                | Entry age normal         |
| Amortization method                  | Level percent of payroll |
| Amortization period                  | Closed over 28 years     |
| Asset valuation method               | Market value             |
| Investment rate of return            | 6.50%                    |
| Projected long-term salary increases | 3.00%                    |

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, 2021

|  | Plan Year           |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 2020                | 2019                | 2018                | 2017                |
| <b>Total HIC OPEB liability</b>  |                     |                     |                     |                     |
| Service cost   | \$ 4,133            | \$ 3,643            | \$ 2,543            | \$ 2,412            |
| Interest   | 8,927               | 9,771               | 11,059              | 10,832              |
| Changes of benefit terms   | 955                 | -                   | -                   | -                   |
| Differences between expected and actual experience                             | (10,631)            | (9,720)             | (20,255)            | -                   |
| Changes in assumptions   | -                   | 2,818               | -                   | 370                 |
| Benefit payments   | (15,662)            | (12,020)            | (11,482)            | (9,254)             |
| <b>Net change in total HIC OPEB liability</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>140,086</b>      | <b>145,594</b>      | <b>163,729</b>      | <b>159,369</b>      |
| <b>Total HIC OPEB liability - ending</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   | \$ 7,533            | \$ 7,318            | \$ 8,875            | \$ 8,704            |
| Net investment income  | 1,341               | 4,257               | 4,693               | 6,952               |
| Benefit payments   | (15,662)            | (12,020)            | (11,482)            | (9,254)             |
| Administrative expense   | (116)               | (90)                | (108)               | (109)               |
| Other  | (1)                 | (5)                 | (359)               | 359                 |
| <b>Net change in plan fiduciary net position</b>                               | <b>(6,905)</b>      | <b>(540)</b>        | <b>1,619</b>        | <b>6,652</b>        |
| <b>Plan fiduciary net position - beginning</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>\$ 61,885</b>    | <b>\$ 68,790</b>    | <b>\$ 69,330</b>    | <b>\$ 67,711</b>    |
| <b>Net OPEB liability - ending</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>48.42%</b>       | <b>49.11%</b>       | <b>47.62%</b>       | <b>41.36%</b>       |
| <b>Covered payroll</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>5.16%</b>        | <b>5.75%</b>        | <b>5.93%</b>        | <b>7.61%</b>        |

Schedule is intended to show information for 10 years. Since 2021 (plan year 2020) is the fourth year for this presentation, only three additional years of data is 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 OPEB CONTRIBUTIONS  
POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM  
YEAR ENDED JUNE 30, 2021**

| Year Ended<br>June 30 | Contractually<br>Required<br>Contribution | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered<br>Payroll | Contributions<br>as a % of<br>Covered<br>Payroll |
|-----------------------|---|--|--|--------------------|--|
|                       | (a)                                       | (b)  | (a-b)                                  | (c)                | (b/c)  |
| 2021                  | \$ 8,587                                  | \$ 8,587   | \$ -                                   | \$ 1,262,794       | 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%  |

Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only three 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 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, 2021**

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

Schedule is intended to show information for 10 years. Since 2021 (plan year 2020) is the fourth year for this presentation, only three additional year of data is 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 OPEB CONTRIBUTIONS  
GLI AND TEACHER EMPLOYEE HIC PROGRAMS  
YEAR ENDED JUNE 30, 2021**

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

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

|        |    |       |    |       |    |   |    |           |       |
|--------|----|-------|----|-------|----|---|----|-----------|-------|
| 2021   | \$ | 6,844 | \$ | 6,844 | \$ | - | \$ | 1,267,407 | 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)**

|        |    |         |    |         |    |   |    |            |       |
|--------|----|---------|----|---------|----|---|----|------------|-------|
| 2021   | \$ | 128,493 | \$ | 128,493 | \$ | - | \$ | 23,795,000 | 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**

|        |    |         |    |         |    |   |    |            |       |
|--------|----|---------|----|---------|----|---|----|------------|-------|
| 2021   | \$ | 287,218 | \$ | 287,218 | \$ | - | \$ | 23,737,025 | 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 2021 is the fourth year for this presentation, only three additional years of data is available. 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 SCHOOL DIVISION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

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

**Largest Ten – Non-Hazardous Duty:**

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

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

- Updated mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Updated withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and HIC OPEB

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

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



**CITY OF SALEM SCHOOL DIVISION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

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

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

- Updated mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Updated withdrawal rates to better fit experience at each age and service year
- Updated disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and HIC OPEB

Teacher cost-sharing pool

- Updated mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Updated withdrawal rates to better fit experience at each year age and service through 9 years of service
- Updated disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

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## OTHER SUPPLEMENTARY INFORMATION

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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..... 108 - 112

*These schedules contain trend information to help the reader understand how the School Division's financial performance and well-being have changed over time.*

Revenue Capacity..... 113 - 116

*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.*

Debt Capacity..... 117 - 118

*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.*

Demographic and Economic Information..... 119 - 120

*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.*

Operating Information..... 121 - 127

*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.*

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

|                                    | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                    | (1)           |               |               | (2)           |               |               | (3)           | (4)           |               |               |
| <b>Governmental Activities</b>     |               |               |               |               |               |               |               |               |               |               |
| Net investment in capital assets   | \$ 60,234,738 | \$ 46,748,373 | \$ 42,906,415 | \$ 43,173,063 | \$ 45,092,573 | \$ 46,530,313 | \$ 48,121,333 | \$ 49,441,566 | \$ 49,201,420 | \$ 37,836,389 |
| Restricted                         | 365,440       | 965,614       | 650,756       | 537,062       | -             | 78,138        | 78,474        | -             | -             | -             |
| Unrestricted                       | (24,507,178)  | (27,114,252)  | (28,122,133)  | (32,351,599)  | (28,646,696)  | (31,510,148)  | (35,459,054)  | 3,972,118     | 758,035       | 2,749,702     |
| Total School Division net position | \$ 36,093,000 | \$ 20,599,735 | \$ 15,435,038 | \$ 11,358,526 | \$ 16,445,877 | \$ 15,098,303 | \$ 12,740,753 | \$ 53,413,684 | \$ 49,959,455 | \$ 40,586,091 |

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.

TABLE 2  
UNAUDITED

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

|   | 2021            | 2020            | 2019            | 2018            | 2017            | 2016            | 2015            | 2014            | 2013            | 2012            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | (1)             |                 |                 | (2)             |                 |                 |                 | (3)             |                 |                 |
| <b>Expenses</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Central administration                                    | \$ 2,085,923    | \$ 2,016,415    | \$ 1,783,674    | \$ 1,596,030    | \$ 1,652,209    | \$ 1,593,894    | \$ 1,695,545    | \$ 1,879,992    | \$ 1,920,910    | \$ 1,563,224    |
| Centralized instruction costs                             | 3,567,700       | 4,075,157       | 3,840,082       | 3,518,687       | 3,543,531       | 3,473,872       | 3,636,537       | 3,879,440       | 3,548,842       | 3,328,048       |
| Instructional costs                                       | 39,488,999      | 37,077,981      | 33,908,535      | 34,871,104      | 32,458,269      | 30,933,478      | 32,699,399      | 33,968,213      | 32,389,924      | 30,692,441      |
| Attendance and health services                            | 1,126,855       | 1,147,452       | 978,529         | 1,010,606       | 1,005,378       | 936,415         | 981,451         | 879,534         | 893,663         | 872,551         |
| Transportation  | 1,762,900       | 1,472,764       | 1,500,881       | 1,524,848       | 1,408,400       | 1,348,170       | 1,463,135       | 1,413,079       | 1,446,627       | 1,338,768       |
| Food services   | 1,960,853       | 1,848,960       | 1,792,273       | 1,794,237       | 1,756,692       | 1,675,156       | 1,973,317       | 1,597,475       | 1,616,530       | 1,666,673       |
| Federal and state grants programs                         | -               | -               | -               | 1,970,034       | -               | 1,844,532       | 1,969,993       | 2,953,551       | 2,172,018       | 3,066,792       |
| Non-departmental  | -               | -               | -               | -               | -               | -               | -               | -               | 548,520         | 550,000         |
| Capital lease interest                                    | 1,212           | 6,006           | 7,106           | 493             | 6,383           | 10,612          | -               | -               | -               | -               |
| Total governmental activities                             | \$ 49,994,442   | \$ 47,644,735   | \$ 43,811,080   | \$ 44,316,005   | \$ 43,800,896   | \$ 41,816,129   | \$ 44,419,377   | \$ 46,571,284   | \$ 44,537,034   | \$ 43,078,497   |
| <b>Program revenues</b>                                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for services:                                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Central administration                                    | \$ -            | \$ -            | \$ -            | \$ -            | \$ 26,251       | \$ 33,158       | \$ 20,106       | \$ 19,524       | \$ 20,787       | \$ -            |
| Centralized instruction                                   | 218,111         | 166,551         | 166,262         | 209,937         | 546,197         | 510,968         | 587,734         | 623,222         | 478,675         | 478,551         |
| Instructional   | 783,482         | 910,778         | 1,000,374       | 945,598         | 174,200         | 179,915         | 175,813         | 191,751         | 177,925         | 192,476         |
| Food services   | 62,276          | 569,747         | 845,340         | 836,801         | 841,634         | 815,618         | 759,141         | 832,642         | 867,703         | 903,493         |
| Operating grants and contributions                        | 12,922,879      | 10,758,674      | 9,818,437       | 9,540,263       | 8,605,485       | 8,197,005       | 8,119,815       | 8,956,887       | 8,122,841       | 7,810,425       |
| Capital grants and contributions                          | -               | -               | 17,438          | 14,400          | 156,367         | 49,773          | 5,174           | 7,000           | 7,000           | -               |
| Total governmental activities                             | \$ 13,986,748   | \$ 12,405,750   | \$ 11,847,851   | \$ 11,546,999   | \$ 10,350,134   | \$ 9,786,437    | \$ 9,667,783    | \$ 10,631,026   | \$ 9,674,931    | \$ 9,384,945    |
| <b>Net expense</b>  | \$ (36,007,694) | \$ (35,238,985) | \$ (31,963,229) | \$ (32,769,006) | \$ (33,450,762) | \$ (32,029,692) | \$ (34,751,594) | \$ (35,940,258) | \$ (34,862,103) | \$ (33,693,552) |
| <b>General revenues and other changes in net position</b> |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Payments from City of Salem                               | \$ 34,606,636   | \$ 25,341,148   | \$ 21,026,377   | \$ 20,170,298   | \$ 19,760,242   | \$ 19,739,512   | \$ 19,151,270   | \$ 25,103,243   | \$ 30,295,228   | \$ 18,471,653   |
| State aid   | 16,116,582      | 14,952,136      | 14,891,728      | 14,222,573      | 14,075,825      | 13,757,083      | 13,916,982      | 13,144,693      | 13,133,752      | 13,237,358      |
| Other   | 169,906         | 110,398         | 121,636         | 123,394         | 962,269         | 890,647         | 954,837         | 778,599         | 806,487         | 638,972         |
| Total governmental activities                             | \$ 50,893,124   | \$ 40,403,682   | \$ 36,039,741   | \$ 34,516,265   | \$ 34,798,336   | \$ 34,387,242   | \$ 34,023,089   | \$ 39,026,535   | \$ 44,235,467   | \$ 32,347,983   |
| <b>Change in net position</b>                             | \$ 14,885,430   | \$ 5,164,697    | \$ 4,076,512    | \$ 1,747,259    | \$ 1,347,574    | \$ 2,357,550    | \$ (728,505)    | \$ 3,086,277    | \$ 9,373,364    | \$ (1,345,569)  |

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.

TABLE 3  
UNAUDITED

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

|                             | 2021          | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013           | 2012         |
|-----------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| <b>FUND BALANCES</b>        | (1)           |              |              |              |              |              |              | (2)          |                |              |
| General Fund                |               |              |              |              |              |              |              |              |                |              |
| Nonspendable                | \$ 220,392    | \$ 158,753   | \$ 101,494   | \$ 4,068     | \$ -         | \$ -         | \$ -         | \$ 24,797    | \$ 3,326       | \$ 24,138    |
| Restricted                  | -             | 529,805      | 650,756      | 537,062      | -            | 78,138       | 78,474       | -            | -              | -            |
| Committed                   | 699,526       | 351,315      | 545,572      | 454,828      | 85,500       | -            | -            | -            | 36,863         | 170,452      |
| Assigned                    | 6,260,707     | 5,175,071    | 5,053,704    | 3,911,615    | 4,493,379    | 4,532,051    | 2,761,526    | 1,992,070    | 2,439,014      | 1,166,693    |
| Total General Fund          | \$ 7,180,625  | \$ 6,214,944 | \$ 6,351,526 | \$ 4,907,573 | \$ 4,578,879 | \$ 4,610,189 | \$ 2,840,000 | \$ 2,016,867 | \$ 2,479,203   | \$ 1,361,283 |
| Cafeteria Fund              |               |              |              |              |              |              |              |              |                |              |
| Nonspendable                | \$ 116,984    | \$ 98,571    | \$ 56,438    | \$ 37,579    | \$ 33,103    | \$ 33,187    | \$ 34,125    | \$ 55,511    | \$ 56,826      | \$ 51,525    |
| Committed                   | 404,295       | 624,572      | 580,465      | 464,331      | -            | -            | -            | -            | -              | 23,302       |
| Assigned                    | -             | -            | -            | -            | 349,325      | 305,919      | 324,603      | 451,968      | 410,328        | 357,906      |
| Total Cafeteria Fund        | \$ 521,279    | \$ 723,143   | \$ 636,903   | \$ 501,910   | \$ 382,428   | \$ 339,106   | \$ 358,728   | \$ 507,479   | \$ 467,154     | \$ 432,733   |
| Capital Projects Fund       |               |              |              |              |              |              |              |              |                |              |
| Nonspendable                | \$ -          | \$ -         | \$ -         | \$ 4,939     | \$ 14,816    | \$ 24,693    | \$ -         | \$ -         | \$ -           | \$ -         |
| Committed                   | 3,267,093     | 2,810,420    | 1,765,046    | 2,746,660    | 2,030,441    | 905,058      | 1,146,489    | 1,550,444    | 1,550,586      | 1,681,048    |
| Unassigned                  | -             | -            | -            | -            | -            | -            | -            | -            | (2,984,290)    | -            |
| Total Capital Projects Fund | \$ 3,267,093  | \$ 2,810,420 | \$ 1,765,046 | \$ 2,751,599 | \$ 2,045,257 | \$ 929,751   | \$ 1,146,489 | \$ 1,550,444 | \$ (1,413,704) | \$ 1,681,048 |
| Activity Fund               |               |              |              |              |              |              |              |              |                |              |
| Nonspendable                | \$ 3,547      |              |              |              |              |              |              |              |                |              |
| Assigned                    | 677,556       |              |              |              |              |              |              |              |                |              |
| Total Capital Projects Fund | \$ 681,103    |              |              |              |              |              |              |              |                |              |
| Total School Division       | \$ 11,650,100 | \$ 9,748,507 | \$ 8,753,475 | \$ 8,161,082 | \$ 7,006,564 | \$ 5,879,046 | \$ 4,345,217 | \$ 4,074,790 | \$ 1,532,653   | \$ 3,475,064 |

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

|                                      | 2021<br>(1)   | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014<br>(2)   | 2013          | 2012          |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenues</b>                      |               |               |               |               |               |               |               |               |               |               |
| <u>General Fund</u>                  |               |               |               |               |               |               |               |               |               |               |
| <i>Intergovernmental:</i>            |               |               |               |               |               |               |               |               |               |               |
| City of Salem                        | \$ 20,222,585 | \$ 20,499,426 | \$ 21,026,377 | \$ 20,170,298 | \$ 19,760,242 | \$ 19,739,512 | \$ 19,151,270 | \$ 19,622,043 | \$ 20,776,428 | \$ 18,471,653 |
| Commonwealth of Virginia             | 24,348,690    | 22,563,977    | 21,878,266    | 21,067,259    | 20,052,041    | 19,491,109    | 19,455,460    | 19,452,863    | 18,505,940    | 17,791,888    |
| Federal Government                   | 3,113,287     | 1,747,379     | 1,708,244     | 1,648,522     | 1,705,496     | 1,631,925     | 1,761,396     | 1,838,411     | 1,978,488     | 2,454,719     |
| Other:                               | 762,036       | 1,176,398     | 1,281,640     | 1,252,037     | 1,691,429     | 1,607,634     | 1,594,590     | 1,600,220     | 1,472,793     | 1,293,847     |
| Total General Fund                   | \$ 48,446,598 | \$ 45,987,180 | \$ 45,894,527 | \$ 44,138,116 | \$ 43,209,208 | \$ 42,470,180 | \$ 41,962,716 | \$ 42,513,537 | \$ 42,733,649 | \$ 40,012,107 |
| <u>Cafeteria Fund</u>                |               |               |               |               |               |               |               |               |               |               |
| <i>Intergovernmental:</i>            |               |               |               |               |               |               |               |               |               |               |
| Commonwealth of Virginia             | \$ 18,084     | \$ 38,054     | \$ 29,478     | \$ 28,674     | \$ 24,710     | \$ 21,590     | \$ 24,581     | \$ 25,893     | \$ 28,076     | \$ 27,570     |
| Federal Government                   | 1,559,400     | 1,361,400     | 1,094,177     | 1,016,458     | 899,020       | 809,467       | 795,360       | 784,413       | 744,089       | 773,605       |
| Other:                               | 62,276        | 569,747       | 845,340       | 836,801       | 841,634       | 815,617       | 759,141       | 832,642       | 867,703       | 903,493       |
| Other                                | 10,632        | 12,859        | 8,018         | 29,886        | 17,531        | 7,121         | 143,900       | 12,876        | 11,083        | 27,251        |
| Total Cafeteria Fund                 | \$ 1,650,392  | \$ 1,982,060  | \$ 1,977,013  | \$ 1,911,819  | \$ 1,782,895  | \$ 1,653,795  | \$ 1,722,982  | \$ 1,655,824  | \$ 1,650,951  | \$ 1,731,919  |
| <u>Capital Projects Fund</u>         |               |               |               |               |               |               |               |               |               |               |
| <i>Intergovernmental:</i>            |               |               |               |               |               |               |               |               |               |               |
| City of Salem                        | \$ 14,384,051 | \$ 4,841,722  | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ 5,481,200  | \$ 9,518,800  | \$ -          |
| Other:                               | -             | -             | -             | -             | -             | -             | -             | 7,000         | 7,000         | -             |
| Total Capital Projects Fund          | \$ 14,384,051 | \$ 4,841,722  | \$ -          | \$ -          | \$ -          | \$ -          | \$ 5,174      | \$ 5,488,200  | \$ 9,525,800  | \$ -          |
| <u>Activity Fund</u>                 |               |               |               |               |               |               |               |               |               |               |
| <i>Other:</i>                        |               |               |               |               |               |               |               |               |               |               |
| Charges for services                 | 338,627       |               |               |               |               |               |               |               |               |               |
| Other                                | 63,788        |               |               |               |               |               |               |               |               |               |
| Total Activity Fund                  | \$ 402,415    |               |               |               |               |               |               |               |               |               |
| <b>Expenditures</b>                  |               |               |               |               |               |               |               |               |               |               |
| <u>General Fund</u>                  |               |               |               |               |               |               |               |               |               |               |
| <i>Current:</i>                      |               |               |               |               |               |               |               |               |               |               |
| Central administration               | \$ 2,040,621  | \$ 2,007,754  | \$ 1,734,048  | \$ 1,587,712  | \$ 1,608,371  | \$ 1,593,852  | \$ 1,658,908  | \$ 1,756,494  | \$ 1,664,724  | \$ 1,414,020  |
| Centralized instruction costs        | 3,554,076     | 4,074,573     | 4,053,997     | 3,768,680     | 3,795,451     | 3,687,727     | 3,832,984     | 3,711,762     | 3,499,585     | 3,008,025     |
| Instructional costs:                 |               |               |               |               |               |               |               |               |               |               |
| Salem High School                    | 10,812,614    | 10,504,638    | 10,516,395    | 10,459,247    | 10,090,056    | 10,048,013    | 9,976,964     | 9,965,723     | 10,119,284    | 9,380,598     |
| Andrew Lewis Middle School           | 7,582,656     | 7,343,857     | 7,133,729     | 7,110,842     | 6,985,732     | 6,629,696     | 6,769,119     | 6,765,055     | 6,780,842     | 6,078,634     |
| G.W. Carver Elementary School        | 3,869,788     | 3,779,518     | 3,734,148     | 3,694,139     | 3,525,927     | 3,473,543     | 3,590,403     | 3,634,528     | 3,497,209     | 3,342,917     |
| West Salem Elementary School         | 3,489,273     | 3,592,948     | 3,570,397     | 3,383,487     | 3,019,223     | 2,999,504     | 3,013,001     | 3,167,012     | 3,142,102     | 2,951,348     |
| South Salem Elementary School        | 3,239,527     | 3,210,750     | 3,193,441     | 3,248,699     | 2,984,447     | 2,946,511     | 2,985,015     | 3,006,075     | 2,990,425     | 2,984,114     |
| East Salem Elementary School         | 3,836,461     | 3,764,485     | 3,902,247     | 3,778,488     | 3,634,861     | 3,543,633     | 3,472,215     | 3,185,659     | 3,281,198     | 3,153,029     |
| Regional Program                     | 798,101       | 695,930       | 736,901       | 743,403       | 754,116       | 733,930       | 698,011       | 616,896       | 743,384       | -             |
| Federal and state grants programs    | 3,579,467     | 2,114,568     | 2,119,327     | 1,969,614     | 2,142,407     | 2,027,663     | 1,958,910     | 2,974,412     | 2,203,948     | 2,824,695     |
| Attendance and health services       | 1,148,003     | 1,136,256     | 1,088,768     | 1,085,034     | 1,049,120     | 1,001,682     | 988,485       | 889,226       | 893,663       | 838,160       |
| Transportation                       | 1,567,746     | 1,390,916     | 1,577,945     | 1,410,894     | 1,317,610     | 1,269,037     | 1,269,076     | 1,529,625     | 1,282,845     | 1,297,167     |
| Non-departmental                     | -             | -             | -             | -             | -             | -             | -             | -             | 548,520       | 250,000       |
| <i>Capital / lease debt service:</i> |               |               |               |               |               |               |               |               |               |               |
| Principal                            | 99,919        | 95,293        | 104,768       | 137,071       | 131,405       | 142,981       | -             | -             | -             | -             |
| Interest                             | 4,849         | 9,475         | -             | 5,911         | 965           | 10,612        | -             | -             | -             | -             |
| Total General Fund                   | \$ 45,623,101 | \$ 43,720,961 | \$ 43,466,111 | \$ 42,383,221 | \$ 41,039,691 | \$ 40,108,384 | \$ 40,213,091 | \$ 41,202,467 | \$ 40,647,729 | \$ 37,522,707 |

(CONTINUED)



TABLE 4  
UNAUDITED  
(CONTINUED)

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

|  | 2021           | 2020           | 2019         | 2018           | 2017           | 2016         | 2015         | 2014           | 2013           | 2012           |
|--|----------------|----------------|--------------|----------------|----------------|--------------|--------------|----------------|----------------|----------------|
| <b>Expenditures</b>  |                |                |              |                |                |              |              |                |                |                |
| <u>Cafeteria Fund</u>  |                |                |              |                |                |              | (1)          |                |                |                |
| Food services  | \$ 1,852,256   | \$ 1,895,820   | \$ 1,842,020 | \$ 1,792,337   | \$ 1,739,573   | \$ 1,673,417 | \$ 1,871,733 | \$ 1,615,499   | \$ 1,616,530   | \$ 1,688,711   |
| Total Cafeteria Fund   | \$ 1,852,256   | \$ 1,895,820   | \$ 1,842,020 | \$ 1,792,337   | \$ 1,739,573   | \$ 1,673,417 | \$ 1,871,733 | \$ 1,615,499   | \$ 1,616,530   | \$ 1,688,711   |
| <u>Capital Projects Fund</u>                                     |                |                |              |                |                |              |              |                |                |                |
| Capital projects   | \$ 15,785,194  | \$ 6,199,149   | \$ 2,270,996 | \$ 719,859     | \$ 1,085,321   | \$ 1,219,802 | \$ 1,335,621 | \$ 4,297,458   | \$ 13,588,552  | \$ 1,717,361   |
| Total Capital Projects Fund                                      | \$ 15,785,194  | \$ 6,199,149   | \$ 2,270,996 | \$ 719,859     | \$ 1,085,321   | \$ 1,219,802 | \$ 1,335,621 | \$ 4,297,458   | \$ 13,588,552  | \$ 1,717,361   |
| <u>Activity Fund</u>   |                |                |              |                |                |              |              |                |                |                |
| Instructional costs  | \$ 329,147     |                |              |                |                |              |              |                |                |                |
| Total Activity Fund  | \$ 329,147     |                |              |                |                |              |              |                |                |                |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> |                |                |              |                |                |              |              |                |                |                |
| General Fund   | \$ 2,823,497   | \$ 2,266,219   | \$ 2,428,416 | \$ 1,754,895   | \$ 2,169,517   | \$ 2,361,796 | \$ 1,749,625 | \$ 1,311,070   | \$ 2,085,920   | \$ 286,989     |
| Cafeteria Fund   | (201,864)      | 86,240         | 134,993      | 119,482        | 43,322         | (19,622)     | (148,751)    | 40,325         | 34,421         | 43,208         |
| Capital Projects Fund  | (1,401,143)    | (1,357,427)    | (2,270,996)  | (719,859)      | (1,085,321)    | (1,219,802)  | (1,330,447)  | 1,190,742      | (4,062,752)    | (1,717,361)    |
| Activity Fund  | 73,268         |                |              |                |                |              |              |                |                |                |
|  | \$ 1,293,758   | \$ 995,032     | \$ 292,413   | \$ 1,154,518   | \$ 1,127,518   | \$ 1,122,372 | \$ 270,427   | \$ 2,542,137   | \$ (1,942,411) | \$ (1,387,164) |
| <b>Other financing sources (uses)</b>                            |                |                |              |                |                |              |              |                |                |                |
| <u>General Fund</u>  |                |                |              |                |                |              |              |                |                |                |
| Transfers out  | \$ (1,857,816) | \$ (2,402,801) | \$ (984,463) | \$ (1,426,201) | \$ (2,200,827) | \$ (591,607) | \$ (926,492) | \$ (1,773,406) | \$ (968,000)   | \$ (2,720,313) |
| Total General Fund   | \$ (1,857,816) | \$ (2,402,801) | \$ (984,463) | \$ (1,426,201) | \$ (2,200,827) | \$ (591,607) | \$ (926,492) | \$ (1,773,406) | \$ (968,000)   | \$ (2,720,313) |
| <u>Cafeteria Fund</u>  |                |                |              |                |                |              |              |                |                |                |
| Transfers in   | \$ -           | \$ -           | \$ -         | \$ -           | \$ -           | \$ -         | \$ -         | \$ -           | \$ -           | \$ 15,000      |
| Total Cafeteria Fund   | \$ -           | \$ -           | \$ -         | \$ -           | \$ -           | \$ -         | \$ -         | \$ -           | \$ -           | \$ 15,000      |
| <u>Capital Projects Fund</u>                                     |                |                |              |                |                |              |              |                |                |                |
| Issuance of capital leases                                       | \$ -           | \$ -           | \$ 299,980   | \$ -           | \$ -           | \$ 411,457   | \$ -         | \$ -           | \$ -           | \$ -           |
| Transfers in   | 1,857,816      | 2,402,801      | 984,463      | 1,426,201      | 2,200,827      | 591,607      | 926,492      | 1,773,406      | 968,000        | 2,705,313      |
| Total Capital Projects Fund                                      | \$ 1,857,816   | \$ 2,402,801   | \$ 1,284,443 | \$ 1,426,201   | \$ 2,200,827   | \$ 1,003,064 | \$ 926,492   | \$ 1,773,406   | \$ 968,000     | \$ 2,705,313   |
| <u>Activity Fund</u>   |                |                |              |                |                |              |              |                |                |                |
| Transfers in   | \$ -           | \$ -           | \$ -         | \$ -           | \$ -           | \$ -         | \$ -         | \$ -           | \$ -           | \$ -           |
| Total Activity Fund  | \$ -           | \$ -           | \$ -         | \$ -           | \$ -           | \$ -         | \$ -         | \$ -           | \$ -           | \$ -           |
| <b>Net change in fund balances</b>                               |                |                |              |                |                |              |              |                |                |                |
| General Fund   | \$ 965,681     | \$ (136,582)   | \$ 1,443,953 | \$ 328,694     | \$ (31,310)    | \$ 1,770,189 | \$ 823,133   | \$ (462,336)   | \$ 1,117,920   | \$ (2,433,324) |
| Cafeteria Fund   | (201,864)      | 86,240         | 134,993      | 119,482        | 43,322         | (19,622)     | (148,751)    | 40,325         | 34,421         | 58,208         |
| Capital Projects Fund  | 456,673        | 1,045,374      | (986,553)    | 706,342        | 1,115,506      | (216,738)    | (403,955)    | 2,964,148      | (3,094,752)    | 987,952        |
| Activity Fund  | 73,268         |                |              |                |                |              |              |                |                |                |
|  | \$ 1,293,758   | \$ 995,032     | \$ 592,393   | \$ 1,154,518   | \$ 1,127,518   | \$ 1,533,829 | \$ 270,427   | \$ 2,542,137   | \$ (1,942,411) | \$ (1,387,164) |
| Capital outlay   | \$ 15,845,173  | \$ 6,290,605   | \$ 2,559,481 | \$ 525,195     | \$ 831,774     | \$ 1,133,365 | \$ 1,202,283 | \$ 3,831,996   | \$ 13,367,244  | \$ 1,830,225   |
| Ratio of debt service expenditures to non-capital expenditures   | 0.22%          | 0.23%          | 0.23%        | 0.32%          | 0.31%          | 0.37%        | 0.00%        | 0.00%          | 0.59%          | 0.61%          |

Notes:

Source: City of Salem Finance Department

(1) In 2021, the School Division implemented GASB Statement No. 64 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<br/>(Decrease)</b> | <b>Revenue</b>                  | <b>Increase<br/>(Decrease)</b> |
| 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                        |
| 2013               | 20,776,428           | 2,304,775                      | 18,505,940                      | 714,052                        |
| 2012               | 18,471,653           | 51,653                         | 17,791,888                      | 921,361                        |

**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<br/>(Decrease)</b> |
|--------------------|-------------------|--------------------------------|
| 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)                       |
| 2013               | 867,703           | (35,790)                       |
| 2012               | 903,493           | (18,860)                       |

**Note:**

Source: City of Salem Finance Department

**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 |  |  | Total Direct Tax Rate |
|-------------|------------------|-----------------|--|-------------------|-----------------|--|---------------------|-----------------|--|----------------------------|-----------------|--|----------------|-----------------|--|------------------------------|--|--|-----------------------|
|             | Assessed Value   | Direct Tax Rate |  | Assessed Value    | Direct Tax Rate |  | Assessed Value      | Direct Tax Rate |  | Assessed Value             | Direct Tax Rate |  | Assessed Value | Direct Tax Rate |  |                              |  |  |                       |
| 2021        | \$ 2,296,615,563 | \$1.20          |  | \$ 346,874,881    | \$3.40          |  | \$ 99,551,587       | \$3.20          |  | \$ 64,324,330              | \$1.20          |  | \$ 827,954     | \$1.20          |  | \$ 2,808,194,315             |  |  | \$1.54                |
| 2020        | 2,223,003,261    | 1.20            |  | 319,099,250       | 3.40            |  | 98,084,487          | 3.20            |  | 60,840,085                 | 1.20            |  | 758,822        | 1.20            |  | 2,701,785,905                |  |  | 1.54                  |
| 2019        | 2,144,567,539    | 1.18            |  | 310,426,127       | 3.25            |  | 91,646,255          | 3.20            |  | 53,418,469                 | 1.18            |  | 749,392        | 1.18            |  | 2,600,807,782                |  |  | 1.51                  |
| 2018        | 2,092,863,676    | 1.18            |  | 306,890,700       | 3.25            |  | 97,999,444          | 3.20            |  | 51,247,569                 | 1.18            |  | 816,174        | 1.18            |  | 2,549,817,563                |  |  | 1.50                  |
| 2017        | 2,054,446,049    | 1.18            |  | 312,495,313       | 3.25            |  | 89,186,639          | 3.20            |  | 44,507,648                 | 1.18            |  | 984,368        | 1.18            |  | 2,501,620,017                |  |  | 1.51                  |
| 2016        | 2,022,951,024    | 1.18            |  | 295,173,346       | 3.25            |  | 91,322,128          | 3.20            |  | 41,308,358                 | 1.18            |  | 1,059,063      | 1.18            |  | 2,451,813,919                |  |  | 1.50                  |
| 2015        | 2,012,050,247    | 1.18            |  | 282,311,121       | 3.25            |  | 91,977,805          | 3.20            |  | 40,513,445                 | 1.18            |  | 1,195,515      | 1.18            |  | 2,428,048,133                |  |  | 1.50                  |
| 2014        | 2,003,007,334    | 1.18            |  | 276,846,201       | 3.20            |  | 91,226,535          | 3.20            |  | 41,408,575                 | 1.18            |  | 1,249,050      | 1.18            |  | 2,413,737,695                |  |  | 1.49                  |
| 2013        | 1,997,447,800    | 1.18            |  | 267,755,307       | 3.20            |  | 84,169,172          | 3.20            |  | 42,281,759                 | 1.18            |  | 1,431,949      | 1.18            |  | 2,393,085,987                |  |  | 1.47                  |
| 2012        | 1,977,986,400    | 1.18            |  | 267,877,285       | 3.20            |  | 90,287,324          | 3.20            |  | 37,468,284                 | 1.18            |  | 1,668,743      | 1.18            |  | 2,375,288,036                |  |  | 1.48                  |

**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<br>Ended<br>December 31, | Taxes Levied<br>for the<br>Calendar Year | Collected within the<br>Calendar Year of the Levy |                       | Supplemental<br>Assessments &<br>Exonerations<br>Levied in<br>Subsequent Years | Collections in<br>Subsequent<br>Years | Total Collections to Date |                       |
|--|--|---|-----------------------|--|---------------------------------------|---------------------------|-----------------------|
|  |  | Amount  | Percentage<br>of Levy |  |                                       | Amount                    | Percentage<br>of Levy |
| 2021                                   | \$ 40,322,441                            | \$ 38,719,642                                     | 96.03%                | \$ -   | \$ -                                  | \$ 38,719,642             | 96.03%                |
| 2020                                   | 38,547,607                               | 35,634,651  | 92.44%                | 51,777   | 2,499,401                             | 38,134,052                | 98.79%                |
| 2019                                   | 36,274,839                               | 35,191,478  | 97.01%                | 172,045  | 1,148,336                             | 36,339,814                | 99.71%                |
| 2018                                   | 35,837,963                               | 34,375,408  | 95.92%                | (347,531)  | 1,060,430                             | 35,435,838                | 99.85%                |
| 2017                                   | 35,253,119                               | 34,012,836  | 96.48%                | (71,996)   | 1,131,776                             | 35,144,612                | 99.90%                |
| 2016                                   | 33,896,364                               | 32,608,317  | 96.20%                | (19,524)   | 1,217,875                             | 33,826,192                | 99.85%                |
| 2015                                   | 33,407,499                               | 31,903,905  | 95.50%                | (62,546)   | 1,330,715                             | 33,234,620                | 99.67%                |
| 2014                                   | 32,905,743                               | 31,229,276  | 94.91%                | (83,736)   | 1,552,138                             | 32,781,414                | 99.88%                |
| 2013                                   | 32,537,416                               | 30,854,728  | 94.83%                | 64,769   | 1,686,852                             | 32,541,580                | 99.81%                |
| 2012                                   | 32,672,916                               | 31,351,991  | 95.96%                | 32,561   | 1,324,898                             | 32,676,889                | 99.91%                |

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>2021</b>                           |             |  | <b>2012</b>                           |             |  |
|--|---------------------------------------|-------------|--|---------------------------------------|-------------|--|
|  | <b>Taxable<br/>Assessed<br/>Value</b> | <b>Rank</b> | <b>Percentage<br/>of Total City<br/>Taxable<br/>Assessed<br/>Value</b> | <b>Taxable<br/>Assessed<br/>Value</b> | <b>Rank</b> | <b>Percentage<br/>of Total City<br/>Taxable<br/>Assessed<br/>Value</b> |
| Lewis-Gale Medical Center LLC (1)        | \$65,076,200                          | 1           | 2.76%  | \$ 36,118,600                         | 1           | 1.82%  |
| Yokohama Industries                      | 14,410,100                            | 2           | 0.61%  | 16,142,400                            | 3           | 0.81%  |
| Lowes/VALO LLC                           | 14,056,900                            | 3           | 0.60%  | 12,462,800                            | 4           | 0.63%  |
| Spartan Square                           | 12,017,800                            | 4           | 0.51%  | 8,737,700                             | 8           | 0.44%  |
| Carter Machinery/Carthy Corp/Mount Sinai | 11,770,100                            | 5           | 0.50%  | 7,586,000                             | 10          | 0.38%  |
| U.S. Food Service, Inc.                  | 10,903,500                            | 6           | 0.46%  | 10,524,500                            | 6           | 0.53%  |
| General Electric                         | 9,344,200                             | 7           | 0.40%  | 10,665,400                            | 5           | 0.54%  |
| TKC CCXXIX LLC                           | 9,308,200                             | 8           | 0.39%  |                                       |             |  |
| Chateau Riviera Apartments               | 9,104,800                             | 9           | 0.39%  | 9,190,500                             | 7           | 0.46%  |
| Salem Terrace                            | 8,700,900                             | 10          | 0.37%  | 8,690,500                             | 9           | 0.44%  |
| Lewis-Gale Clinic/HRT                    |                                       |             |  | 22,095,300                            | 2           | 1.11%  |

**Note:**

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.

**TABLE 10**  
**UNAUDITED**

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

| Fiscal Year | Governmental Activities  | Business-Type Activities | Total Primary Government | Capital Lease Obligation |
|-------------|--------------------------|--------------------------|--------------------------|--------------------------|
|             | General Obligation Bonds | General Obligation Bonds |                          |                          |
|             | (1)                      |                          |                          |                          |
| 2021        | \$ 57,250,371            | \$ 35,559,482            | \$ 92,809,853            | \$ 43,589                |
| 2020        | 60,686,620               | 39,296,513               | 99,983,133               | 99,520                   |
| 2019        | 32,910,038               | 40,780,877               | 73,690,915               | 121,467                  |
| 2018        | 30,897,265               | 41,669,640               | 72,566,905               | 198,016                  |
| 2017        | 33,916,905               | 45,723,894               | 79,640,799               | 271,203                  |
| 2016        | 36,971,375               | 49,665,950               | 86,637,325               | 341,175                  |
| 2015        | 34,681,163               | 47,663,394               | 82,344,557               | -                        |
| 2014        | 37,640,582               | 49,258,943               | 86,899,525               | -                        |
| 2013        | 32,625,067               | 50,697,384               | 83,322,451               | -                        |
| 2012        | 25,470,726               | 53,677,900               | 79,148,626               | -                        |

| 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)                        |  |
| 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%  |
| 2013        | 2,393,085,987                | 3.48%  | 25,267     | 3,298                  | 40,688                     | 8.00%  |
| 2012        | 2,375,288,036                | 3.33%  | 25,145     | 3,148                  | 39,866                     | 8.00%  |

**Notes:**

Source: City of Salem Finance Department

Details regarding the City's outstanding debt can be found in the notes to the financial statements in the City of Salem's Annual Comprehensive Financial Report. The report may be obtained from the City of Salem Finance Department, P.O. Box 869, Salem, VA 24153.

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

(1) Outstanding debt for 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 | Amount of Debt Applicable to Limit |                     |                              |                   | Net Debt Applicable to Limit as a Percent of Debt Limit |
|-------------|---------------------------------|----------------------------------|--------------------------------|------------------------------------|---------------------|------------------------------|-------------------|---|
|             |                                 |                                  |                                | Enterprise Bonds                   | RVRA Supported Debt | Net Debt Applicable to Limit | Legal Debt Margin |   |
|             |                                 |                                  |                                | (2)                                |                     | (3)                          |                   |   |
| 2021        | \$ 2,360,939,893                | \$ 236,093,989                   | \$ 92,809,853                  | \$ (35,559,482)                    | \$ (585,396)        | \$ 56,664,975                | \$ 179,429,014    | 24.00%  |
| 2020        | 2,283,843,346                   | 228,384,335                      | 99,983,133                     | (39,296,513)                       | (789,921)           | 59,896,699                   | 168,487,636       | 26.23%  |
| 2019        | 2,197,986,008                   | 219,798,601                      | 73,690,915                     | (40,780,877)                       | (998,082)           | 31,911,956                   | 187,886,645       | 14.52%  |
| 2018        | 2,144,111,245                   | 214,411,125                      | 72,566,905                     | (41,669,640)                       | (1,209,879)         | 29,687,386                   | 184,723,739       | 13.85%  |
| 2017        | 2,098,953,697                   | 209,895,370                      | 79,640,799                     | (45,723,894)                       | (1,425,312)         | 32,491,593                   | 177,403,777       | 15.48%  |
| 2016        | 2,064,259,382                   | 206,425,938                      | 86,637,325                     | (49,665,950)                       | -                   | 36,971,375                   | 169,454,563       | 17.91%  |
| 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%  |
| 2013        | 2,039,729,559                   | 203,972,956                      | 83,322,451                     | (50,697,384)                       | -                   | 32,625,067                   | 171,347,889       | 15.99%  |
| 2012        | 2,015,454,684                   | 201,545,468                      | 79,148,626                     | (53,677,900)                       | -                   | 25,470,726                   | 176,074,742       | 12.64%  |

Notes:

Source: City of Salem Finance Department

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

(2) 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.

(3) The School Division 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<br/>Year<br/>Ended</b> | <b>Population</b> | <b>Total Personal<br/>Income<br/>(In Thousands)</b> | <b>Per Capita<br/>Personal<br/>Income</b> | <b>Public<br/>School<br/>Enrollment</b> | <b>Unemployment<br/>Rate</b> |
|----------------------------------|-------------------|---|---|---|------------------------------|
| (1)                              | (2)               | (3)   | (3)                                       | (4)                                     | (5)                          |
| 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%                         |
| 2013                             | 25,267            | 4,789,030   | 40,688                                    | 3,823                                   | 6.6%                         |
| 2012                             | 25,145            | 4,672,291   | 39,866                                    | 3,867                                   | 6.5%                         |

**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 2020.
- (2) Population is based on intercensal estimates of the resident population for counties of Virginia: April 1, 2000 to July 1, 2010. U.S. Census Bureau, Population Division. Population for 2012 through 2021 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>2021</b>      |             |  | <b>2012</b>      |             |  |
|--|------------------|-------------|--|------------------|-------------|--|
|  | <b>Employees</b> | <b>Rank</b> | <b>Percentage<br/>of Total City<br/>Employment<br/>(1)</b> | <b>Employees</b> | <b>Rank</b> | <b>Percentage<br/>of Total City<br/>Employment<br/>(1)</b> |
| Veterans Administration Medical Center | 1,734            | 1           | 9.39%  | 1,950            | 1           | 8.71%  |
| Lewis-Gale Hospital HCA                | 1,248            | 2           | 6.76%  | 1,445            | 2           | 6.46%  |
| Yokohama Industries                    | 660              | 3           | 3.57%  | 940              | 3           | 4.20%  |
| City of Salem Schools                  | 576              | 4           | 3.12%  | 587              | 6           | 2.62%  |
| City of Salem                          | 482              | 5           | 2.61%  | 508              | 7           | 2.27%  |
| Roanoke College                        | 441              | 6           | 2.39%  | 476              | 8           | 2.13%  |
| Integer                                | 420              | 7           | 2.27%  |                  |             |  |
| Carter Machinery                       | 407              | 8           | 2.20%  | 368              | 10          | 1.64%  |
| Kroger                                 | 388              | 9           | 2.10%  |                  |             |  |
| US Foodservice                         | 354              | 10          | 1.92%  | 443              | 9           | 1.98%  |
| General Electric                       |                  |             |  | 804              | 4           | 3.59%  |
| Virginia Department of Transportation  |                  |             |  | 782              | 5           | 3.49%  |

**Notes:**

Source: City of Salem Economic Development Department, Virginia Employment Commission

(1) Calculated using data provided by Virginia Employment Commission

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

| Fiscal Year Ended | Membership September 30 | Average Daily Membership March 31 | Membership June 30 | Average Daily Membership June 30 | Average Daily Attendance March 31 | Special Education Child Count December 1 | Salem Per Pupil Expenditures | State Average Per Pupil Expenditures | Composite Index |
|-------------------|-------------------------|-----------------------------------|--------------------|----------------------------------|-----------------------------------|--|------------------------------|--------------------------------------|-----------------|
|                   | (1)                     | (1)                               | (1)                | (2), (7)                         | (3), (8)                          | (4)                                      | (2)                          | (2)                                  |                 |
| 2021              | 3,834                   | 3,694                             | 3,756              | 3,743                            | 3,581                             | 621                                      | N/A                          | N/A                                  | 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          |
| 2013 (6)          | 3,816                   | 3,779                             | 3,820              | 3,816                            | 3,634                             | 517                                      | 10,640                       | 11,257                               | 0.3628          |
| 2012              | 3,867                   | 3,839                             | 3,863              | 3,841                            | 3,686                             | 501                                      | 10,447                       | 10,969                               | 0.3516          |

Census Count (including special education count) used as Basis for State Sales Tax Allocation <sup>(5)</sup>

|      |       |
|------|-------|
| 2020 | 4,389 |
| 2019 | 4,393 |
| 2018 | 4,429 |
| 2017 | 4,317 |
| 2016 | 4,285 |
| 2015 | 4,364 |
| 2014 | 4,361 |
| 2013 | 4,446 |
| 2012 | 4,411 |

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 (2012-2020)

(3) Superintendent's Annual Report Table 8 (2012-2020)

(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, 2020.

(6) Figures for 2013 and 2014 were adjusted to match the Superintendent's Annual Reports for those school years.

(7) End of year financial verification report

(8) Spring student record collection

TABLE 15  
UNAUDITED

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

| COURSE                        | 2021  |     | 2020  |    | 2019  |     | 2018  |     | 2017  |     | 2016  |     | 2015  |     | 2014  |    | 2013  |    | 2012  |     |
|-------------------------------|-------|-----|-------|----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|----|-------|----|-------|-----|
|                               | SALEM | VA  | SALEM | VA | SALEM | VA  | SALEM | VA  | SALEM | VA  | SALEM | VA  | SALEM | VA  | SALEM | VA | SALEM | VA | SALEM | VA  |
| Grade 3 English RLR           | 64    | 61  | *     | *  | 80    | 71  | 77    | 72  | 81    | 75  | 83    | 76  | 85    | 75  | 78    | 69 | 83    | 72 | 96    | 86  |
| Grade 3 Mathematics           | 60    | 54  | *     | *  | 86    | 82  | 80    | 73  | 83    | 75  | 86    | 77  | 85    | 74  | 75    | 67 | 78    | 65 | 83    | 64  |
| 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 | 93    | 86 | 94    | 87 | 96    | 87  |
| 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 | 88    | 83 | 92    | 84 | 96    | 90  |
| Grade 4 English RLR           | 75    | 68  | *     | *  | 77    | 75  | 77    | 76  | 84    | 79  | 84    | 77  | 88    | 77  | 79    | 70 | 82    | 70 | 96    | 88  |
| Grade 4 Mathematics           | 68    | 56  | *     | *  | 83    | 83  | 83    | 79  | 88    | 81  | 91    | 83  | 88    | 84  | 86    | 80 | 87    | 74 | 75    | 70  |
| VA Studies                    | n/a   | n/a | *     | *  | 80    | 81  | 87    | 85  | 87    | 87  | 89    | 87  | 93    | 87  | 92    | 85 | 94    | 87 | 94    | 89  |
| Grade 5 English RLR           | 70    | 66  | *     | *  | 77    | 78  | 83    | 80  | 83    | 81  | 88    | 81  | 83    | 79  | 82    | 73 | 84    | 73 | 91    | 89  |
| 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 | 71    | 71 | 81    | 87 | 93    | 87  |
| Grade 5 Mathematics           | 63    | 51  | *     | *  | 88    | 81  | 83    | 77  | 78    | 79  | 79    | 79  | 85    | 79  | 76    | 73 | 74    | 69 | 69    | 67  |
| Grade 5 Science               | 57    | 50  | *     | *  | 79    | 79  | 85    | 79  | 79    | 79  | 83    | 81  | 86    | 79  | 81    | 73 | 75    | 75 | 94    | 88  |
| Grade 6 English RLR           | 71    | 69  | *     | *  | 83    | 77  | 79    | 80  | 82    | 78  | 85    | 77  | 84    | 76  | 80    | 73 | 80    | 73 | 90    | 89  |
| Grade 6 Mathematics           | 57    | 45  | *     | *  | 71    | 78  | 71    | 79  | 77    | 82  | 88    | 82  | 80    | 83  | 73    | 76 | 76    | 77 | 66    | 74  |
| 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 | 83    | 81 | 91    | 83 | 85    | 81  |
| Grade 7 English RLR           | 68    | 71  | *     | *  | 80    | 79  | 80    | 81  | 88    | 82  | 87    | 82  | 91    | 81  | 82    | 76 | 83    | 74 | 94    | 88  |
| Grade 7 Mathematics           | 42    | 45  | *     | *  | 70    | 78  | 65    | 69  | 74    | 71  | 84    | 72  | 85    | 72  | 74    | 65 | 68    | 61 | 67    | 58  |
| 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 | 84    | 81 | 77    | 82 | 85    | 84  |
| Grade 8 English RLR           | 77    | 69  | *     | *  | 77    | 76  | 79    | 77  | 81    | 76  | 82    | 75  | 81    | 75  | 72    | 70 | 77    | 71 | 95    | 89  |
| Grade 8 English Writing       | n/a   | n/a | *     | *  | 78    | 70  | 77    | 73  | 77    | 73  | 78    | 71  | 76    | 72  | 72    | 70 | 80    | 71 | 95    | 88  |
| Grade 8 Mathematics           | 25    | 43  | *     | *  | 75    | 77  | 63    | 71  | 72    | 74  | 69    | 73  | 86    | 74  | 77    | 67 | 72    | 61 | 67    | 60  |
| Grade 8 Civics                | n/a   | n/a | *     | *  | 79    | 82  | 85    | 86  | 87    | 87  | 87    | 87  | 92    | 86  | 83    | 83 | 83    | 85 | 92    | 84  |
| Grade 8 Science               | 62    | 58  | *     | *  | 84    | 78  | 87    | 78  | 88    | 79  | 87    | 79  | 87    | 78  | 85    | 74 | 82    | 76 | 95    | 92  |
| End of Course English RLR     | 91    | 81  | *     | *  | 91    | 86  | 91    | 87  | 91    | 87  | 91    | 89  | 91    | 89  | 93    | 90 | 92    | 89 | 95    | 94  |
| End of Course English Writing | n/a   | n/a | *     | *  | <     | 81  | 82    | 84  | 87    | 84  | 88    | 83  | 88    | 83  | 90    | 84 | 89    | 70 | 95    | 93  |
| Algebra I                     | 61    | 63  | *     | *  | 83    | 86  | 82    | 81  | 89    | 82  | 83    | 83  | 90    | 82  | 81    | 79 | 81    | 76 | 81    | 75  |
| Algebra II                    | 95    | 78  | *     | *  | 98    | 91  | 93    | 89  | 98    | 90  | 99    | 89  | 98    | 87  | 81    | 82 | 81    | 76 | 84    | 69  |
| Geometry                      | 82    | 73  | *     | *  | 83    | 83  | 80    | 77  | 91    | 78  | 86    | 80  | 90    | 80  | 86    | 77 | 73    | 76 | 84    | 74  |
| Earth Science                 | 72    | 67  | *     | *  | 91    | 81  | 84    | 81  | 93    | 82  | 97    | 84  | 93    | 83  | 91    | 83 | 87    | 83 | 97    | 90  |
| Biology                       | 73    | 66  | *     | *  | 86    | 83  | 89    | 82  | 90    | 82  | 89    | 84  | 92    | 84  | 89    | 83 | 91    | 83 | 97    | 92  |
| Chemistry                     | 90    | 52  | *     | *  | 91    | 88  | 93    | 89  | 96    | 89  | 98    | 88  | 100   | 88  | 95    | 87 | 97    | 86 | 99    | 93  |
| World History I               | n/a   | n/a | *     | *  | 82    | 80  | 92    | 82  | 93    | 85  | 95    | 84  | 98    | 85  | 93    | 85 | 91    | 84 | 97    | 84  |
| World History II              | n/a   | n/a | *     | *  | 57    | 81  | 89    | 84  | 95    | 87  | 95    | 86  | 94    | 87  | 96    | 86 | 91    | 85 | 92    | 85  |
| World Geography               | n/a   | n/a | *     | *  | 83    | 80  | 85    | 82  | 86    | 83  | 88    | 86  | 88    | 86  | 88    | 86 | 90    | 85 | 89    | n/a |
| VA/US History                 | n/a   | n/a | *     | *  | 72    | 68  | 89    | 84  | 92    | 86  | 91    | 86  | 90    | 87  | 96    | 87 | 95    | 86 | 96    | 85  |

Notes:

Source: Virginia Department of Education website; [www.doe.virginia.gov](http://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**

| <b>Fiscal<br/>Year<br/>Ended<br/>June 30</b> | <b>Number of<br/>Students<br/>Who Took<br/>SATs</b> | <b>Combined Score for Verbal and Math</b> |                 |                 |
|--|---|---|-----------------|-----------------|
|  |   | <b>Salem</b>                              | <b>Virginia</b> | <b>National</b> |
| 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           |
| 2013   | 159   | 1,036                                     | 1,030           | 1,010           |
| 2012   | 169   | 1,031                                     | 1,022           | 1,010           |

**Note:**

Source: Director of Instruction and Innovation

**TABLE 17**  
**UNAUDITED**

**CITY OF SALEM SCHOOL DIVISION  
ACCREDITATION STATUS  
2020-2021 SCHOOL YEAR**

| <b>School Name</b>            | <b>Virginia<br/>Accreditation<br/>Status</b> |
|-------------------------------|--|
| 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: Director of Instruction and Innovation

TABLE 18  
UNAUDITED

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

| Positions                | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Board Member             | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          |
| Administrator            | 9.7          | 9.1          | 9.1          | 8.5          | 9.7          | 9.5          | 10.3         | 9.7          | 9.8          | 8.0          |
| 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          | 9.5          | 9.0          | 9.0          | 9.0          | 9.0          | 9.0          | 9.0          | 9.0          |
| Teachers                 | 312.3        | 307.7        | 306.6        | 303.1        | 300.5        | 302.1        | 307.1        | 309.6        | 315.1        | 308.0        |
| Instructional Assistants | 91.2         | 74.3         | 71.6         | 72.1         | 71.7         | 65.1         | 54.3         | 49.7         | 51.5         | 75.0         |
| Secretary/Specialist     | 24.8         | 24.9         | 22.8         | 21.6         | 21.7         | 21.4         | 21.8         | 25.2         | 23.8         | 21.7         |
| Attendance & Health      | 10.9         | 10.5         | 10.3         | 10.5         | 10.4         | 10.5         | 10.6         | 10.6         | 10.3         | 14.0         |
| Transportation           | 30.0         | 30.6         | 30.0         | 30.4         | 27.5         | 26.2         | 27.1         | 31.4         | 31.5         | 31.1         |
| Maintenance              | 39.6         | 39.3         | 38.0         | 37.3         | 37.6         | 37.3         | 38.5         | 39.3         | 41.0         | 41.5         |
| Technology               | 10.7         | 10.7         | 10.8         | 10.8         | 9.8          | 9.7          | 10.0         | 8.8          | 9.0          | 11.0         |
| School Nutrition         | 5.0          | 6.0          | 10.8         | 14.6         | 20.0         | 20.0         | 27.0         | 28.8         | 28.1         | 29.1         |
| <b>Total</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> | <b>540.1</b> | <b>559.4</b> |

Note:  
Source: Annual School Report

**TABLE 19**  
**UNAUDITED**

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

| <b>Degree</b>           | <b>Level</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|-------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Bachelors               | Minimum      | \$42,119    | \$42,714    | \$42,000    | \$42,000    | \$42,000    | \$42,000    | \$42,000    | \$41,000    | \$41,000    | \$40,796    |
|                         | Maximum      | 64,697      | 65,613      | 64,516      | 63,469      | 61,710      | 60,328      | 60,179      | 59,736      | 60,482      | 57,771      |
| Masters                 | Minimum      | 45,905      | 46,554      | 45,776      | 45,776      | 45,776      | 45,776      | 45,720      | 44,647      | 44,647      | 44,236      |
|                         | Maximum      | 70,155      | 71,182      | 69,958      | 68,494      | 66,035      | 64,104      | 63,899      | 63,383      | 64,129      | 61,211      |
| Doctorate               | Minimum      | 47,732      | 48,406      | 47,597      | 47,597      | 47,597      | 47,597      | 47,514      | 46,406      | 46,406      | 45,896      |
|                         | Maximum      | 72,788      | 73,818      | 72,584      | 70,919      | 68,122      | 65,925      | 65,693      | 65,142      | 65,888      | 62,871      |
| Average Salary          |              | \$59,494    | \$58,760    | \$57,980    | \$58,418    | \$57,387    | \$55,776    | \$55,352    | \$55,115    | \$56,206    | \$54,492    |
| Virginia Average Salary |              | n/a         | \$60,265    | \$58,714    | \$56,861    | \$56,351    | \$54,891    | \$54,486    | \$53,818    | \$52,942    | \$52,093    |

**Note:**

Source: Salary Scales and Annual School Report

TABLE 20  
UNAUDITED

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

| Function                           | 2021                  | 2020                  | 2019                  | 2018                  | 2017                  | 2016                  | 2015                  | 2014                  | 2013                  | 2012                  |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <i>Current:</i>                    |                       |                       |                       | (1)                   |                       |                       |                       |                       |                       |                       |
| Central administration             | \$ 2,040,621<br>4.47% | \$ 2,007,754<br>4.59% | \$ 1,734,048<br>3.99% | \$ 1,587,712<br>3.75% | \$ 1,608,371<br>3.92% | \$ 1,593,852<br>3.97% | \$ 1,658,908<br>4.13% | \$ 1,756,494<br>4.26% | \$ 1,664,724<br>4.10% | \$ 1,414,020<br>3.77% |
| Centralized instruction costs      | 3,554,076<br>7.79%    | 4,074,573<br>9.32%    | 4,053,997<br>9.33%    | 3,768,680<br>8.89%    | 3,795,451<br>9.25%    | 3,687,727<br>9.19%    | 3,832,984<br>9.53%    | 3,711,762<br>9.01%    | 3,499,585<br>8.61%    | 3,008,025<br>8.02%    |
| Instructional costs:               | 37,207,887<br>81.55%  | 35,006,694<br>80.07%  | 34,906,585<br>80.31%  | 34,387,919<br>81.14%  | 30,994,362<br>75.52%  | 30,374,830<br>75.73%  | 30,504,728<br>75.86%  | 30,340,948<br>73.64%  | 30,554,444<br>75.17%  | 27,890,640<br>74.33%  |
| Attendance and health services     | 1,148,003<br>2.52%    | 1,136,256<br>2.60%    | 1,088,768<br>2.50%    | 1,085,034<br>2.56%    | 1,049,120<br>2.56%    | 1,001,682<br>2.50%    | 988,485<br>2.46%      | 889,226<br>2.16%      | 893,663<br>2.20%      | 838,160<br>2.23%      |
| Transportation                     | 1,567,746<br>3.44%    | 1,390,916<br>3.18%    | 1,577,945<br>3.63%    | 1,410,894<br>3.33%    | 1,317,610<br>3.21%    | 1,269,037<br>3.16%    | 1,269,076<br>3.16%    | 1,529,625<br>3.71%    | 1,282,845<br>3.16%    | 1,297,167<br>3.46%    |
| Federal and state grants programs  | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | 2,142,407<br>5.22%    | 2,027,663<br>5.06%    | 1,958,910<br>4.87%    | 2,974,412<br>7.22%    | 2,203,948<br>5.42%    | 2,824,695<br>7.53%    |
| Non-departmental                   | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | 548,520<br>1.35%      | 250,000<br>0.67%      |
| <i>Capital lease debt service:</i> |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Principal                          | 99,919<br>0.22%       | 95,293<br>0.22%       | 104,768<br>24.00%     | 137,071<br>0.32%      | 131,405<br>0.32%      | 142,981<br>0.36%      | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            |
| Interest                           | 4,849<br>0.01%        | 9,475<br>0.02%        | -<br>0.00%            | 5,911<br>0.01%        | 965<br>0.00%          | 10,612<br>0.03%       | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            | -<br>0.00%            |
| Total expenditures                 | \$ 45,623,101         | \$ 43,720,961         | \$ 43,466,111         | \$ 42,383,221         | \$ 41,039,691         | \$ 40,108,384         | \$ 40,213,091         | \$ 41,202,467         | \$ 40,647,729         | \$ 37,522,707         |

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                       | 2021    | 2020    | 2019    | 2018    | 2017    | 2016    | 2015    | 2014    | 2013    | 2012    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| East Salem Elementary (1962)             |         |         |         |         |         |         |         |         |         |         |
| Square feet                              | 56,308  | 56,308  | 56,308  | 56,308  | 56,308  | 56,308  | 56,308  | 53,714  | 53,714  | 53,714  |
| Capacity (students)                      | 500     | 500     | 500     | 500     | 500     | 500     | 500     | 500     | 500     | 500     |
| Enrollment                               | 382     | 406     | 397     | 387     | 413     | 419     | 416     | 414     | 403     | 410     |
| 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)                      | 600     | 600     | 600     | 600     | 600     | 600     | 600     | 600     | 600     | 600     |
| Enrollment                               | 429     | 431     | 422     | 431     | 462     | 461     | 444     | 423     | 427     | 482     |
| South Salem Elementary (2013)            |         |         |         |         |         |         |         |         |         |         |
| Square feet                              | 88,000  | 88,000  | 88,000  | 88,000  | 88,000  | 88,000  | 88,000  | 88,000  | 88,000  | 49,000  |
| Capacity (students)                      | 600     | 600     | 600     | 600     | 600     | 600     | 600     | 600     | 600     | 450     |
| Enrollment                               | 363     | 401     | 419     | 420     | 397     | 394     | 412     | 408     | 409     | 427     |
| 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)                      | 450     | 450     | 450     | 450     | 450     | 450     | 450     | 450     | 450     | 450     |
| Enrollment                               | 392     | 460     | 426     | 439     | 427     | 396     | 423     | 406     | 426     | 413     |
| 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)                      | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   |
| Enrollment                               | 927     | 916     | 942     | 914     | 893     | 898     | 901     | 924     | 905     | 878     |
| Salem High School (1977)                 |         |         |         |         |         |         |         |         |         |         |
| Square feet                              | 220,812 | 220,812 | 220,812 | 220,812 | 220,812 | 220,812 | 220,812 | 220,812 | 220,812 | 220,812 |
| Capacity (students)                      | 1,400   | 1,400   | 1,400   | 1,400   | 1,400   | 1,400   | 1,400   | 1,400   | 1,400   | 1,400   |
| Enrollment                               | 1,268   | 1,258   | 1,281   | 1,278   | 1,188   | 1,170   | 1,187   | 1,191   | 1,215   | 1,249   |
| 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



## COMPLIANCE SECTION

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**CITY OF SALEM SCHOOL DIVISION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

| <b>Federal Grantor</b><br><b>Pass-Through Grantor</b><br>Program or Cluster Title | <b>Federal</b><br><b>ALN</b><br><b>Number</b> | <b>Pass-Through</b><br><b>Entity Identifying</b><br><b>Number</b> | <b>Federal</b><br><b>Expenditures</b> | <b>Passed</b><br><b>Through to</b><br><b>Subrecipients</b> |
|---|---|---|---------------------------------------|--|
| <b><u>Department of Agriculture</u></b>   |   |   |                                       |  |
| <b><i>Virginia Department of Agriculture and Consumer Services</i></b>            |   |   |                                       |  |
| Child Nutrition Cluster   |   |   |                                       |  |
| Food Distribution - Commodities   | 10.555  | -   | \$ 161,705                            |  |
| Summer Food Service Program for Children  | 10.559  | -   | 2,754                                 |  |
| <b><u>Department of Labor</u></b>   |   |   |                                       |  |
| <b><i>Western Virginia Workforce Development Board</i></b>                        |   |   |                                       |  |
| WIOA Cluster  |   |   |                                       |  |
| WIA/WIOA Dislocated Worker Formula Grants   | 17.278  | -   | 1,009                                 |  |
| Total WIOA Cluster  |   |   | \$ 1,009                              |  |
| <b><i>Goodwill Industries of the Valleys</i></b>                                  |   |   |                                       |  |
| Reentry Employment Opportunities  | 17.270  | -   | 868                                   | 868  |
| <b><u>Department of Treasury</u></b>  |   |   |                                       |  |
| <b><i>Virginia Department of Education</i></b>                                    |   |   |                                       |  |
| COVID-19 Coronavirus Relief Fund  | 21.019  | SLT0218   | 663,128                               | 663,128  |
| <b><u>Department of Education</u></b>   |   |   |                                       |  |
| <b><i>Virginia Department of Education</i></b>                                    |   |   |                                       |  |
| Adult Education - Basic Grants to States 2019                                     | 84.002  | V002A190047   | 33,325                                | \$ 8,388   |
| Adult Education - Basic Grants to States 2020                                     | 84.002  | V002A200047   | 295,657                               | 328,982  |
| Title I Grants to Local Educational Agencies 2019                                 | 84.010  | S010A190046   | 154,512                               |  |
| Title I Grants to Local Educational Agencies 2020                                 | 84.010  | S010A200046   | 456,617                               | 611,129  |
| Special Education Cluster (IDEA)  |   |   |                                       |  |
| Special Education - Grants to States (IDEA, Part B) 2019                          | 84.027  | H027A190107   | 145,336                               |  |
| Special Education - Grants to States (IDEA, Part B) 2020                          | 84.027  | H027A200107   | 691,802                               |  |
| Special Education - Preschool Grants (IDEA Preschool) 2020                        | 84.173  | H173A200112   | 17,149                                |  |
| Special Education - Preschool Grants (IDEA Preschool) 2021                        | 84.173  | H173A210112   | 1,442                                 |  |
| Total Special Education Cluster (IDEA)  |   |   |                                       | 855,729  |
| Career and Technical Education - Basic Grants to States (Perkins IV) 2019         | 84.048  | V048A190046   | 1,807                                 |  |
| Career and Technical Education - Basic Grants to States (Perkins IV) 2020         | 84.048  | V048A200046   | 52,552                                | 54,359   |
| English Language Acquisition State Grants 2019                                    | 84.365  | S365A190046   | 7,631                                 |  |
| English Language Acquisition State Grants 2020                                    | 84.365  | S365A200046   | 13,525                                | 21,156   |
| Supporting Effective Instruction State Grants 2019                                | 84.367  | S367A190044   | 50,831                                |  |
| Supporting Effective Instruction State Grants 2020                                | 84.367  | S367A200044   | 39,308                                | 90,139   |
| Student Support and Academic Enrichment Grants 2019                               | 84.424  | S424A190048   | 1,710                                 |  |
| Student Support and Academic Enrichment Grants 2020                               | 84.424  | S424A200048   | 35,469                                | 37,179   |
| Education Stabilization Fund C - GEER 2020  | 84.425C                                       | S425C200042   | 34,594                                |  |
| Education Stabilization Fund D - ESSERF 2020                                      | 84.425D                                       | S425D200008   | 328,547                               |  |
| Education Stabilization Fund D - ESSER II 2021                                    | 84.425D                                       | S425D210008   | 46,237                                | 409,378  |
| <b><u>Department of Health and Human Services</u></b>                             |   |   |                                       |  |
| <b><i>Virginia Department of Health</i></b>                                       |   |   |                                       |  |
| Child Nutrition Cluster (continued)   |   |   |                                       |  |
| COVID-19 Summer Food Service Program for Children                                 | 10.559  | 202020N85034 1  | 224,911                               |  |
| COVID-19 Summer Food Service Program for Children                                 | 10.559  | 202120N11994 1  | 336,766                               |  |
| COVID-19 Summer Food Service Program for Children                                 | 10.559  | 202121N10994 1  | 80,415                                |  |
| COVID-19 Summer Food Service Program for Children                                 | 10.559  | 202121N11994 1  | 752,849                               |  |
| Total Child Nutrition Cluster   |   |   |                                       | 1,559,400  |
| <b><i>Goodwill Industries of the Valleys</i></b>                                  |   |   |                                       |  |
| Affordable Care Act (ACA)   |   |   |                                       |  |
| Health Profession Opportunity Grants  | 93.093  | 90FX0038-01-01  | 8,962                                 | 8,962  |
| <b><i>Virginia Department of Education</i></b>                                    |   |   |                                       |  |
| Temporary Assistance for Needy Families   | 93.558  | 2101VATANF  | 31,269                                | 31,269   |
| <b>Total Expenditures of Federal Awards</b>                                       |   |   | <b>\$ 4,672,687</b>                   | <b>\$ 153,788</b>  |

**CITY OF SALEM SCHOOL DIVISION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

Notes to the Schedule of Expenditures of Federal Awards

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, 2021, the City of Salem School Division (School Division) had food commodities in inventory of \$103,662.

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, 2021, 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 unity of the City of Salem, Virginia, as of and for the year ended June 30, 2021, 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 18, 2021.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School 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.**

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

### **Purpose of this Report**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 18, 2021

**CITY OF SALEM SCHOOL DIVISION**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2021**

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the 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