



INSPIRING EXCELLENCE IN THE COMMONWEALTH



SALEM
CITY SCHOOLS

LOVE • ENGAGE • INSPIRE

CITY OF SALEM SCHOOL DIVISION SALEM, VIRGINIA

(A Component Unit of the City of Salem)

Annual Comprehensive Financial Report
Year Ended June 30, 2022

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, 2022



Prepared by:

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

**CITY OF SALEM SCHOOL DIVISION
TABLE OF CONTENTS**

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	4
Directory of Principal Officials	9
Organizational Chart	10
Certificate of Excellence in Financial Reporting	11
FINANCIAL SECTION	
Report of Independent Auditor	13
Management's Discussion and Analysis	18
Basic Financial Statements	
Government-Wide Financial Statements	
Exhibit 1 Statement of Net Position	31
Exhibit 2 Statement of Activities	32
Governmental Funds' Financial Statements	
Exhibit 3 Balance Sheet	33
Exhibit 4 Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position	34
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances	35
Exhibit 6 Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	36
Exhibit 7 Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund	37
Exhibit 8 Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Special Revenue Fund - Cafeteria Fund	38
Proprietary Fund's Financial Statements	
Exhibit 9 Statement of Net Position	39
Exhibit 10 Statement of Revenues, Expenses, and Changes in Net Position	40
Exhibit 11 Statement of Cash Flows	41
Fiduciary Funds' Financial Statements	
Exhibit 12 Statement of Fiduciary Net Position	42
Exhibit 13 Statement of Changes in Fiduciary Net Position	42
Notes to Basic Financial Statements	43
Required Supplementary Information	
Exhibit 14 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	95
Exhibit 15 Schedule of Employer Pension Contributions	96
Exhibit 16 Schedule of Employer's Share of Net Pension Liability - VRS Teacher Retirement Plan	97
Exhibit 17 Schedule of Employer Pension Contributions - VRS Teacher Retirement Plan	98
Exhibit 18 Schedule of Changes in Net OPEB Liability and Related Ratios - Retiree Health Plan	99
Exhibit 19 Schedule of Employer OPEB Contributions - Retiree Health Plan	100
Exhibit 20 Schedule of Changes in Net OPEB Liability and Related Ratios - Political Subdivision Health Insurance Credit Program	101

**CITY OF SALEM SCHOOL DIVISION
TABLE OF CONTENTS**

	Page
Required Supplementary Information (Continued)	
Exhibit 21 Schedule of Employer OPEB Contributions - Political Subdivision Health Credit Insurance Program.....	102
Exhibit 22 Schedule of Employer's Share of Net OPEB Liability - GLI and Teacher Employee HIC Programs.....	103
Exhibit 23 Schedule of Employer OPEB Contributions - GLI and Teacher Employee HIC Programs.....	104
Notes to Required Supplementary Information.....	105

STATISTICAL SECTION

Table 1 Net Position (Deficit) by Component.....	109
Table 2 Changes in Net Position.....	110
Table 3 Fund Balances - Governmental Funds.....	111
Table 4 Changes in Fund Balances - Governmental Funds.....	112
Table 5 Major Revenue Sources.....	114
Table 6 Charges for Services Revenue - Food Sales.....	114
Table 7 City of Salem, Virginia - Assessed Value and Actual Value of Taxable Property.....	115
Table 8 City of Salem, Virginia - Property Tax Levies and Collections.....	116
Table 9 City of Salem, Virginia - Principal Real Estate Property Taxpayers.....	117
Table 10 City of Salem, Virginia - Ratios of General Bonded Debt Outstanding.....	118
Table 11 City of Salem, Virginia - Legal Debt Margin Information.....	119
Table 12 City of Salem, Virginia - Demographic Statistics.....	120
Table 13 City of Salem, Virginia - Principal Employers.....	121
Table 14 Membership and Per Pupil Spending.....	122
Table 15 Virginia Standards of Learning (SOL) Test Results.....	123
Table 16 Scholastic Aptitude Test (SAT) Scores.....	124
Table 17 Accreditation Status.....	124
Table 18 Full-Time Equivalent Positions.....	125
Table 19 Teacher Salary Information.....	126
Table 20 Expenditures by Function - General Fund.....	127
Table 21 Capital Asset Statistics.....	128

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards.....	131
Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	133
Summary of Compliance Matters.....	135

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY BLANK



CITY OF SALEM SCHOOL DIVISION

November 17, 2022

**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, 2022. This report was prepared by the City of Salem Department of Finance and the City of Salem School Division Business Office in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

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

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

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

The Reporting Entity and Services Provided

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

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

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

Profile of the School System

The School Division is the 66th largest of 132 school divisions in the Commonwealth of Virginia. The City of Salem is located at the southern end of the Shenandoah Valley, approximately 190 miles west of Richmond and 250 miles southwest of Washington DC. Its position in the southeastern United States gives the City ready access, within a 500-mile radius, to nearly two-thirds of the total population of the United States. In addition, the City lies in the region that serves as the cultural, medical, business, and transportation hub of western Virginia, with an integrated interstate highway, rail, and air transportation network. Interstate 81 runs through the region with direct connections to I-64 to the north and I-77 to the south, providing convenient access to major markets. Freight rail service is provided by Norfolk Southern. Passenger rail service is provided by Amtrak, with two daily trains to and from Washington, D.C. The Roanoke-Blacksburg Regional Airport offers commercial air service, served by four airlines, with nonstop flights to eight cities, as well as frequent connecting service and regular air freight service. Salem has an estimated population of 25,373 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 2022 was 3,659 and projected budgeted enrollment for fiscal year 2023 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, and gifted education at four elementary schools, one middle school, one high school and an alternative and adult education center. The School Division also offers preschool classes at East Salem Elementary, G. W. Carver Elementary and a new classroom for FY23 at South Salem Elementary School for economically disadvantaged children utilizing the Virginia Pre-School Initiative grant. Schools are supported by the central office, which provides a broad range of services including instructional curriculum development and support, student support, special education services, staff development, reporting and evaluation, pupil transportation, facilities, human resources, finance, technology, and school nutrition services.

The School Division is represented by several ethnic categories. Approximately 74% of the students are Caucasian, 14% are African-American, 9% are Hispanic, and 3% are Asian. Approximately 45% 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 below 17% of the total student enrollment, and English Learners (EL) represents approximately 6.5% of the student population.

Several teachers and staff members in Salem received high honors during the 2021-22 school year.

- Mr. Jamie Garst, Principal of Andrew Lewis Middle School, was named the 2022 Outstanding Middle School Principal by the Virginia Association of School Principals.
- Mr. Derek Wray, an Automotive and Diesel Technology Teacher at Salem High School was named one of just three Grand Prize Winners for the 2021 “Harbor Freight Tools for Schools” prize for teaching excellence.
- Twenty-five 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

Salem, long known as Virginia’s Championship City, hosted the 2021 USA Softball GOLD National Championships in July. The tournament featured 64 teams from across the nation, who competed in the 16-under and 18-under age divisions. In October, Salem hosted the sixth annual half marathon and in November, the Central Intercollegiate Athletic Association football championship game returned to Salem Stadium. Salem hosted the Virginia High School League State Wrestling Championships and the Men’s and Women’s ODAC Basketball tournaments. The NCAA DIII Softball championship games were held in Salem in May at the Moyer Complex. All of these events have a significant impact on local hotels, restaurants and shops.

As of June 2022, Salem’s unemployment rate was 3.0%, a drop from 4.0% in June of 2021. Salem’s unemployment rate remained lower than the national unemployment rate of 3.8% and mirrored the state unemployment rate of 3.0%.

Long-Term Financial Planning

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

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

Relevant Financial Policies

Budgetary controls are maintained to ensure compliance with Virginia statutes governing public entities and school operations. These statutes provide legal standards for preparing, presenting, adopting, and administering the budget. In accordance with state law, the adopted budget is submitted to City Council for adoption and appropriation. The School Board exercises management control over the budget at the cost center level within each fund, however the budget is legally adopted at the fund level. The School Board maintains an encumbrance accounting system as an additional method 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 30th) 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 2021 SOL tests results, all Salem City School Division elementary, middle and high schools were fully accredited.

- **Technology Initiative**

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

- **Capital Improvement Plan**

The Capital Improvement Plan (CIP) adopted by the School Board on October 12, 2021 reflects total school capital projects of \$15.5 million. The renovation of Salem High School began in March 2020 and has an expected completion date in December 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, 2021. This was the fifth 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, 2022. This program is designed to recognize school divisions for achieving excellence in their school system budget preparation.

Acknowledgements

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

Respectfully Submitted,



Curtis N. Hicks
Superintendent



Mandy C. Hall
Director of Business



Rosemarie B. Jordan
Director of Finance

**CITY OF SALEM SCHOOL DIVISION
 DIRECTORY OF PRINCIPAL OFFICIALS
 JUNE 30, 2022**



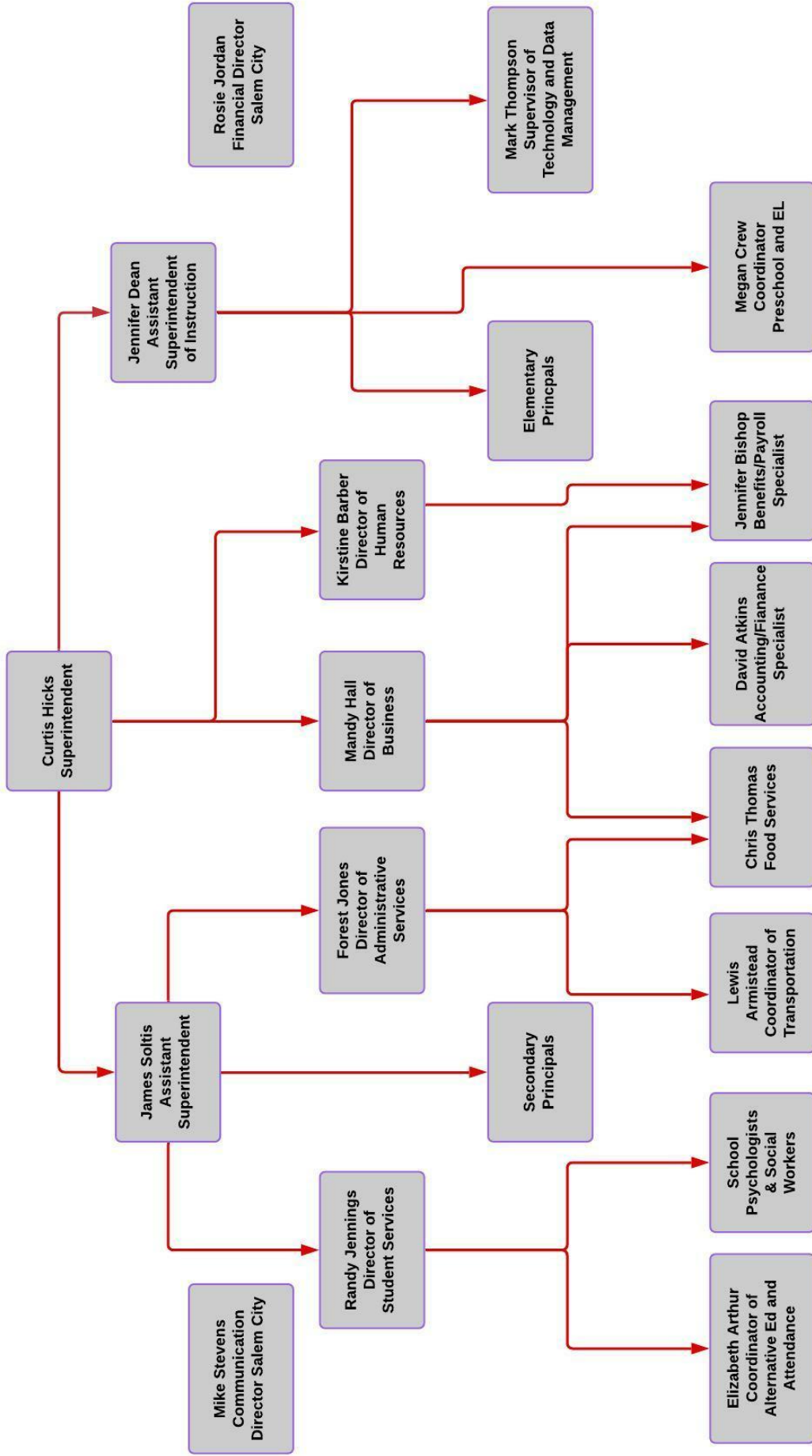
From left to right above - Dr. Nancy A. Bradley, Ms. Artice M. Ledbetter, Vice Chair, Mr. David H. Preston, Chair, Ms. Teresa Sizemore-Hernandez, and Mr. John A. (Andy) Raines

School Administration

Dr. Curtis N. Hicks, Superintendent

Assistant Superintendent	Mr. James C. Soltis
Assistant Superintendent of Instruction	Ms. Jennifer P. Dean
Director of Human Resources	Ms. Kirstine M. Barber
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. Mark A. Thompson
Clerk to the Board	Ms. Susan E. Young
Director of Finance	Ms. Rosemarie B. Jordan, CPA
Director of Communications	Mr. Mike Stevens

Salem City School Division Organizational Chart 2021-2022



Direct Reports		
Superintendent	Assistant Superintendent	Assistant Superintendent of Instruction
Assistant Superintendent	Secondary Principals	Elementary Principals
Assistant Superintendent of Instruction	Director of Student Services	Supervisor of Technology
Director Human Resources	Director of Administrative Services	
Director of Business		



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

City of Salem School Board

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.**

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



A handwritten signature in black ink, reading 'William A. Sutter'.

William A. Sutter
President

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

David J. Lewis
Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Division, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Special Revenue Fund – Cafeteria Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022 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 17, 2022

THIS PAGE INTENTIONALLY BLANK

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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

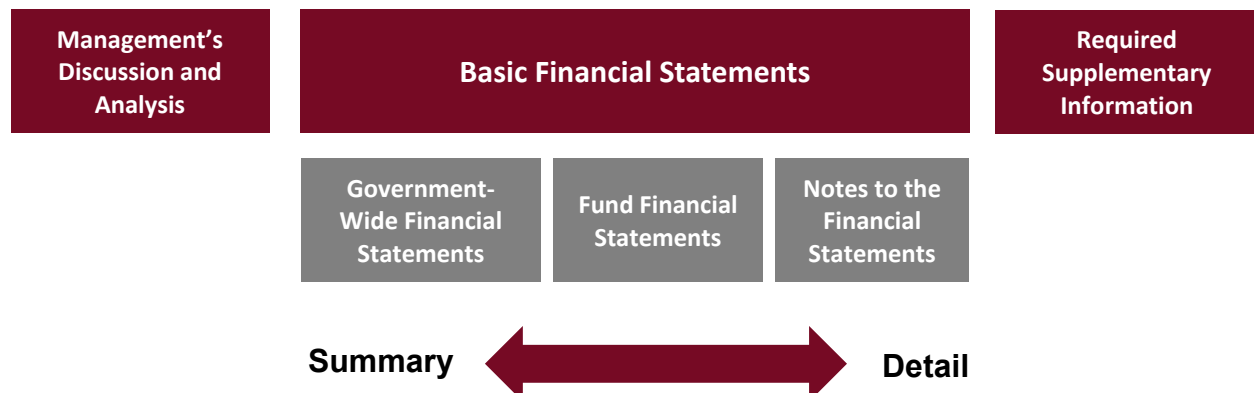
- The School Division maintained a healthy net position of \$46.9 million. Net position reflects the financial health of the School Division and includes certain assets procured with debt issued by the City of Salem, Virginia (City). The School Division is a component unit of, and fiscally dependent on, the City. As such, all debt related to School Division assets is shown on the City’s Statement of Net Position, except for financed purchase obligations of the School Division.
- The School Division had expenses, net of program revenues, of \$33.1 million, which were \$10.8 million less than general revenue of \$43.9 million.
- For the governmental funds, General Fund revenues accounted for \$53.1 million or 84.8% of all revenues, and expenditures were \$52.1 million or 79.9% of all expenditures, compared to \$48.4 million (74.7%) in revenues and \$45.6 million (71.7%) in expenditures in fiscal year 2021.
- The Cafeteria Fund ended the fiscal year with a fund balance of \$1.1 million, an increase of \$567,961 from the previous year. The increase in fund balance is attributed to higher revenue from the federal government for the national lunch and breakfast program and its higher reimbursement rate for meals.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Government-Wide Financial Statements

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

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



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

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

Fund Financial Statements

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

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

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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

Notes to the Basic Financial Statements

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

Other Information

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

FINANCIAL ANALYSIS OF THE SCHOOL DIVISION

Summary of Net Position

The following table presents a condensed summary of net position:

**Summary of Net Position
As of June 30, 2022 and 2021**

	Governmental Activities 2022	2021	Percentage Change
Current and other assets	\$ 23,082,356	\$ 23,117,724	(0.2%)
Capital assets, net	67,754,198	60,234,738	12.5%
Total assets	90,836,554	83,352,462	9.0%
Deferred outflows of resources	9,066,342	10,837,798	(16.3%)
Current and other liabilities	8,799,581	8,099,235	8.6%
Long-term liabilities	26,589,829	45,933,918	(42.1%)
Total liabilities	35,389,410	54,033,153	(34.5%)
Deferred inflows of revenues	17,632,257	4,064,107	333.9%
Investment in capital assets	67,754,198	60,234,738	12.5%
Restricted	1,444,155	365,440	295.2%
Unrestricted	(22,317,124)	(24,507,178)	(8.9%)
Total net position	\$ 46,881,229	\$ 36,093,000	29.9%

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

For fiscal year 2022, current assets decreased by \$35,368. This decrease was comprised of increases in receivables of \$970, due from other governmental units of \$1,367,409, net pension assets of \$1,078,715, inventories of \$17,888, and prepaid items of \$200,490, and a decrease in cash and cash equivalents of \$2,700,840.



The investment in capital assets (capital assets net of accumulated depreciation) represented \$67,754,198 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 \$700,346. The net increase for this category was comprised of decreases in unearned revenue of \$36,994 and self-insurance claims liability of \$4,253,

which were offset by increases in accounts payable and accrued liabilities of \$219,284, accrued payroll and related expenses of \$422,885, and compensated absences of \$99,424.

Long-term liabilities decreased by \$19,344,089. The net decrease for this category was due to decreases in compensated absences of \$134,930, net OPEB liability of \$511,989, and \$18,697,170 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 \$1,444,155 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 \$(22,317,124), a decrease in the deficit of \$2,190,054 from June 30, 2021. The deficit is a result of recognizing the School Division's proportionate share of the net pension liability of the Virginia Retirement System.



**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

The chart below summarizes the changes in the School Division's net position for fiscal year 2022, as compared to fiscal year 2021.

**Summary of Changes in Net Position
For the Years Ended June 30, 2022 and 2021**

	Governmental Activities 2022	2021	Percentage Change
Program revenues:			
Charges for services	\$ 1,291,301	\$ 1,063,869	21.4%
Operating grants and contributions	17,351,097	12,922,879	34.3%
Capital grants and contributions	637,913	-	100.0%
General revenues:			
City appropriation	26,611,308	34,606,636	(23.1%)
State aid	16,404,289	16,116,582	1.8%
Other	871,859	169,906	413.1%
Total revenues	<u>63,167,767</u>	<u>64,879,872</u>	(2.6%)
Program expenses:			
Central administration	2,011,242	2,085,923	(3.6%)
Centralized instructional costs	3,396,049	3,567,700	(4.8%)
Instructional costs	41,661,291	39,488,999	5.5%
Attendance and health services	1,153,234	1,126,855	2.3%
Transportation	1,922,120	1,762,900	9.0%
Food services	2,235,602	1,960,853	14.0%
Interest and other fiscal charges	-	1,212	(100.0%)
Total expenses	<u>52,379,538</u>	<u>49,994,442</u>	4.8%
Change in net position	<u>10,788,229</u>	<u>14,885,430</u>	(27.5%)
Total net position, beginning of year	36,093,000	21,207,570	70.2%
Total net position, end of year	<u>\$ 46,881,229</u>	<u>\$ 36,093,000</u>	29.9%

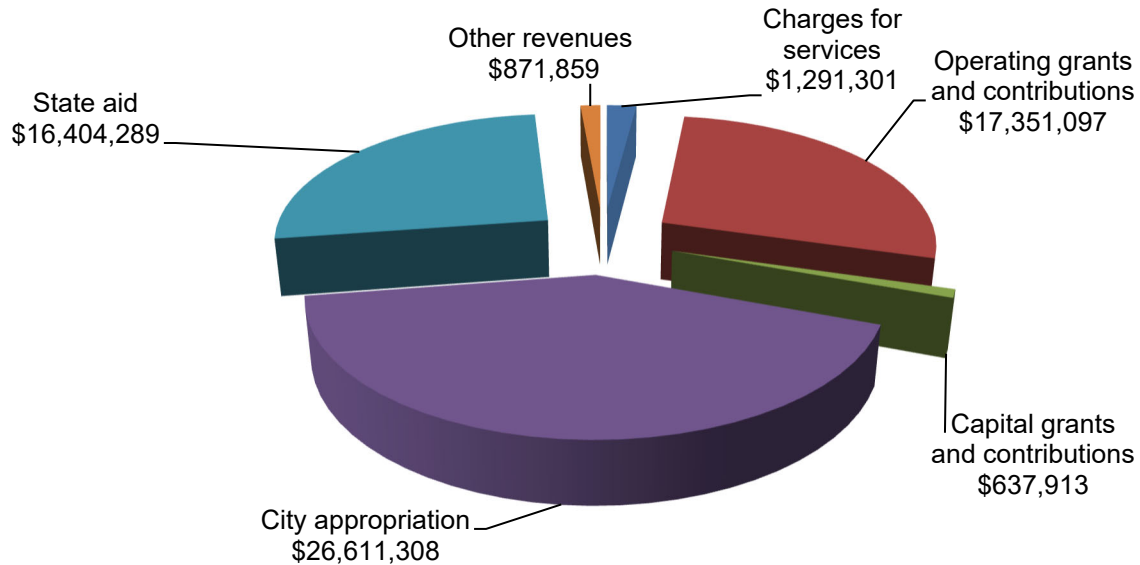


Appropriations from the City and State aid account for the majority of the School Division revenue. Most of the School Division's expenses are directly related to providing services to students including classroom instruction, attendance and health services, transportation, and food services. The remaining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

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Governmental Activities – Revenues

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



For fiscal year 2022, revenues from governmental activities totaled \$63,167,767 and reflected a \$1,712,105, or 2.6%, decrease over fiscal year 2021.

The appropriation from the City was the largest funding source, representing 42.1% of total governmental revenues. This appropriation was down \$7,995,328 over the previous year. Funding of \$20.9 million was transferred to cover operating costs, an increase of \$1.1 million or 5.4%. In fiscal year 2022, \$5.3 million in bond proceeds were transferred to the School Division to cover Salem High School renovation costs compared to \$14.4 million transferred in fiscal year 2021. In addition, the City transferred \$414,062 in fiscal year 2022 to help fund Salem High School Fieldhouse renovations.

State aid, which was 26.0% of total government revenues, increased 1.8% or \$287,707, due to growth in sales tax collections.

Operating grants and contributions, which were 27.5% of total government revenues, increased 34.3%, or \$4,428,218, primarily due to increases in compensation supplement, Year Round School Grant, and ESSER related grants.

Capital grants and contributions were 1% of total governmental revenues. This amount consisted of a School Security grant, NSLP Equipment grant, and ESSER related grants used for security upgrades, cafeteria equipment, and HVAC improvements.

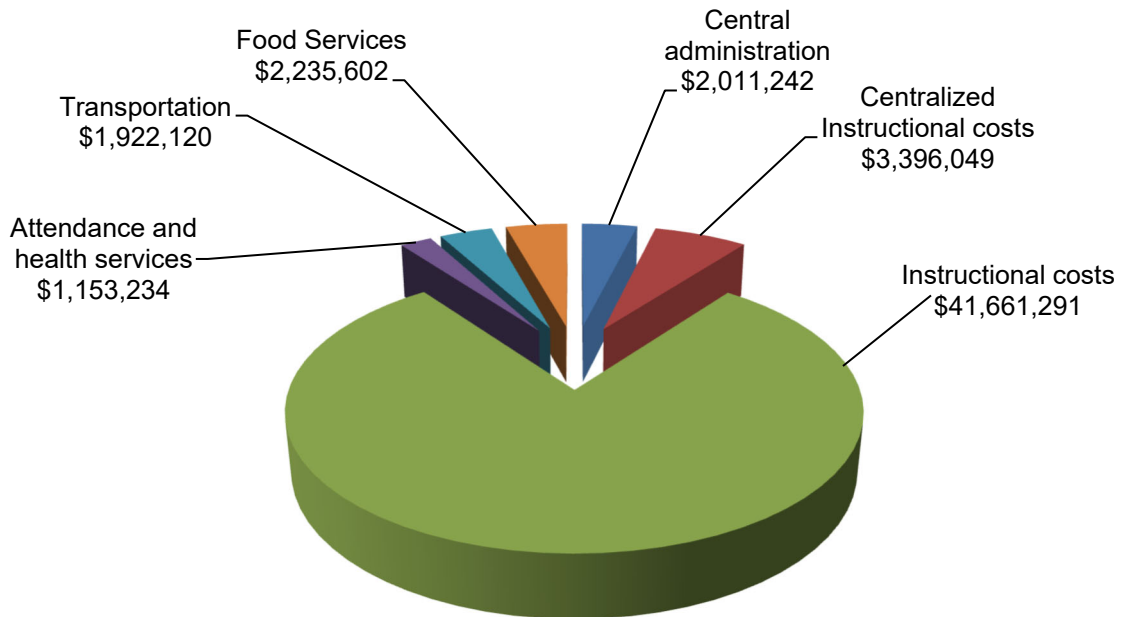
Charges for services were 2.0% of total government revenues, increased by 21.4%, or \$227,432, due to higher a la carte sales in the cafeteria and reimbursements for transportation services.

Other revenues, which made up 1.4% of the total governmental revenues, increased by 413.1% or \$701,953. The increase was largely due to an increase in insurance claims, miscellaneous and other income.

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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 2022 were \$52,379,538, which represented an increase of \$2,385,096, or 4.8% from fiscal year 2021.

Instructional costs were 79.5% of the total expenses of the School Division, an increase of 5.5%, or \$2,172,292. Increases in salary and fringe benefit costs contributed to the increase.

Centralized instruction costs accounted for 6.5% of total expenses for fiscal year 2022. Lower enrichment and testing material purchases and lower textbook purchases contributed to the \$171,651 decrease from the previous year.

Centralized administrative costs accounted for 3.8%, or \$2,011,242, of total expenses. Lower workers compensation costs contributed to the \$74,681 decrease.

Transportation costs accounted for 3.7% of total expenses. Higher salary and fringe costs, bus purchases, and increased fuel costs contributed to the overall \$159,220 increase.

Food service cost, which was 4.3%, or \$2,235,602 of total government expenses, included costs associated with operation of the school cafeterias. The \$274,749 increase was attributable to higher food cost, and furniture and equipment costs not meeting the criteria for capitalization.

Attendance and health services expenses accounted for 2.2% of the total government expenses. Higher salary and fringe costs was the primary reason for the \$26,379 increase.

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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

	Total Cost of Services		
	2022	2021	Percent
			Change
Central administration	\$ 2,011,242	\$ 2,085,923	(3.6%)
Centralized Instructional costs	3,396,049	3,567,700	(4.8%)
Instructional costs	41,661,291	39,488,999	5.5%
Attendance and health services	1,153,234	1,126,855	2.3%
Transportation	1,922,120	1,762,900	9.0%
Food services	2,235,602	1,960,853	14.0%
Interest and other fiscal charges	-	1,212	(100.0%)
Total expenses	\$ 52,379,538	\$ 49,994,442	4.8%

	Net Cost of Services		
	2022	2021	Percent
			Change
Central administration	\$ 2,011,242	\$ 2,085,923	(3.6%)
Centralized Instructional costs	3,227,516	3,349,589	(3.6%)
Instructional costs	25,461,397	27,360,122	(6.9%)
Attendance and health services	1,153,234	1,126,855	2.3%
Transportation	1,922,120	1,762,900	9.0%
Food services	(676,282)	321,093	(310.6%)
Interest and other fiscal charges	-	1,212	(100.0%)
Total expenses	\$ 33,099,227	\$ 36,007,694	(8.1%)

Significant Aspects of Governmental Activities Include:

- The cost of all governmental activities was \$52,379,538.
- The net cost of governmental activities was \$33,099,227.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$17,989,010.
- City of Salem taxpayers paid for these activities through local taxes and bond proceeds in the amount of \$26,611,308.

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE FUNDS

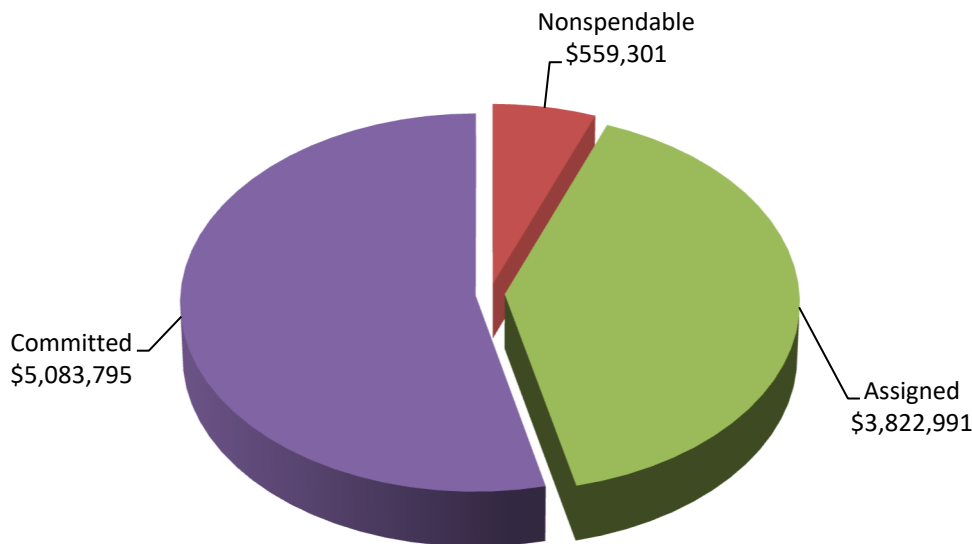
Governmental Funds

The School Division's combined fund balance for the governmental funds was \$9,466,087 as of June 30, 2022. The current year compared to last year is as follows:

Fund Balance Comparison

Fund:	2022	2021
General	\$ 4,319,557	\$ 7,180,625
Cafeteria	1,089,240	521,279
Capital Projects	3,363,092	3,267,093
Activity Fund	694,198	681,103
Total combined fund balance	\$ 9,466,087	\$ 11,650,100

The chart below shows the classifications of the fund balance of governmental funds as of June 30, 2022:



As of June 30, 2022, the School Division's governmental funds reported a combined fund balance of \$9,466,087, a decrease of \$2,184,013 in comparison to fiscal year 2021. Of this amount, \$559,301 constituted non-spendable fund balance, which reflected inventories and prepaid assets that were in a form that could not be spent, \$5,083,795 constituted committed fund balance, which was designated for future projects and food services, and \$3,822,991 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 \$4,319,557, a decrease of \$2,861,068 from the fund balance reported for fiscal year 2021. The cafeteria fund reported a fund balance at the end of fiscal year 2022 of \$1,089,240, a \$567,961 increase from the fund balance reported for fiscal year 2021. The Capital Projects Fund reported a fund balance of \$3,363,092 at the end of fiscal year 2022, which represented a \$95,999 increase from the fiscal year 2021 fund balance. The Activity Fund reported a fund balance of \$694,198 which represented an increase of \$13,095 over the 2021 fund balance.

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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 \$53,116,907, while expenditures totaled \$52,057,112. In addition, there was a transfer of \$4,261,624 of prior year reserves to the Capital Projects Fund, insurance recoveries of \$324,923, and proceeds from the sale of capital assets of \$15,838. This resulted in a decrease in fund balance of \$2,861,068.

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 \$1,089,240, an increase of \$567,961 from the previous year. The increase in fund balance was attributable to higher revenue from the federal government for the national lunch and breakfast program and salary and expenditure savings.

The Capital Projects Fund is used to account for building improvements, machinery, and equipment. This fund had a beginning balance of \$3,267,093. After a contribution from the City of \$5,691,696, expenditures of \$9,857,321, and a transfer from the general fund of \$4,261,624, the ending balance of the fund was \$3,363,092. Partial roof replacement at Andrew Lewis Middle School, Salem High School and Andrew Lewis Middle School track refurbishment, bus purchases, hallway lighting at East Salem Elementary, flooring at Salem High School, sidewalk and ramp at West Salem Elementary, bleacher rails at Salem High School, HVAC control system for G. W. Carver Elementary, lockers for the auto body and diesel locker room at Salem High School and a cooler/freezer 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 \$681,103. Revenue collected amounted to \$931,921 and expenditures amounted to \$918,826, resulting in an increase in fund balance of \$13,095.

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, 2022**

	Original Budget	Amended Budget	Actual
Revenues:			
City of Salem	\$ 20,897,899	\$ 20,897,899	\$ 20,919,612
Commonwealth of Virginia	24,912,518	25,589,974	25,623,802
Federal Government	2,158,530	10,525,452	5,977,011
Charges for Services	438,858	410,666	416,929
Other	59,312	175,936	179,553
Total	<u>48,467,117</u>	<u>57,599,927</u>	<u>53,116,907</u>
Expenditures	48,467,117	60,488,052	52,057,112
Transfers	-	4,261,624	4,261,624
Other Financing (Sources) Uses	-	(321,076)	(340,761)
Total	<u>48,467,117</u>	<u>64,428,600</u>	<u>55,977,975</u>
	<u>\$ -</u>	<u>\$ (6,828,673)</u>	<u>\$ (2,861,068)</u>

During fiscal year 2022, the School Division amended its General Fund budget to appropriate other revenue and grant funds when the official notice of the award was received. Revenues received from the state, charges for services, and other revenues were all 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
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS

At the end of fiscal year 2022, the School Division had \$67,754,198 (a 12.5% increase from fiscal year 2021) invested in machinery and equipment, land, buildings, and construction in progress in governmental activities. The following table displays fiscal year 2022 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, 2022 and 2021**

	Governmental Activities		Percentage Change
	2022	2021	
Land	\$ 1,123,637	\$ 1,123,637	0.0%
Construction in progress	29,460,826	21,216,515	38.9%
Machinery and equipment	2,432,902	2,416,599	0.7%
Buildings and improvements	34,736,833	35,477,987	(2.1%)
Total	<u>\$ 67,754,198</u>	<u>\$ 60,234,738</u>	<u>12.5%</u>

Major Capital Asset Additions for Fiscal Year 2022 included:

- Andrew Lewis Middle School partial roof replacement
- Bus purchases
- Salem High School and Andrew Lewis Middle School track refurbishment
- East Salem hallway lighting
- Salem High School flooring
- HVAC control system for G. W. Carver Elementary
- Lockers for the auto body and diesel locker room at Salem High School
- Sidewalk and ramp for West Salem Elementary
- Cooler and freezer for Salem High School
- Bleacher rails for Salem High School

OUTSTANDING LONG-TERM DEBT



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

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

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

FACTORS INFLUENCING FUTURE BUDGETS

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

- Rising inflation
- Higher utility and diesel costs
- Unknown economic changes due to the mid-term elections
- 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:

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

BASIC FINANCIAL STATEMENTS

**CITY OF SALEM SCHOOL DIVISION
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Governmental Activities</u>
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 18,308,180
Receivables	51,230
Due from other governmental units	2,719,490
Net pension asset	1,444,155
Inventories	138,419
Prepaid items	420,882
<i>Capital assets:</i>	
Nondepreciable	30,584,463
Depreciable, net	<u>37,169,735</u>
Total assets	<u>90,836,554</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan and OPEB	<u>9,066,342</u>
 LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable and accrued liabilities	2,642,083
Accrued payroll and related liabilities	5,075,745
Self-insurance claims liability	331,305
Unearned revenues	284,214
<i>Long-term liabilities due in less than one year:</i>	
Compensated absences	466,234
<i>Long-term liabilities due in more than one year:</i>	
Compensated absences	351,719
Net pension liability	21,062,060
Net OPEB liability	<u>5,176,050</u>
Total liabilities	<u>35,389,410</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension Plan and OPEB	<u>17,632,257</u>
 NET POSITION (DEFICIT)	
Investment in capital assets	67,754,198
Restricted for net pension asset	1,444,155
Unrestricted	<u>(22,317,124)</u>
Total net position	<u>\$ 46,881,229</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, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental activities:</i>					
Central administration	\$ 2,011,242	\$ -	\$ -	\$ -	\$ (2,011,242)
Centralized Instructional costs	3,396,049	168,533	-	-	(3,227,516)
Instructional costs	41,661,291	1,003,370	14,573,401	623,123	(25,461,397)
Attendance and health services	1,153,234	-	-	-	(1,153,234)
Transportation	1,922,120	-	-	-	(1,922,120)
Food services	2,235,602	119,398	2,777,696	14,790	676,282
Total governmental activities	<u>\$ 52,379,538</u>	<u>\$ 1,291,301</u>	<u>\$ 17,351,097</u>	<u>\$ 637,913</u>	<u>(33,099,227)</u>
<i>General revenues:</i>					
Payments from City of Salem					26,611,308
Unrestricted State aid					16,404,289
Other					871,859
Total general revenues					<u>43,887,456</u>
Change in net position					10,788,229
Net position, beginning					<u>36,093,000</u>
Net position, ending					<u>\$ 46,881,229</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, 2022**

	General	Cafeteria	Capital Projects	Activity	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,009,253	\$ 1,011,855	\$ 5,368,581	\$ 730,145	\$ 14,119,834
Receivables, net	24,327	-	-	18,625	42,952
Due from other funds	44,754	-	-	-	44,754
Due from other governmental units	2,621,544	97,946	-	-	2,719,490
Inventories	-	133,878	-	4,541	138,419
Prepaid items	420,882	-	-	-	420,882
Total assets	<u>\$ 10,120,760</u>	<u>\$ 1,243,679</u>	<u>\$ 5,368,581</u>	<u>\$ 753,311</u>	<u>\$ 17,486,331</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 523,939	\$ 93,310	\$ 2,005,489	\$ 7,626	\$ 2,630,364
Accrued payroll and related liabilities	5,048,813	26,932	-	-	5,075,745
Due to other funds	-	-	-	44,754	44,754
Unearned revenues	228,451	34,197	-	6,733	269,381
Total liabilities	<u>5,801,203</u>	<u>154,439</u>	<u>2,005,489</u>	<u>59,113</u>	<u>8,020,244</u>
FUND BALANCES					
Nonspendable	420,882	133,878	-	4,541	559,301
Committed	765,341	955,362	3,363,092	-	5,083,795
Assigned	3,133,334	-	-	689,657	3,822,991
Total fund balances	<u>4,319,557</u>	<u>1,089,240</u>	<u>3,363,092</u>	<u>694,198</u>	<u>9,466,087</u>
Total liabilities and fund balances	<u>\$ 10,120,760</u>	<u>\$ 1,243,679</u>	<u>\$ 5,368,581</u>	<u>\$ 753,311</u>	<u>\$ 17,486,331</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, 2022**

Total fund balance of governmental funds	\$ 9,466,087
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.	67,754,198
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	(817,953)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources related to pension	8,090,362
Deferred inflows of resources related to pension	(16,620,186)
Net pension asset	1,444,155
Net pension liability	(21,062,060)
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	975,980
Deferred inflows of resources related to OPEB	(1,012,071)
Net OPEB liability	(5,176,050)
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.	3,838,767
Net position of governmental activities	\$ 46,881,229

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, 2022

REVENUES	General	Cafeteria	Capital Projects	Activity	Total Governmental Funds
<i>Intergovernmental:</i>					
City of Salem	\$ 20,919,612	\$ -	\$ 5,691,696	\$ -	\$ 26,611,308
Commonwealth of Virginia	25,623,802	35,968	-	-	25,659,770
Federal Government	5,977,011	2,756,518	-	-	8,733,529
<i>Other:</i>					
Charges for services	416,929	119,398	-	754,975	1,291,302
Other	179,553	11,088	-	176,946	367,587
Total revenues	<u>53,116,907</u>	<u>2,922,972</u>	<u>5,691,696</u>	<u>931,921</u>	<u>62,663,496</u>
EXPENDITURES					
<i>Current:</i>					
Central administration	2,121,974	-	-	-	2,121,974
Centralized instruction costs	3,739,425	-	-	-	3,739,425
Instructional costs	42,628,099	-	-	918,826	43,546,925
Attendance and health services	1,321,077	-	-	-	1,321,077
Transportation	2,246,537	-	-	-	2,246,537
Food services	-	2,355,011	-	-	2,355,011
<i>Capital projects</i>	-	-	9,857,321	-	9,857,321
Total expenditures	<u>52,057,112</u>	<u>2,355,011</u>	<u>9,857,321</u>	<u>918,826</u>	<u>65,188,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,059,795</u>	<u>567,961</u>	<u>(4,165,625)</u>	<u>13,095</u>	<u>(2,524,774)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	15,838	-	-	-	15,838
Insurance recoveries	324,923	-	-	-	324,923
Transfers in	-	-	4,261,624	-	4,261,624
Transfers out	(4,261,624)	-	-	-	(4,261,624)
Total other financing sources (uses), net	<u>(3,920,863)</u>	<u>-</u>	<u>4,261,624</u>	<u>-</u>	<u>340,761</u>
Net change in fund balances	<u>(2,861,068)</u>	<u>567,961</u>	<u>95,999</u>	<u>13,095</u>	<u>(2,184,013)</u>
Fund balances, beginning	<u>7,180,625</u>	<u>521,279</u>	<u>3,267,093</u>	<u>681,103</u>	<u>11,650,100</u>
Fund balances, ending	<u>\$ 4,319,557</u>	<u>\$ 1,089,240</u>	<u>\$ 3,363,092</u>	<u>\$ 694,198</u>	<u>\$ 9,466,087</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, 2022**

Net changes in fund balances of governmental funds	\$ (2,184,013)
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	10,081,225
Depreciation expense	(2,476,240)
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	(15,838)
Net loss from sale of assets	(69,687)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Change in compensated absences	35,506
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	4,233,679
Non-employer pension contribution	166,433
Pension expense	191,804
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	720,624
OPEB expense	(364,272)
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.	
	469,008
Change in net position of governmental activities	\$ 10,788,229

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
REVENUES				Positive
				(Negative)
<i>Intergovernmental:</i>				
City of Salem	\$ 20,897,899	\$ 20,897,899	\$ 20,919,612	\$ 21,713
Commonwealth of Virginia	24,912,518	25,589,974	25,623,802	33,828
Federal Government	2,158,530	10,525,452	5,977,011	(4,548,441)
<i>Other:</i>				
Charges for Services	438,858	410,666	416,929	6,263
Other	59,312	175,936	179,553	3,617
Total revenues	<u>48,467,117</u>	<u>57,599,927</u>	<u>53,116,907</u>	<u>(4,483,020)</u>
EXPENDITURES				
<i>Current:</i>				
Central administration	2,125,262	2,212,910	2,121,974	90,936
Centralized instructional costs	4,081,489	4,355,917	3,739,425	616,492
<i>Instructional costs:</i>				
Salem High School	10,544,938	12,380,849	11,589,554	791,295
Andrew Lewis Middle School	7,544,117	8,152,602	7,777,571	375,031
G.W. Carver Elementary School	3,889,145	4,519,226	4,206,255	312,971
West Salem Elementary School	3,498,157	4,135,984	3,792,579	343,405
South Salem Elementary School	3,323,513	3,768,902	3,386,465	382,437
East Salem Elementary School	3,767,294	4,324,778	4,184,387	140,391
Regional Special Education Program	810,485	1,000,829	773,303	227,526
Federal and state grants programs	2,771,671	12,002,871	6,917,985	5,084,886
Attendance and health services	1,375,958	1,332,489	1,321,077	11,412
Transportation	1,914,151	2,300,695	2,246,537	54,158
Non-departmental	2,820,937	-	-	-
Total expenditures	<u>48,467,117</u>	<u>60,488,052</u>	<u>52,057,112</u>	<u>8,430,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(2,888,125)</u>	<u>1,059,795</u>	<u>3,947,920</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	15,838	(15,838)
Insurance recoveries	-	321,076	324,923	(3,847)
Transfers out	-	(4,261,624)	(4,261,624)	-
Total other financing sources (uses)	<u>-</u>	<u>(3,940,548)</u>	<u>(3,920,863)</u>	<u>(19,685)</u>
Net change in fund balances*	<u>-</u>	<u>(6,828,673)</u>	<u>(2,861,068)</u>	<u>3,928,235</u>
Fund balance, beginning	<u>7,180,625</u>	<u>7,180,625</u>	<u>7,180,625</u>	<u>-</u>
Fund balance, ending	<u>\$ 7,180,625</u>	<u>\$ 351,952</u>	<u>\$ 4,319,557</u>	<u>\$ 3,928,235</u>

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

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

CITY OF SALEM SCHOOL DIVISION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND - CAFETERIA FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 47,688	\$ 47,688	\$ 35,968	\$ (11,720)
Federal Government	922,587	1,989,652	2,756,518	766,866
<i>Other:</i>				
Charges for Services	863,044	863,044	119,398	(743,646)
Other	4,800	4,800	11,088	6,288
Total revenues	<u>1,838,119</u>	<u>2,905,184</u>	<u>2,922,972</u>	<u>17,788</u>
EXPENDITURES				
<i>Current:</i>				
Food services:				
Salem High School	660,983	686,621	529,516	157,105
Andrew Lewis Middle School	427,935	538,146	424,272	113,874
G.W. Carver Elementary School	200,618	428,156	344,228	83,928
West Salem Elementary School	179,040	413,830	342,353	71,477
South Salem Elementary School	192,446	411,375	352,859	58,516
East Salem Elementary School	177,097	444,844	361,783	83,061
Total expenditures	<u>1,838,119</u>	<u>2,922,972</u>	<u>2,355,011</u>	<u>567,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(17,788)</u>	<u>567,961</u>	<u>585,749</u>
Net change in fund balances	<u>-</u>	<u>(17,788)</u>	<u>567,961</u>	<u>585,749</u>
Fund balance, beginning	<u>521,279</u>	<u>521,279</u>	<u>521,279</u>	<u>-</u>
Fund balance, ending	<u>\$ 521,279</u>	<u>\$ 503,491</u>	<u>\$ 1,089,240</u>	<u>\$ 585,749</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, 2022**

	<u>Internal Service Fund</u>
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 4,188,346
Receivables	8,278
Total assets	<u>4,196,624</u>
 LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable and accrued liabilities	11,719
Self-insurance claims liability	331,305
Unearned revenues	14,833
Total liabilities	<u>357,857</u>
 NET POSITION	
Unrestricted	3,838,767
Total net position	<u><u>\$ 3,838,767</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, 2022**

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 5,055,097
Total operating revenues	<u>5,055,097</u>
OPERATING EXPENSES	
Claims	4,355,963
Administration	240,578
Miscellaneous	1,814
Total operating expenses	<u>4,598,355</u>
Operating income	<u>456,742</u>
NONOPERATING REVENUES	
Interest income	12,266
Total nonoperating revenues	<u>12,266</u>
Change in net position	<u>469,008</u>
Net position, beginning	<u>3,369,759</u>
Net position, ending	<u><u>\$ 3,838,767</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, 2022**

	<u>Internal Service Fund</u>
OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,052,693
Payments to City	(240,578)
Payments for claims	(4,360,216)
Payments for contractual services	<u>(5,985)</u>
Net cash provided by operating activities	<u>445,914</u>
INVESTING ACTIVITIES	
Interest received	<u>12,266</u>
Net cash provided by investing activities	<u>12,266</u>
Cash and cash equivalents, beginning	<u>3,730,166</u>
Cash and cash equivalents, ending	<u><u>\$ 4,188,346</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 456,742
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
<i>Decrease in assets:</i>	
Receivables	2,946
<i>Increase (decrease) in liabilities:</i>	
Accounts payable and accrued liabilities	(4,171)
Self-insurance claims liability	(4,253)
Unearned revenues	<u>(5,350)</u>
Net cash provided by operating activities	<u><u>\$ 445,914</u></u>

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

**CITY OF SALEM SCHOOL DIVISION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	OPEB Trust Fund
ASSETS	
Investments held by trustee, fair value of pooled funds	\$ 2,062,855
Total assets	2,062,855
LIABILITIES	
Liability to agency	-
Total liabilities	-
NET POSITION	
Restricted for OPEB	\$ 2,062,855

**CITY OF SALEM SCHOOL DIVISION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022**

	OPEB Trust Fund
ADDITIONS	
Employer contributions	\$ 237,167
<i>Investment income (loss)</i>	
Decrease in fair value of investments	(205,312)
Total additions	31,855
DEDUCTIONS	
Retirement benefits	140,032
Administrative expenses	2,813
Total deductions	142,845
Change in fiduciary net position	(110,990)
Net position, beginning	2,173,845
Net position, ending	\$ 2,062,855

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, 2022**

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, 2022**

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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 \$16,282,559 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, 2022**

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, 2022 total \$831,858 in the General Fund and \$5,962,663 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, 2022**

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 assets that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

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

Unearned Revenues

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

Compensated Absences

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

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, 2022**

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, 2022**

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.

2. Deposits and Investments

The City maintains a concentration bank account used by the School Division. The School Division’s portion of this account is presented in the basic financial statements as cash and cash equivalents. Deposits and investments held by Fiduciary Funds total \$2,062,855 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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

2. Deposits and Investments (Continued)

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, 2022, the School Division's deposits and investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Credit Rating</u>
Demand & time deposits	\$ 18,304,240	unrated
Cash on hand	3,940	unrated
Total	<u>\$ 18,308,180</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*.

Concentration of Credit Risk

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

Interest Rate Risk

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

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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

2. Deposits and Investments (Continued)

Custodial Credit Risk (Continued)

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

3. Interfund Balances and Transfers

The composition of the interfund balances is as follows:

		<u>Due from (fund)</u>	
		<u>Activity</u>	
Due to (fund)	General	\$	44,754

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

During the year, the School Division transferred \$4,261,624 from the General Fund to the Capital Projects Fund for current projects.

4. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Governmental Activities</u>
Commonwealth of Virginia			
Sales tax	\$ 856,023	\$ -	\$ 856,023
Medicaid reimbursement	14,109	-	14,109
School Security Equipment Grants	90,565	-	90,565
Other	3,899	-	3,899
Federal government			
Special Education - Grants to States (IDEA, Part B)	268,072	-	268,072
Special Education - Grants to States (IDEA, Part B ARP)	31,526	-	31,526
Special Education - Preschool	5,766	-	5,766
Title I Grants to Local Educational Agencies	126,549	-	126,549
Adult Education - Basic Grants to States	46,824	-	46,824
National School Breakfast and Lunch Programs	-	97,946	97,946
Career and Technical Education - Basic Grants to States (Perkins IV)	25,950	-	25,950
NCLB Title II A Improving Teacher Quality 84.367	36,133	-	36,133
Education Stabilization Fund D - ESSER	279,898	-	279,898
Education Stabilization Fund C - GEER	30,555	-	30,555
Education Stabilization Fund U - ESSER ARP	268,374	-	268,374
Coronavirus State and Local Fiscal Recovery Funds	50,080	-	50,080
Emergency Connectivity Fund Program	459,675	-	459,675
Other	27,546	-	27,546
	<u>\$ 2,621,544</u>	<u>\$ 97,946</u>	<u>\$ 2,719,490</u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

5. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable				
Land	\$ 1,123,637	\$ -	\$ -	\$ 1,123,637
Construction in progress	21,216,515	8,884,315	(640,004)	29,460,826
Capital assets, nondepreciable	<u>22,340,152</u>	<u>8,884,315</u>	<u>(640,004)</u>	<u>30,584,463</u>
Capital assets, depreciable				
Machinery and equipment	9,373,225	537,060	(859,337)	9,050,948
Buildings and improvements	71,156,860	1,299,854	(676,478)	71,780,236
Capital assets, depreciable	<u>80,530,085</u>	<u>1,836,914</u>	<u>(1,535,815)</u>	<u>80,831,184</u>
Accumulated depreciation				
Machinery and equipment	(6,956,626)	(511,616)	850,196	(6,618,046)
Buildings and improvements	(35,678,873)	(1,964,624)	600,094	(37,043,403)
Accumulated depreciation	<u>(42,635,499)</u>	<u>(2,476,240)</u>	<u>1,450,290</u>	<u>(43,661,449)</u>
Capital assets, depreciable, net	<u>37,894,586</u>	<u>(639,326)</u>	<u>(85,525)</u>	<u>37,169,735</u>
Capital assets, net	<u>\$ 60,234,738</u>	<u>\$ 8,244,989</u>	<u>\$ (725,529)</u>	<u>\$ 67,754,198</u>

Depreciation expense was charged to functions as follows:

Central administration	\$ 58,613
Centralized instructional costs	1,467
Instructional costs	2,194,890
Transportation	193,584
Food services	27,686
Total depreciation expense	<u>\$ 2,476,240</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	\$ 8,090,362
OPEB	975,980
Total deferred outflows of resources	<u>\$ 9,066,342</u>
Deferred inflows of resources	
Pension	\$ 16,620,186
OPEB	1,012,071
Total deferred inflows of resources	<u>\$ 17,632,257</u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

7. Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 853,459	\$ 430,728	\$ (466,234)	\$ 817,953	\$ 466,234
Net pension liability	39,759,230	7,039,379	(25,736,549)	21,062,060	-
Net OPEB liability	5,688,039	1,644,279	(2,156,268)	5,176,050	-
	<u>\$46,300,728</u>	<u>\$ 9,114,386</u>	<u>\$ (28,359,051)</u>	<u>\$27,056,063</u>	<u>\$ 466,234</u>

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

8. Fund Balance

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

	General Fund	Cafeteria Fund	Capital Projects Fund	Activity Fund
Fund Balances				
Nonspendable:				
Inventories	\$ -	\$ 133,878	\$ -	\$ 4,541
Prepays	420,882	-	-	-
Committed to:				
Other projects	765,341	-	3,363,092	-
Food services	-	955,362	-	-
Assigned to:				
General education	3,133,334	-	-	-
Activity fund	-	-	-	689,657
Total fund balances	<u>\$ 4,319,557</u>	<u>\$ 1,089,240</u>	<u>\$ 3,363,092</u>	<u>\$ 694,198</u>

9. Risk Management

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

Workers' Compensation

Workers' Compensation Insurance is provided through VACORP. Benefits are those afforded through the Commonwealth of Virginia as outlined in *Code of Virginia* §65.2-100. Premiums are based on covered payroll, job rates and claims experience. Total premiums for the current year were \$102,383.

General Liability and Other

The School Division provides general liability, catastrophic accident insurance, and other insurance through VACORP. General liability, automobile liability, and property damage have a \$2,000,000 limit per occurrence. The School Division also has a separate student accident insurance policy through VACORP and Superintendent liability coverage of \$2,000,000 through Forrest T. Jones & Company. Total liability and property insurance premiums for the current fiscal year were \$125,825.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

9. Risk Management (Continued)

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 \$250,000 per covered individual and approximately \$10,453,066 in the aggregate.

During the current fiscal year, total claim expenses of \$9,042,833, 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, 2022. The estimated liability for the City and School Division was \$444,351 and \$321,305, respectively for a total of \$765,657 at year-end.

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

Year Ended June 30	Beginning Balance	Claim Expenses	Claim Payments	Ending Balance
2022	\$ 716,796	\$ 9,042,833	\$ 8,993,973	\$ 765,656
2021	581,259	8,932,896	3,797,359	716,796
2020	936,640	8,952,998	9,308,379	581,259

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

During the current fiscal year, total claim expenses of \$534,284 were incurred. This represents claims processed and an estimate for claims incurred but not reported (IBNR) as of June 30, 2022. The estimated liability for the City and School Division was \$9,000 and \$10,000, respectively for a total of \$19,000 at year-end.

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

Year Ended June 30	Beginning Balance	Claim Expenses	Claim Payments	Ending Balance
2022	\$ 24,000	\$ 534,284	\$ 539,284	\$ 19,000
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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan

Plan Description

All full-time, salaried permanent (non-professional) employees of the School Division who are not classified as teachers or administrative personnel 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 and administrative employees 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.

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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 1 (Continued)

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.

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 1st 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 1st after one calendar year following the unreduced retirement eligibility date.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 1 (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued)

The COLA is effective July 1st following one full calendar year (January 1st to December 31st) 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 1st following one full calendar year (January 1st to December 31st) from the date the monthly benefit begins.

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 – The service retirement multiplier is the same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Plan Description (Continued)

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.

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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Plan Description (Continued)

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.

Service Credit – 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.

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

Vesting – Under the defined benefit component of the plan, 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.

Under the defined contribution component of the plan, 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. 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 – Under the defined contribution component of the plan, 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 – The average final compensation is the same as under VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier – 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. The service retirement multiplier is not applicable for hazardous duty employees or for the defined contribution component of the plan.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Normal Retirement Age – Under the defined benefit component of the plan, the normal retirement age is the same as under VRS Plan 2. The normal retirement age is not applicable to hazardous duty employees. Under the defined contribution component of the plan, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility – Under the defined benefit component of the plan, 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. The earliest unreduced retirement eligibility is not applicable to hazardous duty employees. Under the defined contribution component of the plan, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility – Under the defined benefit component of the plan, members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of service credit. The earliest reduced retirement eligibility is not applicable to hazardous duty employees. Under the defined contribution component of the plan, members are eligible to receive distributions upon leaving employment, subject to restrictions.

COLA in Retirement – Under the defined benefit component of the plan, the COLA in retirement is the same as under VRS Plan 2. Under the defined contribution component of the plan, the COLA in retirement is 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 – Under the defined benefit component of the plan, the purchase of prior service is the same as under VRS Plan 1, except Hybrid Retirement Plan members are ineligible for ported service. Under the defined contribution component of the plan, the purchase of prior service is not applicable.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020, actuarial valuation, the following employees were covered by the benefit terms of the VRS Retirement Plan:

	School Division (Non-Professional)
Inactive members or their beneficiaries currently receiving benefits	74
Inactive members:	
Vested inactive members	19
Non-vested inactive members	43
Inactive members active elsewhere in VRS	19
Total inactive members	81
Active members	62
Total covered employees	217

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, 2022, 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 \$22,143 and \$19,987 for the years ended June 30, 2022, and June 30, 2021, 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, 2022, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VRS Teacher Retirement Plan from the School Division were \$4,211,083 and \$3,842,114 for the years ended June 30, 2022, and June 30, 2021, respectively.

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Under the VRS Teacher Retirement Plan, the School Division reported a liability of \$21,062,060 for its proportionate share of the net pension liability at June 30, 2022. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The School Division's proportion of the net pension liability was based on the School Division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School Division's proportion was 0.27131% as compared to 0.27321% at June 30, 2020.

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, 2021, net pension liability amounts for the VRS Teacher Retirement Plan are as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 53,381,141
Plan Fiduciary Net Position	45,618,044
Employer's Net Pension Liability	\$ 7,763,097
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	
	85.46%

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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. 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 – Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement – Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement – Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors – Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement – Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

- Pre-Retirement – Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement – Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement – Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors – Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

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

Largest Ten – Non-Hazardous Duty:

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

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

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

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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality rates:

- Pre-Retirement – Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
- Post-Retirement – Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement – Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors – Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement – Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Actuarial Assumptions – VRS Teacher Retirement Plan (Continued)

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 Pub-2010 public sector mortality tables; For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Retirement Rates – Adjusted rates to better fit experience for Plan 1; Set separate rates based on experience for Plan2/Hybrid; Changed final retirement age from 75 to 80 for all
- Withdrawal Rates – Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability Rates – No change
- Salary Scale – No change
- Discount Rate – No change

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2021, 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.

Through the fiscal year ending June 30, 2021, the rate contributed by the School Division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that were funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rates.

From July 1, 2021, 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)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
School Division (Non-Professional Staff)			
Balances at June 30, 2020	\$ 5,290,395	\$ 5,655,835	\$ (365,440)
Changes for the year:			
Service cost	106,418	-	106,418
Interest	344,320	-	344,320
Changes of assumptions	150,153	-	150,153
Differences between expected and actual experience	(89,731)	-	(89,731)
Contributions - employer	-	19,987	(19,987)
Contributions - employee	-	57,197	(57,197)
Net investment income	-	1,516,515	(1,516,515)
Benefit payments, including refunds of employee contributions	(378,725)	(378,725)	-
Administrative expenses	-	(3,965)	3,965
Other changes	-	141	(141)
Net changes	<u>132,435</u>	<u>1,211,150</u>	<u>(1,078,715)</u>
Balances at June 30, 2021	<u>\$ 5,422,830</u>	<u>\$ 6,866,985</u>	<u>\$ (1,444,155)</u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. 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:

	Net Pension Liability (Asset)		
	1%	Current	1%
	Decrease (5.75%)	Discount (6.75%)	Increase (7.75%)
Retirement Plan (Non-Professional Staff)	\$ (837,005)	\$ (1,444,155)	\$ (1,952,075)
Teacher Retirement Plan	40,648,635	21,062,060	4,949,486

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

For the year ended June 30, 2022, the School Division recognized pension expense of \$(264,187) under the VRS Retirement Plan.

For the year ended June 30, 2022, the School Division recognized pension expense of \$72,383 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, 2022, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
School Division (Non-Professional Staff)		
Differences between expected and actual experience	\$ -	\$ 41,489
Changes in assumptions	69,426	-
Net difference between projected and actual earnings on pension plan investments	-	750,019
Employer contributions subsequent to the measurement date	22,143	-
Total	\$ 91,569	\$ 791,508

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

10. Pension Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
School Division - Teacher Retirement Plan		
Differences between expected and actual experience	\$ -	\$ 1,793,939
Changes in assumptions	3,690,018	-
Net difference between projected and actual earnings on pension plan investments	-	13,272,746
Changes in proportion and differences between employer contributions and proportionate share of contributions	97,692	761,993
Employer contributions subsequent to the measurement date	4,211,083	-
Total	\$ 7,998,793	\$ 15,828,678

Deferred outflows of resources related to pensions resulting from contributions of \$22,143 and \$4,211,083 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>School Division (Non-Professional)</u>	<u>School Division - Teacher Retirement Plan</u>
2023	\$ (147,790)	\$ (2,846,918)
2024	(170,810)	(2,566,504)
2025	(174,470)	(2,835,854)
2026	(229,012)	(3,794,796)
2027	-	3,104
	<u>\$ (722,082)</u>	<u>\$ (12,040,968)</u>

Payable to the Pension Plan

At June 30, 2022, \$7,987 and \$524,424 were payable to the System under the VRS Retirement Plan and the VRS Teacher Retirement Plan, respectively, for the legally required contributions of the School Division related to the June 2022 payroll.

Pension Plan Data and VRS Teacher Retirement Plan Fiduciary Net Position

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

11. Summary of Pension Elements

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

	School Division
Pension Expense	
VRS Retirement Plan	\$ (264,187)
VRS Teacher Retirement Plan	72,383
Total Pension Expense	\$ (191,804)
 Net Pension Asset	
VRS Retirement Plan	\$ 1,444,155
 Net Pension Liability	
VRS Teacher Retirement Plan	\$ 21,062,060
Total Pension Liability	\$ 21,062,060
 Deferred Outflows of Resources	
Changes in assumptions	
VRS Retirement Plan	\$ 69,426
VRS Teacher Retirement Plan	3,690,018
Changes in proportion and differences between employer contributions and proportionate share of contributions	
VRS Teacher Retirement Plan	97,692
Employer contributions subsequent to the measurement date	
VRS Retirement Plan	22,143
VRS Teacher Retirement Plan	4,211,083
Total Deferred Outflows of Resources	\$ 8,090,362
 Deferred Inflows of Resources	
Differences between expected and actual experience	
VRS Retirement Plan	\$ 41,489
VRS Teacher Retirement Plan	1,793,939
Net difference between projected and actual earnings on pension plan investments	
VRS Retirement Plan	750,019
VRS Teacher Retirement Plan	13,272,746
Changes in proportion and differences between employer contributions and proportionate share of contributions	
VRS Teacher Retirement Plan	761,993
Total Deferred Inflows of Resources	\$ 16,620,186

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

12. 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.

Benefits 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	<u>29</u>
Total participants	<u><u>561</u></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 \$218,150 of the total premiums through their required contributions of between \$493 and \$1,707, depending on the type of coverage and years of service.

The School Division contributed \$140,032 in pay-as-you-go contributions to the Retiree Health Plan for the year ended June 30, 2022. 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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

12. Other Postemployment Benefits – Retiree Health Plan (Continued)

Net OPEB Liability

Under the Retiree Health Plan, the School Division’s net OPEB liabilities were measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2021.

The components of the net OPEB liability as of June 30, 2022 were as follows:

Total OPEB liability	\$	2,324,032
Plan fiduciary net position		2,062,855
Net OPEB liability	\$	261,177

Plan fiduciary net position as a percentage of total OPEB liability		88.76%
--	--	--------

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, 2022
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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

12. Other Postemployment Benefits – Retiree Health Plan (Continued)

Plan Investments (Continued)

The Trust provides a diversified portfolio consisting of investments in various asset classes such as bonds, domestic equities, international equities and cash. Specific investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

The Trust categorizes its investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Geometric Long-Term Expected Rate of Return</u>
Core Fixed Income	21.00%	1.39%	1.28%
Large Cap US Equities	26.00%	4.94%	3.46%
Small Cap US Equities	10.00%	6.73%	4.18%
Foreign Developed Equities	13.00%	5.73%	4.16%
Emerging Market Equities	5.00%	8.82%	5.31%
Private Real Estate Property	7.00%	4.61%	3.58%
Private Equity	5.00%	10.35%	6.15%
Commodities	3.00%	1.99%	0.61%
Hedge FOF Strategic	10.00%	3.58%	2.67%
Assumed Inflation - Mean		2.40%	2.40%
Assumed Inflation - Standard Deviation		1.23%	1.23%
Portfolio Real Mean Return		4.76%	3.97%
Portfolio Nominal Mean Return		7.16%	6.46%
Portfolio Standard Deviation			12.28%
Long-Term Expected Rate of Return			6.50%

At June 30, 2022, 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, 2022, the annual money-weighted rate of return on the plan investments, net of OPEB plan investment expense, was -9.39% for the School Division. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

12. Other Postemployment Benefits – Retiree Health Plan (Continued)

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.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	Balances at June 30, 2021	\$ 2,239,811	\$ 2,173,845
Changes for the year:			
Service cost	78,070	-	78,070
Interest	146,183	-	146,183
Contributions - employer	-	237,167	(237,167)
Net investment income	-	(205,312)	205,312
Benefit payments	(140,032)	(140,032)	-
Administrative expenses	-	(2,813)	2,813
Net changes	84,221	(110,990)	195,211
Balances at June 30, 2022	\$ 2,324,032	\$ 2,062,855	\$ 261,177

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

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

Net OPEB Liability		
1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
\$ 439,970	\$ 261,177	\$ 95,701

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

12. Other Postemployment Benefits – Retiree Health Plan (Continued)

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

The following presents the net OPEB liability calculated using the current healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

Net OPEB Liability		
1% Decrease	Current Trend Rate	1% Increase
\$ 25,473	\$ 261,177	\$ 534,004

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

For the year ended June 30, 2022, the School Division recognized OPEB expense of \$64,280. At June 30, 2022, the School Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,350	\$ 39,241
Changes in assumptions	52,993	144,918
Net difference between projected and actual earnings on plan investments	79,817	-
Total	\$ 142,160	\$ 184,159

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

Year ended June 30,	Amount
2023	\$ (16,321)
2024	(23,245)
2025	(33,900)
2026	41,371
2027	(12,911)
Thereafter	3,007
	\$ (41,999)

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

13. 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.

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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

13. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM (Continued)

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 1st following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1st until it reaches 25% of its original value.

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 \$8,722 as of June 30, 2022.

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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

13. Other Postemployment Benefits – Group Life Insurance & Health Insurance Credit

Plan Description (Continued)

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (Continued)

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.

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, 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, 2020, 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	25
Inactive members:	
Vested inactive members	2
Total inactive members	<u>27</u>
Active members	<u>62</u>
Total covered employees	<u><u>89</u></u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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, 2022, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the City were \$133,026 and \$125,503 for the years ended June 30, 2022, and June 30, 2021, respectively. Employer contributions from the School Division for non-professional employees were \$7,833 and \$6,864 for the years ended June 30, 2022, and June 30, 2021, respectively. Employer contributions from the School Division for professional employees were \$141,458 and \$128,847 for years ended June 30, 2022, and June 30, 2021, respectively.

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, 2022, 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. The School Division elected to provide an additional optional employer contribution of 0.45% of covered employee compensation for the year ended June 30, 2022. Contributions from the School Division were \$16,387 and \$8,589 for years ended June 30, 2022, and June 30, 2021, respectively.

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

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, 2022, 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 \$316,973 and \$287,648 for years ended June 30, 2022, and June 30, 2021, respectively.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Net OPEB Liability

Under the Political Subdivision Health Insurance Credit Program, the School Division's net OPEB liability was measured as of June 30, 2021. The total OPEB liability for this program was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Under the Group Life Insurance Program, the School Division non-professional employees and School Division professional employees reported liabilities of \$71,486, and \$1,341,822, respectively, for their proportionate shares of the Group Life Insurance Program net OPEB liability as of June 30, 2022. Under the Teacher Employee Health Insurance Credit Program, the School Division reported a liability of \$3,445,100 for its proportionate share of the Teacher Employee Health Insurance Credit Program net OPEB liability as of June 30, 2022. The net OPEB liabilities for the Group Life Insurance Program and Teacher Employee Health Insurance Credit Program were measured as of June 30, 2021, and the total OPEB liabilities used to calculate the net OPEB liabilities for each plan were determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportions of the net OPEB liabilities for the Group Life Insurance Program and Teacher Employee Health Insurance Credit program were based on the covered employer's actuarially determined employer contributions to the plans for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2021, the proportions of the Group Life Insurance Program for the School Division non-professional employees and School Division professional employees were 0.00614% and 0.11525%, respectively, as compared to 0.00623% and 0.11525%, respectively, at June 30, 2020. At June 30, 2021, the proportion of the Teacher Employee Health Insurance Credit Program for the School Division was 0.26840%, as compared to 0.27051% at June 30, 2020.

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 the measurement date of June 30, 2021, net OPEB liability amounts are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program	Teacher Employee HIC OPEB Program
Total OPEB liability	\$ 3,577,346	\$ 1,477,874
Plan fiduciary net position	2,413,074	194,305
Net OPEB liability	\$ 1,164,272	\$ 1,283,569
Plan fiduciary net position as a percentage of total OPEB liability	67.45%	13.15%

The total OPEB liabilities for the Group Life Insurance Program and Teacher Employee Health Insurance Credit Program are calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liabilities for the Group Life Insurance Program and Teacher Employee Health Insurance Credit Program are disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Actuarial Assumptions – General Employees

The total OPEB liabilities for general employees in the Group Life Insurance Program and Political Subdivision Health Insurance Credit Program were based on actuarial valuations as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	
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 plan investment expenses, including inflation

Group Life Insurance Program – Mortality Rates – Largest Ten Locality Employers – Non-Hazardous Duty:

- Pre-Retirement – Pub-2010 Amount Weighted Safety Employee Rates projected generationally; Males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement – Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement – Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors – Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale – Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Group Life Insurance Program – Mortality Rates – Non-Largest Ten Locality Employers – Non-Hazardous Duty:

- Pre-Retirement – Pub-2010 Amount Weighted Safety Employee Rates projected generationally; Males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement – Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement – Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors – Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale – Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Actuarial Assumptions – General Employees

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

Largest Ten Locality Employers – Non-Hazardous Duty:

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

Non-Largest Ten Locality Employers – Non-Hazardous Duty:

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

Political Subdivision Health Insurance Credit Program – Mortality Rates – Largest Ten Locality Employers – Non-Hazardous Duty:

- Pre-Retirement – Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement – Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rate for males; 105% of rates for females set forward 3 years
- Post-Disablement – Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors – Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement Scale – Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Actuarial Assumptions – General Employees (Continued)

Political Subdivision Health Insurance Credit Program – Non-Largest Ten Locality Employers – Non-Hazardous Duty:

- Pre-Retirement – Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement – Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rate for males; 105% of rates for females set forward 3 years
- Post-Disablement – Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors – Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement Scale – Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

Largest Ten Locality Employers – Non-Hazardous Duty:

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

Non-Largest Ten Locality Employers – Non-Hazardous Duty:

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Actuarial Assumptions – Teachers

The total OPEB liabilities for teachers and administrative employees of the School Division in the Group Life Insurance Program and Teacher Employee Health Insurance Credit Program were based on actuarial valuations as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	
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 plan investment expenses, including inflation

Group Life Insurance Program and Teacher Employee Health Insurance Credit Program – Mortality Rates:

- Pre-Retirement – Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
- Post-Retirement – Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement – Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors – Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale – Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

For teachers and administrative employees of the School Division in the Group Life Insurance Program and Teacher Employee Health Insurance Credit Program, the actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action in the Group Life Insurance Program and Teacher Employee Health Insurance Credit Program are as follows:

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Long-Term Expected Rate of Return

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

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

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

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Discount Rate – Group Life Insurance Program and Teacher Employee Health Insurance Credit Program

For the Group Life Insurance Program and Teacher Employee Health Insurance Credit Program, 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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, 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, 2021, 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.

Discount Rate – Political Subdivision Health Insurance Credit Program

For the Political Subdivision Health Insurance Credit Program, 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 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, 2021, the rate contributed by the entity for OPEB was 100% of the actuarially determined contribution rates. From July 1, 2021, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
School Division - Political Subdivision HIC			
Balances at June 30, 2020	\$ 127,808	\$ 61,885	\$ 65,923
Changes for the year:			
Service cost	4,085	-	4,085
Interest	8,118	-	8,118
Changes in assumptions	2,663	-	2,663
Differences between expected and actual experience	(750)	-	(750)
Contributions - employer	-	8,589	(8,589)
Net investment income	-	15,149	(15,149)
Benefit payments	(15,100)	(15,100)	-
Administrative expenses	-	(164)	164
Net changes	(984)	8,474	(9,458)
Balances at June 30, 2021	\$ 126,824	\$ 70,359	\$ 56,465

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

13. 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:

	Net OPEB Liability		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
	Group Life Insurance (Non-Professional)	\$ 104,444	\$ 71,486
Group Life Insurance (Professional)	1,960,451	1,341,822	842,251
Political Subdivision Health Insurance Credit	68,810	56,465	45,883
Teacher Employee Health Insurance Credit	3,878,228	3,445,100	3,078,571

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

For the year ended June 30, 2022, the School Division non-professional employees and School Division professional employees recognized Group Life Insurance OPEB expense of \$1,800 and \$44,769, respectively. For the year ended June 30, 2022, the School Division recognized Political Subdivision Health Insurance Credit Program OPEB expense of (\$2,311) and Teacher Employee Health Insurance Credit Program OPEB expense of \$255,734. 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, 2022, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
School Division - Non-Professional GLI		
Differences between expected and actual experience	\$ 8,153	\$ 545
Net difference between projected and actual earnings on program investments	-	17,062
Changes in assumptions	3,941	9,781
Changes in proportion	653	5,746
Employer contributions subsequent to the measurement date	7,833	-
Total	\$ 20,580	\$ 33,134

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

13. 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)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
School Division - Professional GLI		
Differences between expected and actual experience	\$ 153,040	\$ 10,224
Net difference between projected and actual earnings on program investments	-	320,264
Changes in assumptions	73,974	183,590
Changes in proportion	1,326	34,601
Employer contributions subsequent to the measurement date	141,458	-
Total	<u>\$ 369,798</u>	<u>\$ 548,679</u>
School Division - Political Subdivision HIC		
Differences between expected and actual experience	\$ -	\$ 9,380
Net difference between projected and actual earnings on program investments	-	6,987
Changes in assumptions	2,844	-
Employer contributions subsequent to the measurement date	16,387	-
Total	<u>\$ 19,231</u>	<u>\$ 16,367</u>
School Division - Teacher Employee HIC		
Differences between expected and actual experience	\$ -	\$ 60,117
Net difference between projected and actual earnings on program investments	-	45,382
Changes in assumptions	93,127	13,846
Changes in proportion	14,111	110,387
Employer contributions subsequent to the measurement date	316,973	-
Total	<u>\$ 424,211</u>	<u>\$ 229,732</u>

Deferred outflows of resources resulting from employer contributions of \$7,833, \$141,458, \$16,387, and \$316,973 subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

13. 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)

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:

Year ended June 30,	GLI Non-Professional	GLI Professional	Political Subdivision HIC	Teacher Employee HIC
2023	\$ (4,650)	\$ (76,306)	\$ (5,578)	\$ (29,057)
2024	(4,102)	(60,425)	(3,887)	(29,572)
2025	(4,270)	(59,303)	(1,954)	(25,498)
2026	(6,091)	(104,601)	(2,104)	(22,426)
2027	(1,274)	(19,704)	-	(10,304)
Thereafter	-	-	-	(5,637)
	<u>\$ (20,387)</u>	<u>\$ (320,339)</u>	<u>\$ (13,523)</u>	<u>\$ (122,494)</u>

Payables to the OPEB Plans

At June 30, 2022, \$1,808 and \$33,796 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 2022 payroll.

At June 30, 2022, \$1,525 and \$30,513 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 2022 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 2021 Annual Comprehensive Financial Report. A copy of the VRS 2021 Annual Comprehensive Financial Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

14. Summary of Other Postemployment Benefit Elements

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

	School Division
OPEB Expense	
Retiree Health Plan	\$ 64,280
VRS Retirement Plan - GLI	1,800
VRS Retirement Plan - HIC	(2,311)
VRS Teacher Retirement Plan - GLI	44,769
VRS Teacher Retirement Plan - HIC	255,734
Total OPEB Expense	\$ 364,272
 Net OPEB Liability	
Retiree Health Plan	\$ 261,177
VRS Retirement Plan - GLI	71,486
VRS Retirement Plan - HIC	56,465
VRS Teacher Retirement Plan - GLI	1,341,822
VRS Teacher Retirement Plan - HIC	3,445,100
Total OPEB Liability	\$ 5,176,050
 Deferred Outflows of Resources	
Differences between expected and actual experience	
Retiree Health Plan	\$ 9,350
VRS Retirement Plan - GLI	8,153
VRS Teacher Retirement Plan - GLI	153,040
Net difference between projected and actual earnings on program investments	
Retiree Health Plan	79,817
Changes in assumptions	
Retiree Health Plan	52,993
VRS Retirement Plan - GLI	3,941
VRS Retirement Plan - HIC	2,844
VRS Teacher Retirement Plan - GLI	73,974
VRS Teacher Retirement Plan - HIC	93,127
Changes in proportion	
VRS Retirement Plan - GLI	653
VRS Teacher Retirement Plan - GLI	1,326
VRS Teacher Retirement Plan - HIC	14,111
Employer contributions subsequent to the measurement date	
VRS Retirement Plan - GLI	7,833
VRS Retirement Plan - HIC	16,387
VRS Teacher Retirement Plan - GLI	141,458
VRS Teacher Retirement Plan - HIC	316,973
Total Deferred Outflows of Resources	\$ 975,980

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

14. Summary of Other Postemployment Benefit Elements (Continued)

	School Division
Deferred Inflows of Resources	
Differences between expected and actual experience	
Retiree Health Plan	\$ 39,241
VRS Retirement Plan - GLI	545
VRS Retirement Plan - HIC	9,380
VRS Teacher Retirement Plan - GLI	10,224
VRS Teacher Retirement Plan - HIC	60,117
Net difference between projected and actual earnings on program investments	
VRS Retirement Plan - GLI	17,062
VRS Retirement Plan - HIC	6,987
VRS Teacher Retirement Plan - GLI	320,264
VRS Teacher Retirement Plan - HIC	45,382
Changes in assumptions	
Retiree Health Plan	144,918
VRS Retirement Plan - GLI	9,781
VRS Teacher Retirement Plan - GLI	183,590
VRS Teacher Retirement Plan - HIC	13,846
Changes in proportion	
VRS Retirement Plan - GLI	5,746
VRS Teacher Retirement Plan - GLI	34,601
VRS Teacher Retirement Plan - HIC	110,387
Total Deferred Inflows of Resources	\$ 1,012,071

15. Commitments and Contingencies

Construction Commitments

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

	Spent to Date	Remaining Contract
Salem High School Renovation	\$ 25,396,312	\$ 1,732,359
Salem High School Fieldhouse Renovation	620,068	3,160,591
East Salem Elementary HVAC Upgrades	581,535	232,073
West Salem Elementary Roof Replacement	-	456,887
	\$ 26,597,915	\$ 5,581,910

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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

15. Commitments and Contingencies (Continued)

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, 2022. Beginning on July 1, 2021, Aramark received a flat fee of \$8,010.83 per month for ten months for general and administrative expenses and a flat fee of \$2,136.22 per month for ten months for management services.

16. 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, 2022, the School Division remitted \$53,285 for services. Financial statements may be obtained from RVGS at 2104 Grandin Road, Roanoke, Virginia 24015.

17. New Accounting Standards

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. 99, *Omnibus 2022*, to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Some provisions of this statement are effective upon issuance, other provisions of this statement are effective for fiscal years beginning after June 15, 2022, and other provisions of this statement are effective for fiscal years beginning after June 15, 2023. Management has not completed the process of evaluating the impact that will result from full adoption of the standard and is, therefore, unable to disclose the impact of adoption.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

17. New Accounting Standards (Continued)

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

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

THIS PAGE INTENTIONALLY BLANK

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SALEM SCHOOL DIVISION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
YEAR ENDED JUNE 30, 2022**

	Non-Professional Staff Plan Year					
	2021	2020	2019	2018	2017	2016
Total pension liability						
Service cost	\$ 106,418	\$ 119,513	\$ 130,680	\$ 130,240	\$ 120,806	\$ 124,227
Interest	344,320	350,152	348,873	350,464	345,744	347,691
Changes of benefit terms	150,153	(195,286)	(81,471)	(177,270)	(39,860)	(182,245)
Differences between expected and actual experience	(89,731)	-	134,293	-	(23,501)	-
Changes in assumptions	(378,725)	(342,849)	(314,833)	(337,479)	(334,040)	(300,945)
Benefit payments, including refunds of employee contributions	132,435	(68,470)	217,542	(34,045)	69,149	(11,272)
Net change in total pension liability	5,290,395	5,358,865	5,141,323	5,175,368	5,106,219	4,962,875
Total pension liability - beginning	5,422,830	5,290,395	5,358,865	5,141,323	5,175,368	5,106,219
Total pension liability - ending						
Plan fiduciary net position						
Contributions - employer	\$ 19,987	\$ 39,178	\$ 40,178	\$ 51,406	\$ 51,554	\$ 92,100
Contributions - employee	57,197	58,791	57,762	61,121	61,318	58,188
Net investment income	1,516,515	110,040	369,207	399,866	608,458	86,505
Benefit payments, including refunds of employee contributions	(378,725)	(342,849)	(314,833)	(337,479)	(334,040)	(300,945)
Administrative expense	(3,965)	(3,871)	(3,796)	(3,562)	(3,661)	(3,256)
Other	141	(128)	(231)	(350)	(535)	(37)
Net change in plan fiduciary net position	1,211,150	(138,839)	148,287	171,002	383,094	(67,445)
Plan fiduciary net position - beginning	5,655,835	5,794,674	5,646,387	5,475,385	5,092,291	5,159,736
Plan fiduciary net position - ending	6,866,985	5,655,835	5,794,674	5,646,387	5,475,385	5,092,291
Net pension liability (asset) - ending	(1,444,155)	(385,440)	(435,809)	(505,064)	(300,017)	(13,928)
Plan fiduciary net position as a percentage of the total pension liability	126.63%	106.91%	108.13%	109.82%	105.80%	99.73%
Covered payroll	\$ 869,000	\$ 1,061,734	\$ 1,068,835	\$ 1,187,206	\$ 1,190,624	\$ 1,173,248
Net pension liability (asset) as a percentage of covered payroll	(166.19%)	(34.42%)	(40.03%)	(42.54%)	(25.20%)	1.19%

Schedule is intended to show information for 10 years. Since 2022 (plan year 2021) is the eighth year for this presentation, only seven 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, 2022**

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

Schedule is intended to show information for 10 years. Since 2022 is the eighth year for this presentation, only seven additional years of data are available. However, additional years will be included as they become available.

** 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, 2022**

Plan Year Ended June 30	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (a)	Covered Payroll (b)	Employer's Share of the Net Pension Liability as a % of Covered Payroll (a/b)	Plan Fiduciary Net Position as a % of the Total Pension Liability
School Division (Professional Staff)					
2021	0.27131%	\$ 21,062,060	\$ 23,114,687	91.12%	85.46%
2020	0.27321%	39,759,230	23,135,236	171.86%	71.47%
2019	0.27613%	36,340,277	22,568,718	161.02%	73.51%
2018	0.28140%	33,092,000	22,299,761	148.40%	74.81%
2017	0.27878%	34,284,000	21,639,120	158.44%	72.92%
2016	0.28026%	39,276,000	21,368,521	183.80%	68.28%
2015	0.28555%	35,941,000	21,230,718	169.29%	70.68%
2014	0.29170%	35,251,000	19,575,450	180.08%	70.88%

Schedule is intended to show information for 10 years. Since 2022 (plan year 2021) is the eighth year for this presentation, only seven 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, 2022**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
	(a)	(b)	(a-b)	(c)	(b/c)
School Division (Professional Staff)					
2022	\$ 4,211,083	\$ 4,211,083	\$ -	\$ 25,337,443	16.62%
2021*	3,842,114	3,842,114	-	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 2022 is the eighth year for this presentation, only seven 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, 2022**

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 78,070	\$ 72,888	\$ 74,370	\$ 73,179	\$ 71,941	\$ 67,235
Interest	146,183	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	(140,032)	(139,150)	(136,057)	(151,400)	(136,054)	(125,858)
Net change in total OPEB liability	84,221	91,702	58,350	(157,396)	87,423	86,854
Total OPEB liability - beginning	2,239,811	2,148,109	2,089,759	2,247,155	2,159,732	2,072,878
Total OPEB liability - ending	\$ 2,324,032	\$ 2,239,811	\$ 2,148,109	\$ 2,089,759	\$ 2,247,155	\$ 2,159,732
Plan fiduciary net position						
Contributions - employer	\$ 237,167	\$ 236,285	\$ 233,192	\$ 248,535	\$ 233,189	\$ 211,531
Net investment income	(205,312)	480,434	44,595	59,924	105,580	116,176
Benefit payments	(140,032)	(139,150)	(136,057)	(151,400)	(136,054)	(125,858)
Administrative expense	(2,813)	(2,294)	(2,100)	(1,894)	(1,717)	(1,579)
Net change in plan fiduciary net position	(110,990)	575,275	139,630	155,165	200,998	200,270
Plan fiduciary net position - beginning	2,173,845	1,598,570	1,458,940	1,303,775	1,102,777	902,507
Plan fiduciary net position - ending	\$ 2,062,855	\$ 2,173,845	\$ 1,598,570	\$ 1,458,940	\$ 1,303,775	\$ 1,102,777
Net OPEB liability - ending	\$ 261,177	\$ 65,966	\$ 549,539	\$ 630,819	\$ 943,380	\$ 1,056,955
Plan fiduciary net position as a percentage of the total OPEB liability	88.76%	97.05%	74.42%	69.81%	58.02%	51.06%
Covered-employee payroll	\$ 24,787,563	\$ 24,787,563	\$ 23,962,730	\$ 23,962,730	\$ 23,076,891	\$ 23,076,891
Net OPEB liability as a percentage of covered-employee payroll	1.05%	0.27%	2.29%	2.63%	4.09%	4.58%
Annual money-weighted rate of return, net of investment expense	(9.39%)	30.01%	3.05%	4.59%	9.52%	12.79%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only five 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, 2022**

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

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only five 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, 2022
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	Closed over 25 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, 2022**

	Plan Year				
	2021	2020	2019	2018	2017
Total HIC OPEB liability					
Service cost	\$ 4,085	\$ 4,133	\$ 3,643	\$ 2,543	\$ 2,412
Interest	8,118	8,927	9,771	11,059	10,832
Changes of benefit terms	-	955	-	-	-
Changes in assumptions	2,663	-	2,818	-	370
Differences between expected and actual experience	(750)	(10,631)	(9,720)	(20,255)	-
Benefit payments	(15,100)	(15,662)	(12,020)	(11,482)	(9,254)
Net change in total HIC OPEB liability	(984)	(12,278)	(5,508)	(18,135)	4,360
Total HIC OPEB liability - beginning	127,808	140,086	145,594	163,729	159,369
Total HIC OPEB liability - ending	<u>\$ 126,824</u>	<u>\$ 127,808</u>	<u>\$ 140,086</u>	<u>\$ 145,594</u>	<u>\$ 163,729</u>
Plan fiduciary net position					
Contributions - employer	\$ 8,589	\$ 7,533	\$ 7,318	\$ 8,875	\$ 8,704
Net investment income	15,149	1,341	4,257	4,693	6,952
Benefit payments	(15,100)	(15,662)	(12,020)	(11,482)	(9,254)
Administrative expense	(164)	(116)	(90)	(108)	(109)
Other	-	(1)	(5)	(359)	359
Net change in plan fiduciary net position	8,474	(6,905)	(540)	1,619	6,652
Plan fiduciary net position - beginning	61,885	68,790	69,330	67,711	61,059
Plan fiduciary net position - ending	<u>\$ 70,359</u>	<u>\$ 61,885</u>	<u>\$ 68,790</u>	<u>\$ 69,330</u>	<u>\$ 67,711</u>
Net OPEB liability - ending	<u>\$ 56,465</u>	<u>\$ 65,923</u>	<u>\$ 71,296</u>	<u>\$ 76,264</u>	<u>\$ 96,018</u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.48%	48.42%	49.11%	47.62%	41.36%
Covered payroll	\$ 1,262,794	\$ 1,276,780	\$ 1,240,339	\$ 1,286,232	\$ 1,261,449
Net OPEB liability as a percentage of covered payroll	4.47%	5.16%	5.75%	5.93%	7.61%

Schedule is intended to show information for 10 years. Since 2022 (plan year 2021) is the fifth year for this presentation, only four 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, 2022**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2022	\$ 9,862	\$ 16,387	\$ (6,525)	\$ 1,450,177	1.13%
2021*	8,589	8,589	-	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 2022 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.

* 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, 2022**

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability (a)	Covered Payroll (b)	Employer's Share of the Net OPEB Liability as a % of Covered Payroll (a/b)	Plan Fiduciary Net Position as a % of the Total OPEB Liability
School Division - Group Life Insurance Program (Non-Professional Staff)					
2021	0.00614%	\$ 71,486	\$ 1,271,111	5.62%	67.45%
2020	0.00623%	103,968	1,285,000	8.09%	54.64%
2019	0.00634%	103,169	1,243,077	8.30%	52.00%
2018	0.00676%	102,000	1,286,154	7.93%	51.22%
2017	0.00687%	103,000	1,268,277	8.12%	48.86%
School Division - Group Life Insurance Program (Professional Staff)					
2021	0.11525%	\$ 1,341,822	\$ 23,860,556	5.62%	67.45%
2020	0.11525%	1,923,334	23,770,577	8.09%	52.64%
2019	0.11726%	1,908,133	22,986,731	8.30%	52.00%
2018	0.11861%	1,801,000	22,553,654	7.99%	51.22%
2017	0.11835%	1,781,000	21,829,358	8.16%	48.86%
School Division - Teacher Employee Health Insurance Credit Program					
2021	0.26840%	\$ 3,445,100	\$ 23,772,562	14.49%	9.95%
2020	0.27051%	3,528,848	23,716,667	14.88%	9.95%
2019	0.27380%	3,584,308	22,965,750	15.61%	8.97%
2018	0.27878%	3,540,000	22,545,854	15.70%	8.08%
2017	0.27639%	3,506,000	21,812,560	16.07%	7.04%

Schedule is intended to show information for 10 years. Since fiscal year 2022 (plan year 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.

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, 2022**

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

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

2022	\$ 7,833	\$ 7,833	\$ -	\$ 1,450,556	0.54%
2021*	6,864	6,864	-	1,271,111	0.54%
2020	6,682	6,682	-	1,285,000	0.52%
2019**	6,464	6,464	-	1,243,077	0.52%
2018	6,688	6,688	-	1,286,154	0.52%

School Division - Group Life Insurance Program (Professional Staff)

2022	\$ 141,458	\$ 141,458	\$ -	\$ 26,195,926	0.54%
2021*	128,847	128,847	-	23,860,556	0.54%
2020	123,607	123,607	-	23,770,577	0.52%
2019**	119,531	119,531	-	22,986,731	0.52%
2018	117,279	117,279	-	22,553,654	0.52%

School Division - Teacher Employee Health Insurance Credit Program

2022	\$ 316,973	\$ 316,973	\$ -	\$ 26,196,116	1.21%
2021*	287,648	287,648	-	23,772,562	1.21%
2020	284,600	284,600	-	23,716,667	1.20%
2019**	275,589	275,589	-	22,965,750	1.20%
2018	277,314	277,314	-	22,545,854	1.23%

Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only four additional years of data is available. However, additional years will be included as they become available.

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

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

CITY OF SALEM, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

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

Largest Ten – Non-Hazardous Duty:

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

Largest Ten – Hazardous Duty/Public Safety Employees:

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

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

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

**CITY OF SALEM, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

2. Changes of Assumptions (Continued)

Teacher cost-sharing pool:

- Update mortality table to Pub-2010 public sector mortality tables; For future mortality improvements, replace load with a modified Mortality Scape MP-2020
- Adjusted retirement rates to better fit experience for Plan 1; Set separate rates based on experience for Plan2/Hybrid; Changed final retirement age from 78 to 80 for all
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service
- No change to disability rates
- No changes to salary scale
- No change to discount rate

THIS PAGE INTENTIONALLY BLANK

STATISTICAL SECTION

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	109 - 113
<i>These schedules contain trend information to help the reader understand how the School Division's financial performance and well-being have changed over time.</i>	
Revenue Capacity	114 - 117
<i>These schedules contain information to help the reader assess the School Division's revenue sources. The schedules also include information about the City's most significant local revenue source, property taxes, as the City provides significant revenues to the School Division.</i>	
Debt Capacity	118 - 119
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and ability to issue additional debt in the future. These schedules are shown because the City incurs significant debt for the School Division's use.</i>	
Demographic and Economic Information	120 - 121
<i>These schedules offer demographic and economic indicators to help the reader understand the environment in which the School Division operates and to help make comparisons over time and with other governments.</i>	
Operating Information	122 - 128
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the School Division's financial report relates to the services the School provides and the activities it performs.</i>	

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
		(1)			(2)			(3)	(4)	
Governmental Activities										
Net investment in capital assets	\$ 67,754,198	\$ 60,234,738	\$ 46,748,373	\$ 42,906,415	\$ 43,173,063	\$ 45,092,573	\$ 46,530,313	\$ 48,121,333	\$ 49,441,566	\$ 49,201,420
Restricted	1,444,155	365,440	965,614	650,756	537,062	-	78,138	78,474	-	-
Unrestricted	(22,317,124)	(24,507,178)	(27,114,252)	(28,122,133)	(32,351,599)	(28,646,696)	(31,510,148)	(35,459,054)	3,972,118	758,035
Total School Division net position	\$ 46,881,229	\$ 36,093,000	\$ 20,599,735	\$ 15,435,038	\$ 11,358,526	\$ 16,445,877	\$ 15,098,303	\$ 12,740,753	\$ 53,413,684	\$ 49,959,455

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
		(1)			(2)				(3)	
Expenses										
Central administration	\$ 2,011,242	\$ 2,085,923	\$ 2,016,415	\$ 1,783,674	\$ 1,596,030	\$ 1,652,209	\$ 1,593,894	\$ 1,695,545	\$ 1,879,992	\$ 1,920,910
Centralized instruction costs	3,396,049	3,567,700	4,075,157	3,840,082	3,518,687	3,543,531	3,473,872	3,636,537	3,879,440	3,548,842
Instructional costs	41,661,291	39,488,999	37,077,981	33,908,535	34,871,104	32,458,269	30,933,478	32,699,399	33,968,213	32,389,924
Attendance and health services	1,153,234	1,126,855	1,147,452	978,529	1,010,606	1,005,378	936,415	981,451	879,534	893,663
Transportation	1,922,120	1,762,900	1,472,764	1,500,881	1,524,848	1,408,400	1,348,170	1,463,135	1,413,079	1,446,627
Food services	2,235,602	1,960,853	1,848,960	1,792,273	1,794,237	1,756,692	1,675,156	1,973,317	1,597,475	1,616,530
Federal and state grants programs	-	-	-	-	-	1,970,034	1,844,532	1,969,993	2,953,551	2,172,018
Non-departmental	-	-	-	-	-	-	-	-	-	548,520
Interest and other fiscal charges	-	1,212	6,006	7,106	493	6,383	10,612	-	-	-
Total governmental activities	52,379,538	49,994,442	47,644,735	43,811,080	44,316,005	43,800,896	41,816,129	44,419,377	46,571,284	44,537,034
Program revenues										
Charges for services:										
Central administration	-	-	-	-	-	26,251	33,158	20,106	19,524	20,787
Centralized instruction	168,533	218,111	166,551	166,262	209,937	546,197	510,968	587,734	623,222	478,675
Instructional	1,003,370	783,482	910,778	1,000,374	945,598	174,200	179,915	175,813	191,751	177,925
Food services	119,398	62,276	569,747	845,340	836,801	841,634	815,618	759,141	832,642	867,703
Operating grants and contributions	17,351,097	12,922,879	10,758,674	9,818,437	9,540,263	8,605,485	8,197,005	8,119,815	8,956,887	8,122,841
Capital grants and contributions	637,913	-	-	17,438	14,400	156,367	49,773	5,174	7,000	7,000
Total governmental activities	19,280,311	13,986,748	12,405,750	11,847,851	11,546,999	10,350,134	9,786,437	9,667,783	10,631,026	9,674,931
Net expense	(33,099,227)	(36,007,694)	(35,238,985)	(31,963,229)	(32,769,006)	(33,450,762)	(32,029,692)	(34,751,594)	(35,940,258)	(34,862,103)
General revenues and other changes in net position										
Payments from City of Salem	26,611,308	34,606,636	25,341,148	21,026,377	20,170,298	19,760,242	19,739,512	19,151,270	25,103,243	30,295,228
State aid	16,404,289	16,116,582	14,952,136	14,891,728	14,222,573	14,075,825	13,757,083	13,916,982	13,144,693	13,133,752
Other	871,859	169,906	110,398	121,636	123,394	962,269	890,647	954,837	778,599	806,487
Total governmental activities	43,887,456	50,893,124	40,403,682	36,039,741	34,516,265	34,798,336	34,387,242	34,023,089	39,026,535	44,235,467
Change in net position	\$ 10,788,229	\$ 14,885,430	\$ 5,164,697	\$ 4,076,512	\$ 1,747,259	\$ 1,347,574	\$ 2,357,550	\$ (728,505)	\$ 3,086,277	\$ 9,373,364

Notes:

Source: City of Salem Finance Department

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

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
FUND BALANCES										
General Fund		(1)							(2)	
Nonspendable	\$ 420,882	\$ 220,392	\$ 158,753	\$ 101,494	\$ 4,068	\$ -	\$ -	\$ -	\$ 24,797	\$ 3,326
Restricted	-	-	529,805	650,756	537,062	-	78,138	-	-	-
Committed	765,341	699,526	351,315	545,572	454,828	85,500	-	-	-	36,863
Assigned	3,133,334	6,260,707	5,175,071	5,053,704	3,911,615	4,493,379	4,532,051	2,761,526	1,992,070	2,439,014
Total General Fund	\$ 4,319,557	\$ 7,180,625	\$ 6,214,944	\$ 6,351,526	\$ 4,907,573	\$ 4,578,879	\$ 4,610,189	\$ 2,840,000	\$ 2,016,867	\$ 2,479,203
Cafeteria Fund										
Nonspendable	\$ 133,878	\$ 116,984	\$ 98,571	\$ 56,438	\$ 37,579	\$ 33,103	\$ 33,187	\$ 34,125	\$ 55,511	\$ 56,826
Committed	955,362	404,295	624,572	580,465	464,331	-	-	-	-	-
Assigned	-	-	-	-	-	349,325	305,919	324,603	451,968	410,328
Total Cafeteria Fund	\$ 1,089,240	\$ 521,279	\$ 723,143	\$ 636,903	\$ 501,910	\$ 382,428	\$ 339,106	\$ 358,728	\$ 507,479	\$ 467,154
Capital Projects Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 4,939	\$ 14,816	\$ 24,693	\$ -	\$ -	\$ -
Committed	3,363,092	3,267,093	2,810,420	1,765,046	2,746,660	2,030,441	905,058	1,146,489	1,550,444	1,550,386
Unassigned	-	-	-	-	-	-	-	-	-	(2,964,290)
Total Capital Projects Fund	\$ 3,363,092	\$ 3,267,093	\$ 2,810,420	\$ 1,765,046	\$ 2,751,599	\$ 2,045,257	\$ 929,751	\$ 1,146,489	\$ 1,550,444	\$ (1,413,704)
Activity Fund										
Nonspendable	\$ 4,541	\$ 3,547								
Assigned	689,657	677,556								
Total Capital Projects Fund	\$ 694,198	\$ 681,103								
Total School Division	\$ 9,466,087	\$ 11,650,100	\$ 9,748,507	\$ 8,753,475	\$ 8,161,082	\$ 7,006,564	\$ 5,879,046	\$ 4,345,217	\$ 4,074,790	\$ 1,532,653

Notes:

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

TABLE 4
UNAUDITED

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
<u>General Fund</u>										
<i>Intergovernmental:</i>										
City of Salem	\$ 20,919,612	\$ 20,222,585	\$ 20,499,426	\$ 21,026,377	\$ 20,170,298	\$ 19,760,242	\$ 19,739,512	\$ 19,151,270	\$ 19,622,043	\$ 20,776,428
Commonwealth of Virginia	25,623,802	24,348,690	22,563,977	21,878,266	21,067,259	20,052,041	19,491,109	19,455,460	19,452,863	18,505,940
Federal Government	5,977,011	3,113,287	1,747,379	1,708,244	1,648,522	1,705,496	1,631,925	1,761,396	1,838,411	1,978,488
<i>Other:</i>										
Charges for services	416,929	662,966	1,077,329	1,166,636	1,155,535	746,647	724,041	783,653	834,497	677,387
Other	179,553	99,070	99,069	115,004	96,502	944,782	883,593	810,937	765,723	795,406
Total General Fund	53,116,907	48,446,598	45,987,180	45,894,527	44,138,116	43,209,208	42,470,180	41,962,716	42,513,537	42,733,649
<u>Cafeteria Fund</u>										
<i>Intergovernmental:</i>										
Commonwealth of Virginia	35,968	18,084	38,054	29,478	28,674	24,710	21,590	24,581	25,893	28,076
Federal Government	2,756,518	1,559,400	1,361,400	1,094,177	1,016,458	899,020	809,467	795,360	784,413	744,089
<i>Other:</i>										
Charges for services	119,398	62,276	569,747	845,340	836,801	841,634	815,617	759,141	832,642	867,703
Other	11,088	10,632	12,859	8,018	29,886	17,531	7,121	143,900	12,876	11,083
Total Cafeteria Fund	2,922,972	1,650,392	1,982,060	1,977,013	1,911,819	1,782,895	1,653,795	1,722,982	1,655,824	1,650,951
<u>Capital Projects Fund</u>										
<i>Intergovernmental:</i>										
City of Salem	5,691,696	14,384,051	4,841,722	-	-	-	-	-	5,481,200	9,518,800
<i>Other:</i>										
Other	-	-	-	-	-	-	-	5,174	7,000	7,000
Total Capital Projects Fund	5,691,696	14,384,051	4,841,722	-	-	-	-	5,174	7,000	9,525,800
<u>Activity Fund</u>										
<i>Other:</i>										
Charges for services	754,975	338,627								
Other	176,946	63,788								
Total Activity Fund	931,921	402,415								
Expenditures										
<u>General Fund</u>										
<i>Current:</i>										
Central administration	2,121,974	2,040,621	2,007,754	1,734,048	1,587,712	1,608,371	1,593,852	1,658,908	1,756,494	1,664,724
Centralized instruction costs	3,739,425	3,554,076	4,074,573	4,053,997	3,768,680	3,795,451	3,687,727	3,832,984	3,711,762	3,499,585
Instructional costs:										
Salem High School	11,589,554	10,812,614	10,504,638	10,516,395	10,459,247	10,090,056	10,048,013	9,976,964	9,965,723	10,119,284
Andrew Lewis Middle School	7,777,571	7,582,656	7,343,857	7,133,729	7,110,842	6,985,732	6,629,696	6,769,119	6,765,055	6,780,842
G. W. Carver Elementary School	4,206,255	3,869,788	3,779,518	3,734,148	3,694,139	3,525,927	3,473,543	3,590,403	3,634,528	3,497,209
West Salem Elementary School	3,792,579	3,489,273	3,592,948	3,570,397	3,383,487	3,019,223	2,999,504	3,013,001	3,167,012	3,142,102
South Salem Elementary School	3,386,465	3,239,527	3,210,750	3,193,441	3,248,699	2,984,447	2,946,511	2,985,015	3,006,075	2,990,425
East Salem Elementary School	4,184,387	3,836,461	3,764,485	3,902,247	3,778,488	3,634,861	3,543,633	3,472,215	3,185,659	3,281,198
Regional Program	773,303	798,101	695,930	736,901	743,403	754,116	733,930	698,011	616,896	743,384
Federal and state grants programs	6,917,985	3,579,467	2,114,568	2,119,327	1,969,614	2,142,407	2,027,663	1,958,910	2,974,412	2,203,948
Attendance and health services	1,321,077	1,148,003	1,136,256	1,088,768	1,085,034	1,049,120	1,001,682	988,485	889,226	893,663
Transportation	2,246,537	1,567,746	1,390,916	1,577,945	1,410,894	1,317,610	1,269,037	1,269,076	1,529,625	1,282,845
Non-departmental	-	-	-	-	-	-	-	-	-	548,520
<i>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	52,057,112	45,623,101	43,720,961	43,466,111	42,383,221	41,039,691	40,108,384	40,213,091	41,202,467	40,647,729

(CONTINUED)

TABLE 4
UNAUDITED
(CONTINUED)

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenditures										
<u>Cafeteria Fund</u>		(1)							(2)	
Food services	2,355,011	1,852,256	1,895,820	1,842,020	1,792,337	1,739,573	1,673,417	1,871,733	1,615,499	1,616,530
Total Cafeteria Fund	2,355,011	1,852,256	1,895,820	1,842,020	1,792,337	1,739,573	1,673,417	1,871,733	1,615,499	1,616,530
<u>Capital Projects Fund</u>										
Capital projects	9,857,321	15,785,194	6,199,149	2,270,996	719,859	1,085,321	1,219,802	1,335,621	4,297,458	13,588,552
Total Capital Projects Fund	9,857,321	15,785,194	6,199,149	2,270,996	719,859	1,085,321	1,219,802	1,335,621	4,297,458	13,588,552
<u>Activity Fund</u>										
Instructional costs	918,826	329,147								
Total Activity Fund	918,826	329,147								
Excess (deficiency) of revenues over (under) expenditures										
General Fund	1,059,795	2,823,497	2,266,219	2,428,416	1,754,895	2,169,517	2,361,796	1,749,625	1,311,070	2,085,920
Cafeteria Fund	567,961	(201,864)	86,240	134,993	119,482	43,322	(19,622)	(148,751)	40,325	34,421
Capital Projects Fund	(4,165,625)	(1,401,143)	(1,357,427)	(2,270,996)	(719,859)	(1,085,321)	(1,219,802)	(1,330,447)	1,190,742	(4,062,752)
Activity Fund	13,095	73,268								
	<u>(2,524,774)</u>	<u>1,293,758</u>	<u>995,032</u>	<u>292,413</u>	<u>1,154,518</u>	<u>1,127,518</u>	<u>1,122,372</u>	<u>270,427</u>	<u>2,542,137</u>	<u>(1,942,411)</u>
Other financing sources (uses)										
General Fund										
Proceeds from sale of capital assets	15,838	-	-	-	-	-	-	-	-	-
Insurance recoveries	324,923	-	-	-	-	-	-	-	-	-
Transfers out	(4,261,624)	(1,857,816)	(2,402,801)	(984,463)	(1,426,201)	(2,200,827)	(591,607)	(926,492)	(1,773,406)	(968,000)
Total General Fund	<u>(3,920,863)</u>	<u>(1,857,816)</u>	<u>(2,402,801)</u>	<u>(984,463)</u>	<u>(1,426,201)</u>	<u>(2,200,827)</u>	<u>(591,607)</u>	<u>(926,492)</u>	<u>(1,773,406)</u>	<u>(968,000)</u>
<u>Capital Projects Fund</u>										
Issuance of financed purchase obligation	-	-	-	299,980	-	-	411,457	-	-	-
Transfers in	4,261,624	1,857,816	2,402,801	984,463	1,426,201	2,200,827	591,607	926,492	1,773,406	968,000
Total Capital Projects Fund	<u>4,261,624</u>	<u>1,857,816</u>	<u>2,402,801</u>	<u>1,284,443</u>	<u>1,426,201</u>	<u>2,200,827</u>	<u>1,003,064</u>	<u>926,492</u>	<u>1,773,406</u>	<u>968,000</u>
Net change in fund balances										
General Fund	(2,861,068)	965,681	(136,582)	1,443,953	328,694	(31,310)	1,770,189	823,133	(462,336)	1,117,920
Cafeteria Fund	567,961	(201,864)	86,240	134,993	119,482	43,322	(19,622)	(148,751)	40,325	34,421
Capital Projects Fund	95,999	456,673	1,045,374	(986,553)	706,342	1,115,506	(216,738)	(403,955)	2,964,148	(3,094,752)
Activity Fund	13,095	73,268								
	<u>\$ (2,184,013)</u>	<u>\$ 1,293,758</u>	<u>\$ 995,032</u>	<u>\$ 592,393</u>	<u>\$ 1,154,518</u>	<u>\$ 1,127,518</u>	<u>\$ 1,533,829</u>	<u>\$ 270,427</u>	<u>\$ 2,542,137</u>	<u>\$ (1,942,411)</u>
Capital outlay	\$ 10,081,225	\$ 15,845,173	\$ 6,290,605	\$ 2,559,481	\$ 525,195	\$ 831,774	\$ 1,133,365	\$ 1,202,283	\$ 3,831,996	\$ 13,367,244
Ratio of debt service expenditures to non-capital expenditures	0.00%	0.22%	0.23%	0.23%	0.32%	0.31%	0.37%	0.00%	0.00%	0.59%

Notes:

Source: City of Salem Finance Department

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

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

**TABLE 5
UNAUDITED**

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

Fiscal Year	City of Salem		Commonwealth of Virginia	
	Revenue	Increase (Decrease)	Revenue	Increase (Decrease)
2022	\$ 20,919,612	\$ 697,027	\$ 25,623,802	\$ 1,275,112
2021	20,222,585	(276,841)	24,348,690	1,784,713
2020	20,499,426	(526,951)	22,563,977	685,711
2019	21,026,377	856,079	21,878,266	811,007
2018	20,170,298	410,056	21,067,259	1,015,218
2017	19,760,242	20,730	20,052,041	560,932
2016	19,739,512	588,242	19,491,109	35,649
2015	19,151,270	(470,773)	19,455,460	2,597
2014	19,622,043	(1,154,385)	19,452,863	946,923
2013	20,776,428	2,304,775	18,505,940	714,052

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**

Fiscal Year	Food Sales	Increase (Decrease)
2022	\$ 119,398	\$ 57,122
2021	62,276	(507,471)
2020	569,747	(275,593)
2019	845,340	8,539
2018	836,801	(4,833)
2017	841,634	26,017
2016	815,617	56,476
2015	759,141	(73,501)
2014	832,642	(35,061)
2013	867,703	(35,790)

Note:

Source: City of Salem Finance Department

TABLE 7
UNAUDITED

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

Fiscal Year	Real Estate			Personal Property			Machinery and Tools			Public Service Corporation			Mobile Homes			Total Taxable Assessed Value			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		Value	Value	Value	Rate	Rate	Rate
2022	\$ 2,384,635,100	\$ 1.20		\$ 417,131,385	\$ 3.40		\$ 102,879,430	\$ 3.20		\$ 65,235,010	\$ 1.20		\$ 741,052	\$ 1.20		\$ 2,970,621,977	\$ 1.54				
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				

Note:

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

TABLE 8
UNAUDITED

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

Calendar Year Ended December 31,	Taxes Levied for the Calendar Year	Collected within the Calendar Year of the Levy		Supplemental Assessments & Exonerations Levied in Subsequent Years	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2022	\$ 43,896,135	\$ 41,921,818	95.50%	\$ -	-	\$ 41,921,818	95.50%
2021	40,322,441	38,719,642	96.03%	17,644	1,158,000	39,877,642	98.85%
2020	38,547,607	35,634,651	92.44%	36,505	2,611,162	38,245,813	99.12%
2019	36,274,839	35,191,478	97.01%	168,263	1,192,427	36,383,905	99.84%
2018	35,837,963	34,375,408	95.92%	(350,519)	1,070,849	35,446,257	99.88%
2017	35,253,119	34,012,836	96.48%	(71,996)	1,137,161	35,149,997	99.91%
2016	33,896,364	32,608,317	96.20%	(19,524)	1,222,259	33,830,576	99.86%
2015	33,407,499	31,903,905	95.50%	(62,546)	1,332,578	33,236,483	99.67%
2014	32,905,743	31,229,276	94.91%	(83,736)	1,552,138	32,781,414	99.88%
2013	32,537,416	30,854,728	94.83%	64,769	1,686,852	32,541,580	99.81%

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**

Taxpayer	2022			2013		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Lewis-Gale Medical Center LLC (1)	\$ 63,942,600	1	2.55%	\$ 36,118,600	1	1.81%
Yokohama Industries	15,155,300	2	0.60%	13,946,300	3	0.70%
Lowes/VALO LLC	14,778,300	3	0.59%	12,462,800	5	0.63%
Carter Machinery/Carthy Corp/Mount Sinai	12,882,400	4	0.51%	7,586,000	10	0.38%
Spartan Square	11,797,000	5	0.47%	8,953,000	8	0.45%
US Foods	11,123,000	6	0.44%	10,683,600	6	0.54%
Phoenix Salem Industrial	9,922,700	7	0.40%			
TKC CCXXIX LLC	9,496,300	8	0.38%			
Chateau Riviera Apartments	9,401,300	9	0.37%	9,466,900	7	0.47%
Salem Terrace	9,365,100	10	0.37%	8,361,700	9	0.42%
Lewis-Gale Clinic/HRT				22,095,300	2	1.11%
General Electric				12,685,600	4	0.64%

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	Financed Purchase Obligation
	General Obligation Bonds	General Obligation Bonds		
	(1)			
2022	\$ 68,803,018	\$ 32,714,325	\$ 101,517,343	\$ 29,059
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	-

Fiscal Year	Total Taxable Assessed Value	Percentage of Estimated Actual Value of Taxable Property	Population	Bonded Debt Per Capita	Per Capita Personal Income	Percentage of Bonded Debt Per Capita to Per Capita Personal Income
	(2)		(3)		(3)	
2022	\$ 2,970,621,977	3.42%	25,373	\$ 4,001	\$ 54,977	7.00%
2021	2,808,194,315	3.30%	25,346	3,662	53,489	7.00%
2020	2,701,785,905	3.70%	25,301	3,952	52,248	8.00%
2019	2,600,807,782	2.83%	25,643	2,874	49,860	6.00%
2018	2,549,817,563	2.85%	25,862	2,806	48,384	6.00%
2017	2,501,620,017	3.18%	25,549	3,117	48,047	6.00%
2016	2,451,813,919	3.53%	25,432	3,407	45,577	7.00%
2015	2,428,048,133	3.39%	25,483	3,231	43,418	7.00%
2014	2,413,737,695	3.60%	25,299	3,435	42,288	8.00%
2013	2,393,085,987	3.48%	25,267	3,298	40,688	8.00%

Source: City of Salem Finance Department

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

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

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

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

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

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

Fiscal Year	Amount of Debt Applicable to Limit										Net Debt Applicable to Limit as a Percent of Debt Limit
	Assessed Value of Real Property ⁽¹⁾	Debt Limit 10% of Assessed Value	Primary Government Outstanding Debt ⁽²⁾	Financed Purchase Obligation	Enterprise Bonds ⁽³⁾	RVRA Supported Debt	Net Debt Applicable to Limit ⁽⁴⁾	Legal Debt Margin			
2022	\$ 2,449,870,110	\$ 244,987,011	\$ 101,517,343	\$ 29,059	\$ (32,714,325)	\$ (385,416)	\$ 68,446,661	\$ 176,540,350			27.94%
2021	2,360,939,893	236,093,989	92,809,853	43,589	(35,559,482)	(585,396)	56,708,564	179,385,425			24.02%
2020	2,283,843,346	228,384,335	99,983,133	99,520	(39,296,513)	(789,921)	59,996,219	168,388,116			26.27%
2019	2,197,986,008	219,798,601	73,690,915	121,467	(40,780,877)	(998,082)	32,033,423	187,765,178			14.57%
2018	2,144,111,245	214,411,125	72,566,905	198,016	(41,669,640)	(1,209,879)	29,885,402	184,525,723			13.94%
2017	2,098,953,697	209,895,370	79,640,799	271,203	(45,723,894)	(1,425,312)	32,762,796	177,132,574			15.61%
2016	2,064,259,382	206,425,938	86,637,325	341,175	(49,665,950)	-	37,312,550	169,113,388			18.08%
2015	2,052,563,692	205,256,369	82,344,557	-	(47,663,394)	-	34,681,163	170,575,206			16.90%
2014	2,044,415,909	204,441,591	86,899,525	-	(49,258,943)	-	37,640,582	166,801,009			18.41%
2013	2,039,729,559	203,972,956	83,322,451	-	(50,697,384)	-	32,625,067	171,347,889			15.99%

Notes:

Source: City of Salem Finance Department

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

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

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

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

**TABLE 12
UNAUDITED**

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

Fiscal Year Ended	Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
(1)	(2)	(3)	(3)	(4)	(5)
2022	25,373	\$ 6,588,916	\$ 54,977	3,701	3.0%
2021	25,346	6,391,212	53,489	3,756	4.0%
2020	25,301	6,254,966	52,248	3,882	7.7%
2019	25,643	5,962,802	49,860	3,872	2.9%
2018	25,862	5,785,780	48,384	3,889	3.4%
2017	25,549	5,758,037	48,047	3,843	4.1%
2016	25,432	5,435,865	45,577	3,751	4.0%
2015	25,483	5,159,100	43,418	3,797	5.2%
2014	25,299	4,984,547	42,288	3,770	5.2%
2013	25,267	4,789,030	40,688	3,823	6.6%

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 2021.
- (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**

Employer	2022			2013		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Veterans Administration Medical Center	1	Fed Govt.	1500-1999	1	Fed Govt.	1500-1999
Lewis-Gale Hospital HCA	2	Private	1000-1499	2	Private	1000-1499
Virginia Department of Transportation	3	State Govt.	500-999	5	State Govt.	500-999
Yokohama Industries	4	Private	500-999	3	Private	500-999
Lewis Gale Physicians	5	Private	500-999			
City of Salem Schools	6	Local Govt.	500-999	6	Local Govt.	500-999
City of Salem	7	Local Govt.	250-499	7	Local Govt.	250-499
Roanoke College	8	Private	250-499	8	Private	250-499
Integer	9	Private	250-499			
Carter Machinery	10	Private	250-499	10	Private	250-499
US Foods				9	Private	250-499
General Electric				4	Private	500-999

Notes:

Source: City of Salem Economic Development Department

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

Fiscal Year Ended	Average Daily Membership		Average Daily Membership		Average Daily Attendance		Special Education	Salem		State	
	September 30	March 31	June 30	June 30	March 31	March 31	Child Count December 1	Per Pupil Expenditures	Per Pupil Expenditures	Per Pupil Expenditures	Composite Index
2022	(1) 3,801	(1) 3,659	(1) 3,701	(2), (7) 3,707	(3), (8) 3,448	(4) 623	(2) N/A	(2) N/A	(2) N/A	(2) N/A	0.3641
2021	3,834	3,694	3,756	3,743	3,581	621	N/A	\$12,390	\$14,206	\$14,206	0.3641
2020	3,931	3,810	3,882	3,860	3,652	622	\$11,571	11,571	13,241	13,241	0.3715
2019	3,962	3,836	3,872	3,876	3,676	584	11,349	11,349	12,931	12,931	0.3715
2018	3,953	3,872	3,889	3,906	3,709	586	11,038	11,038	12,548	12,548	0.3704
2017	3,852	3,775	3,843	3,818	3,625	527	11,017	11,017	12,171	12,171	0.3704
2016	3,808	3,716	3,751	3,752	3,585	514	10,858	10,858	11,745	11,745	0.3695
2015	3,815	3,774	3,797	3,813	3,636	528	10,844	10,844	11,523	11,523	0.3695
2014 (6)	3,799	3,761	3,772	3,796	3,628	505	11,057	11,057	11,242	11,242	0.3628
2013 (6)	3,816	3,779	3,820	3,816	3,634	517	10,640	10,640	11,257	11,257	0.3628

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

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

Notes:

- N/A Not available
- (1) Superintendent's Annual Report Table 1 and Virginia Department of Education website (excludes part-time students)
- (2) Superintendent's Annual Report Table 15 (2013-2022)
- (3) Superintendent's Annual Report Table 8 (2013-2022)
- (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, 2021.
- (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	2022		2021		2020		2019		2018		2017		2016		2015		2014		2013	
	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA
Grade 3 English RLR	72	68	64	61	*	80	71	77	72	81	75	83	76	85	75	78	69	83	78	72
Grade 3 Mathematics	78	67	60	54	*	86	82	80	73	83	75	86	77	85	74	75	67	78	83	65
Grade 3 History	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	93	86	94	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	n/a	n/a	n/a	88	83	92	84
Grade 4 English RLR	70	72	75	68	*	77	75	77	76	84	79	84	77	84	77	79	70	82	70	70
Grade 4 Mathematics	66	66	68	56	*	83	83	83	79	88	81	91	83	88	84	86	80	87	74	74
VA Studies	68	66	n/a	n/a	*	80	81	87	85	87	87	89	87	93	87	92	85	94	87	87
Grade 5 English RLR	74	72	70	66	*	77	78	83	80	83	81	88	81	83	79	82	73	84	73	73
Grade 5 English Writing	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	71	71	81	87
Grade 5 Mathematics	74	64	63	51	*	88	81	83	77	78	79	79	79	85	79	76	73	74	69	69
Grade 5 Science	68	61	57	50	*	79	79	85	79	79	79	83	81	86	79	81	73	75	75	75
Grade 6 English RLR	72	70	71	69	*	83	77	79	80	82	78	85	77	84	76	80	73	80	73	73
Grade 6 Mathematics	74	57	57	45	*	71	78	71	79	77	82	88	82	80	83	73	76	76	77	77
Grade 6 US History I	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	83	81	91	83
Grade 7 English RLR	70	72	68	71	*	80	79	80	81	88	82	87	82	91	81	82	76	83	74	74
Grade 7 Mathematics	66	55	42	45	*	70	78	65	69	74	71	84	72	85	72	74	65	68	61	61
Grade 7 US History II	n/a	n/a	n/a	n/a	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	84	81	77	82
Grade 8 English RLR	76	72	77	69	*	77	76	77	77	81	76	82	75	81	75	72	70	77	71	71
Grade 8 English Writing	63	57	n/a	n/a	*	78	70	77	73	77	73	78	71	76	72	72	70	80	71	71
Grade 8 Mathematics	64	57	25	43	*	75	77	63	71	72	74	69	73	86	74	77	67	72	61	61
Grade 8 Civics	71	70	n/a	n/a	*	79	82	85	86	87	87	87	87	92	86	83	83	83	85	85
Grade 8 Science	72	61	62	58	*	84	78	87	78	88	79	87	79	87	78	85	74	82	76	76
End of Course English RLR	86	85	91	81	*	91	86	91	87	91	87	91	89	91	89	93	90	92	89	89
End of Course English Writing	n/a	74	n/a	n/a	*	<	81	82	84	87	84	88	83	88	83	90	84	89	70	70
Algebra I	90	80	61	63	*	83	86	82	81	89	82	83	83	90	82	81	79	81	76	76
Algebra II	93	86	95	78	*	98	91	93	89	98	90	99	89	98	87	81	82	81	76	76
Geometry	96	80	82	73	*	83	83	80	77	91	78	86	80	90	80	86	77	73	76	76
Earth Science	84	72	72	67	*	91	81	84	81	93	82	97	84	93	83	91	83	87	83	83
Biology	75	70	73	66	*	86	83	89	82	90	82	89	84	92	84	89	83	91	83	83
Chemistry	99	64	90	52	*	91	88	93	89	96	89	98	88	100	88	95	87	97	86	86
World History I	36	66	n/a	n/a	*	82	80	92	82	93	85	95	84	98	85	93	85	91	84	84
World History II	56	48	n/a	n/a	*	57	81	89	84	95	87	95	86	94	87	96	86	91	85	85
World Geography	64	66	n/a	n/a	*	83	80	85	82	86	83	88	86	88	86	88	86	90	85	85
VAVUS History	53	38	n/a	n/a	*	72	68	89	84	92	86	91	86	90	87	96	87	95	86	86

Notes:

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

n/a: not applicable

< = A group below state definition for personally identifiable results

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

**TABLE 16
UNAUDITED**

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

Fiscal Year Ended June 30	Number of Students Who Took SATs	Combined Score for Verbal and Math		
		Salem	Virginia	National
2022	91	1,104	1,124	1,050
2021	98	1,149	1,151	1,160
2020	157	1,134	1,116	1,051
2019	171	1,099	1,112	1,039
2018	173	1,108	1,095	1,044
2017	157	1,080	1,288	1,264
2016	123	1,047	1,029	981
2015	148	1,046	1,028	987
2014	148	1,046	1,033	1,010
2013	159	1,036	1,030	1,010

Note:

Source: Assistant Superintendent of Instruction

**TABLE 17
UNAUDITED**

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

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

Note:

Source: Assistant Superintendent of Instruction

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

Positions	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Board Member	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Administrator	9.1	9.7	9.1	9.1	8.5	9.7	9.5	10.3	9.7	9.8
Principal	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Assistant Principal	8.5	8.5	8.5	9.5	9.0	9.0	9.0	9.0	9.0	9.0
Teachers	335.1	312.3	307.7	306.6	303.1	300.5	302.1	307.1	309.6	315.1
Instructional Assistants	98.2	91.2	74.3	71.6	72.1	71.7	65.1	54.3	49.7	51.5
Secretary/Specialist	24.5	24.8	24.9	22.8	21.6	21.7	21.4	21.8	25.2	23.8
Attendance & Health	12.7	10.9	10.5	10.3	10.5	10.4	10.5	10.6	10.6	10.3
Transportation	34.3	30.0	30.6	30.0	30.4	27.5	26.2	27.1	31.4	31.5
Maintenance	38.6	39.6	39.3	38.0	37.3	37.6	37.3	38.5	39.3	41.0
Technology	11.7	10.7	10.7	10.8	10.8	9.8	9.7	10.0	8.8	9.0
School Nutrition	5.0	5.0	6.0	10.8	14.6	20.0	20.0	27.0	28.8	28.1
Total	588.7	553.7	532.6	530.5	528.9	528.9	521.8	526.7	533.1	540.1

Note: Source: Annual School Report

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

Degree	Level	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Bachelors	Minimum	\$ 46,740	\$ 42,119	\$ 42,714	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 41,000	\$ 41,000
	Maximum	\$ 71,097	\$ 64,697	\$ 65,613	\$ 64,516	\$ 63,469	\$ 61,710	\$ 60,328	\$ 60,179	\$ 59,736	\$ 60,482
Masters	Minimum	\$ 51,088	\$ 45,905	\$ 46,554	\$ 45,776	\$ 45,776	\$ 45,776	\$ 45,776	\$ 45,720	\$ 44,647	\$ 44,647
	Maximum	\$ 77,711	\$ 70,155	\$ 71,182	\$ 69,958	\$ 68,494	\$ 66,035	\$ 64,104	\$ 63,899	\$ 63,383	\$ 64,129
Doctorate	Minimum	\$ 52,718	\$ 47,732	\$ 48,406	\$ 47,597	\$ 47,597	\$ 47,597	\$ 47,597	\$ 47,514	\$ 46,406	\$ 46,406
	Maximum	\$ 80,191	\$ 72,788	\$ 73,818	\$ 72,584	\$ 70,919	\$ 68,122	\$ 65,925	\$ 65,693	\$ 65,142	\$ 65,888
Average Salary		\$ 62,691	\$ 59,494	\$ 58,760	\$ 57,980	\$ 58,418	\$ 57,387	\$ 55,776	\$ 55,352	\$ 55,115	\$ 56,206
Virginia Average Salary		n/a	\$ 61,684	\$ 60,265	\$ 58,714	\$ 56,861	\$ 56,351	\$ 54,891	\$ 54,486	\$ 53,818	\$ 52,942

Note:
Source: Salary Scales and Annual School Report

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

Function	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<i>Current:</i>					(1)					
Central administration	\$ 2,121,974 4.08%	\$ 2,040,621 4.47%	\$ 2,007,754 4.59%	\$ 1,734,048 3.99%	\$ 1,587,712 3.75%	\$ 1,608,371 3.92%	\$ 1,593,852 3.97%	\$ 1,658,908 4.13%	\$ 1,756,494 4.26%	\$ 1,664,724 4.10%
Centralized instruction costs	3,739,425 7.18%	3,554,076 7.79%	4,074,573 9.32%	4,053,997 9.33%	3,768,680 8.89%	3,795,451 9.25%	3,687,727 9.19%	3,832,984 9.53%	3,711,762 9.01%	3,499,585 8.61%
Instructional costs:	42,628,099 81.89%	37,207,887 81.55%	35,006,694 80.07%	34,906,585 80.31%	34,387,919 81.14%	30,994,362 75.52%	30,374,830 75.73%	30,504,728 75.86%	30,340,948 73.64%	30,554,444 75.17%
Attendance and health services	1,321,077 2.54%	1,148,003 2.52%	1,136,256 2.60%	1,088,768 2.50%	1,085,034 2.56%	1,049,120 2.56%	1,001,682 2.50%	988,485 2.46%	889,226 2.16%	893,663 2.20%
Transportation	2,246,537 4.32%	1,567,746 3.44%	1,390,916 3.18%	1,577,945 3.63%	1,410,894 3.33%	1,317,610 3.21%	1,269,037 3.16%	1,269,076 3.16%	1,529,625 3.71%	1,282,845 3.16%
Federal and state grants programs	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	2,142,407 5.22%	2,027,663 5.06%	1,958,910 4.87%	2,974,412 7.22%	2,203,948 5.42%
Non-departmental	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	548,520 1.35%
<i>Debt service:</i>										
Principal	- 0.00%	99,919 0.22%	95,293 0.22%	104,768 24.00%	137,071 0.32%	131,405 0.32%	142,981 0.36%	- 0.00%	- 0.00%	- 0.00%
Interest	- 0.00%	4,849 0.01%	9,475 0.02%	- 0.00%	5,911 0.01%	965 0.00%	10,612 0.03%	- 0.00%	- 0.00%	- 0.00%
Total expenditures	\$ 52,057,112	\$ 45,623,101	\$ 43,720,961	\$ 43,466,111	\$ 42,383,221	\$ 41,039,691	\$ 40,108,384	\$ 40,213,091	\$ 41,202,467	\$ 40,647,729

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.

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

School / Statistic	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
East Salem Elementary (1962)										
Square feet	56,308	56,308	56,308	56,308	56,308	56,308	56,308	56,308	53,714	53,714
Capacity (students)	500	500	500	500	500	500	500	500	500	500
Enrollment	379	382	406	397	387	413	419	416	414	403
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	427	429	431	422	431	462	461	444	423	427
South Salem Elementary (2013)										
Square feet	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000
Capacity (students)	600	600	600	600	600	600	600	600	600	600
Enrollment	379	363	401	419	420	397	394	412	408	409
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	399	392	460	426	439	427	396	423	406	426
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	889	927	916	942	914	893	898	901	924	905
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	1,251	1,268	1,258	1,281	1,278	1,188	1,170	1,187	1,191	1,215
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

THIS PAGE INTENTIONALLY BLANK

COMPLIANCE SECTION

**CITY OF SALEM SCHOOL DIVISION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<u>Department of Agriculture</u>				
<i>Virginia Department of Agriculture and Consumer Services</i>				
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	202121S900941	\$ 3,063	\$ 3,063
Child Nutrition Cluster				
Food Distribution - Commodities	10.555	-	197,081	
Summer Food Service Program for Children	10.559	-	15,291	
<i>Virginia Department of Education</i>				
Child Nutrition Cluster (Continued)				
National School Breakfast Program	10.553	202121N11994 1	53,328	
National School Breakfast Program	10.553	202221N11994 1	228,478	
National School Breakfast Program	10.553	202222N11994 1	248,754	
National School Lunch Program	10.555	202121N11994 1	217,874	
National School Lunch Program	10.555	202221N11994 1	991,014	
National School Lunch Program	10.555	202222N11994 1	582,631	
National School Lunch Program - Supply Chain Assistance	10.555	202221N89034 1	<u>63,378</u>	
Child Nutrition Discretionary Grants Limited Availability	10.579	202020N81034 1	14,790	14,790
<u>Department of Labor</u>				
<i>Goodwill Industries of the Valleys</i>				
YouthBuild Program	17.274	-	2,260	2,260
<u>Department of Treasury</u>				
<i>Virginia Department of Education</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP1026	50,080	50,080
<u>Federal Communications Commission (FCC)</u>				
<i>Direct Payments</i>				
Emergency Connectivity Fund Program	32.009	BEAR202110520	648,725	
Emergency Connectivity Fund Program	32.009	BEAR202201311	459,675	1,108,400
<u>Environmental Protection Agency (EPA)</u>				
<i>Direct Payments</i>				
Diesel Emission Reduction Act (DERA) National Grants	66.039	-	20,000	20,000
<u>Department of Education</u>				
<i>Virginia Department of Education</i>				
Adult Education - Basic Grants to States 2020	84.002	V002A200047	44,571	10,658
Adult Education - Basic Grants to States 2021	84.002	V002A210047	<u>333,833</u>	378,404
Title I Grants to Local Educational Agencies 2019	84.010	S010A190046	12,378	158,692
Title I Grants to Local Educational Agencies 2020	84.010	S010A200046	65,405	
Title I Grants to Local Educational Agencies 2021	84.010	S010A210046	<u>482,365</u>	560,148
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B) 2020	84.027	H027A200107	85,223	
Special Education - Grants to States (IDEA, Part B) 2021	84.027	H027A210107	764,337	
Special Education - Grants to States (IDEA, Part B) 2022	84.027	H027A220107	58,307	
Special Education - Grants to States (IDEA, Part B ARP) 2021	84.027X	H027X210107	74,138	
Special Education - Preschool Grants (IDEA Preschool) 2020	84.173	H173A200112	1,033	
Special Education - Preschool Grants (IDEA Preschool) 2021	84.173	H173A210112	<u>16,241</u>	
Total Special Education Cluster (IDEA)				999,279
Career and Technical Education - Basic Grants to States (Perkins IV) 2020	84.048	V048A200046	2,012	
Career and Technical Education - Basic Grants to States (Perkins IV) 2021	84.048	V048A210046	<u>56,852</u>	58,864
English Language Acquisition State Grants 2018	84.365	S365A180046	283	
English Language Acquisition State Grants 2019	84.365	S365A190046	374	
English Language Acquisition State Grants 2020	84.365	S365A200046	2,527	
English Language Acquisition State Grants 2021	84.365	S365A210046	<u>16,000</u>	19,184

**CITY OF SALEM SCHOOL DIVISION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
Supporting Effective Instruction State Grants 2019	84.367	S367A190044	6,861	
Supporting Effective Instruction State Grants 2020	84.367	S367A200044	55,085	
Supporting Effective Instruction State Grants 2021	84.367	S367A200044	88,979	150,925
Student Support and Academic Enrichment Grants 2019	84.424	S424A190048	82	
Student Support and Academic Enrichment Grants 2020	84.424	S424A200048	6,007	
Student Support and Academic Enrichment Grants 2021	84.424	S424A210048	37,993	44,082
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	S425C200042	95,766	
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund 2020	84.425D	S425D200008	165,281	
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund 2021	84.425D	S425D210008	1,253,923	
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	S425U210008	1,061,774	2,576,744
<i>The College of William & Mary</i>				
COVID19-American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	S425W210048	8,345	8,345
<u>Department of Health and Human Services</u>				
<i>Virginia Department of Health</i>				
Child Nutrition Cluster (Continued)				
COVID-19 Summer Food Service Program for Children	10.559	202121N11994 1	140,836	
Total Child Nutrition Cluster				2,738,665
<i>Goodwill Industries of the Valleys</i>				
Affordable Care Act (ACA) Health Profession Opportunity Grants	93.093	90FX0038-01-01	296	296
Total Expenditures of Federal Awards			\$ 8,733,529	\$ 169,350

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, 2022, the City of Salem School Division (School Division) had food commodities in inventory of \$109,073.

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

Note 5: Outstanding Loan Balances

At June 30, 2022, the School Division had no outstanding loan balances requiring continuing disclosure.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Salem School Division (the “School Division”) a component unit of the City of Salem, Virginia, as of and for the year ended June 30, 2022, 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 17, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 17, 2022

CITY OF SALEM SCHOOL DIVISION
SUMMARY OF COMPLIANCE MATTERS
June 30, 2022

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