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CITY OF SALEM SCHOOL DIVISION SALEM, VIRGINIA

(A Component Unit of the City of Salem)

Annual Comprehensive Financial Report
Year Ended June 30, 2024

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, 2024



Prepared by:

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

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INTRODUCTORY SECTION

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CITY OF SALEM SCHOOL DIVISION

November 13, 2024

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

We are pleased to present to you the Annual Comprehensive Financial Report of the City of Salem School Division (School Division), a component unit of the City of Salem, Virginia for the fiscal year ended June 30, 2024. 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 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.

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www.salem.k12.va.us

Profile of the School System

The School Division is the 65th largest of 131 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 a daily train 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 25,600 citizens, which accounts for approximately 8.1% of the population in its metropolitan statistical area (MSA) which includes the neighboring City of Roanoke and Counties of Botetourt, Craig, Franklin and Roanoke.

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

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

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

Most of the School Division's buildings were built between the 1930's and the 1960's. Two facilities are older than 80 years, Andrew Lewis Middle School and G.W. Carver Elementary School. A new South Salem Elementary School opened in 2013, replacing a building that was completed in 1964. Salem High School completed a major phased renovation in fiscal year 2024 to upgrade the facility which opened in 1977.

The School Division is responsible for elementary and secondary education (kindergarten through twelfth grade) within the City. Total March 31 average daily membership (ADM) in fiscal year 2024 was 4,141 and includes 602 students enrolled in the Virtual Virginia Academy at Salem. This program is operated through K12 Virtual Schools and the School Division receives state funding for these students. The projected budgeted enrollment for fiscal year 2025 is 3,500. 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 all four elementary schools 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 67% of the students are Caucasian, 16% are African-American, 10% are Hispanic, 2% are Asian, and 5% are in two or more race categories. Approximately 55% of Salem's students on a division-wide basis qualify for free and reduced lunches under the National School Lunch Program. Special education averaged just above 16% of the total student enrollment, and English Learners (EL) represent approximately 5.3% of the student population.

Several teachers, staff members, student organizations and students in Salem received high honors during the 2023-24 school year.

- Salem High School was named a WISE Blue Star School for the 2022-23 academic year. To earn the coveted Blue Star School Award, a school must achieve an 80% pass rate on the WISE Financial Literacy Certification Test and have either a majority of students on a given grade level take the test or have the students who took the test achieve an average score of 85% or higher.
- Twenty-one Salem teachers are National Board Certified (NBC). Achievement of NBC means that the teacher has met the highest standards for their profession.
- The Salem High School forensics team won their eighteenth consecutive Division 4A State Championship. The team also broke the VHSL consecutive championship record set by the Christiansburg wrestling team.
- Salem High School won the school's first VHSL State Championship in Debate.
- The Salem High School Literary Art Magazine *Delphi*, received its sixth Silver Crown Award from Columbia Scholastic Press Association. *Delphi* 2023 was the only literary magazine in Virginia to receive a Crown Award. It was also one of only twenty-two Crown recipients in the nation.
- The Pride of Salem Marching Band and Symphonic Band were awarded the 2024 Virginia Honor Band designation. Both bands achieved superior ratings in the Virginia Band and Orchestra Directors Association (VBODA) State concert assessments.
- The Salem High School DECA program achieved a Gold Certification at DECA's International Career Development Conference. Salem's school-based enterprise was among 728 school-based enterprises to achieve Gold certification for the 2023-2024 school year.
- Derek Bush, a freshman at Salem High School, won the 2024 VHSL Wrestling Class 4A State championship. Derek competed at 113 lbs.
- Kathryn Ha, a junior at Salem High School, captured the prestigious Virginia State Gold Associations Junior Championship in golf.
- Drew Perez, a sophomore at Salem High School, won the Virginia High School League's Class 4A individual State Tennis title during the spring sports season of the 2023-24 year.

Local Economic Condition and Outlook

Virginia Governor Glenn Youngkin announced that Wabtec Corporation, a leading manufacturer for the heavy rail and rail transit industries worldwide, will invest \$2.7 million to expand its existing Graham-White facility in the City of Salem to accommodate the relocation of its pneumatically controlled braking system manufacturing lines. Virginia successfully competed with Missouri, Pennsylvania, South Carolina and Mexico for this project, which will create 38 new jobs.

As of June 2024, Salem's unemployment rate was 3.2%, which was slightly higher than the prior year. Salem's unemployment rate remained lower than the national unemployment rate of 4.3% and just above 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, which is annually reviewed and adopted by the School Board and contains the six-year capital improvement plan.
- Enrollment Projections, which are prepared annually to assist in budget planning and capital needs analysis.

Relevant Financial Policies

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

Capital Improvement Plan projects are budgeted when funding is approved by the School Board and are not included in the annual budget process. In accordance with City Council Resolution Number 487, "all funds appropriated by City Council for use by the School Board, unexpended at the close of any fiscal year, as determined by the City's annual 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 2023 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 as part of our 1:1 initiative. Chromebooks are available in Pre-K classrooms for equitable access to technology and personalized learning initiatives.

- **Capital Improvement Plan**

The Capital Improvement Plan (CIP) development is a collaborative process. Input is gathered from a variety of sources. At the building level, principals and teachers identify needs of the building in priority order. A committee comprised of school and central office level administrators, meet and review the individual requests and determine which projects would be included in the proposed plan to be presented to the School Board for consideration and adoption. The annual CIP approved by the School Board on October 10, 2023 reflects total school capital projects of \$22.7 million and 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, 2023. This was the seventh consecutive year the School Division received this prestigious award. The 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, 2025. This was the ninth consecutive year the division's budget document has received this award. The ASBO Award recognized the school divisions' budget to be proficient as a policy document, financial plan, operations guide and a communication device.

Acknowledgements

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

Respectfully Submitted,



Curtis N. Hicks, Ed.D.
Superintendent



Mandy C. Hall, SFO
Chief Financial Officer



Rosemarie B. Jordan, CPA
Director of Finance

**CITY OF SALEM SCHOOL DIVISION
 DIRECTORY OF PRINCIPAL OFFICIALS
 JUNE 30, 2024**

The Salem City School Board



Dr. Nancy A. Bradley
Chair



Mr. John A. (Andy) Raines
Vice Chair



Ms. Stacey G. Danstrom



Ms. Rachel L. Thompson



Ms. Teresa E. Sizemore

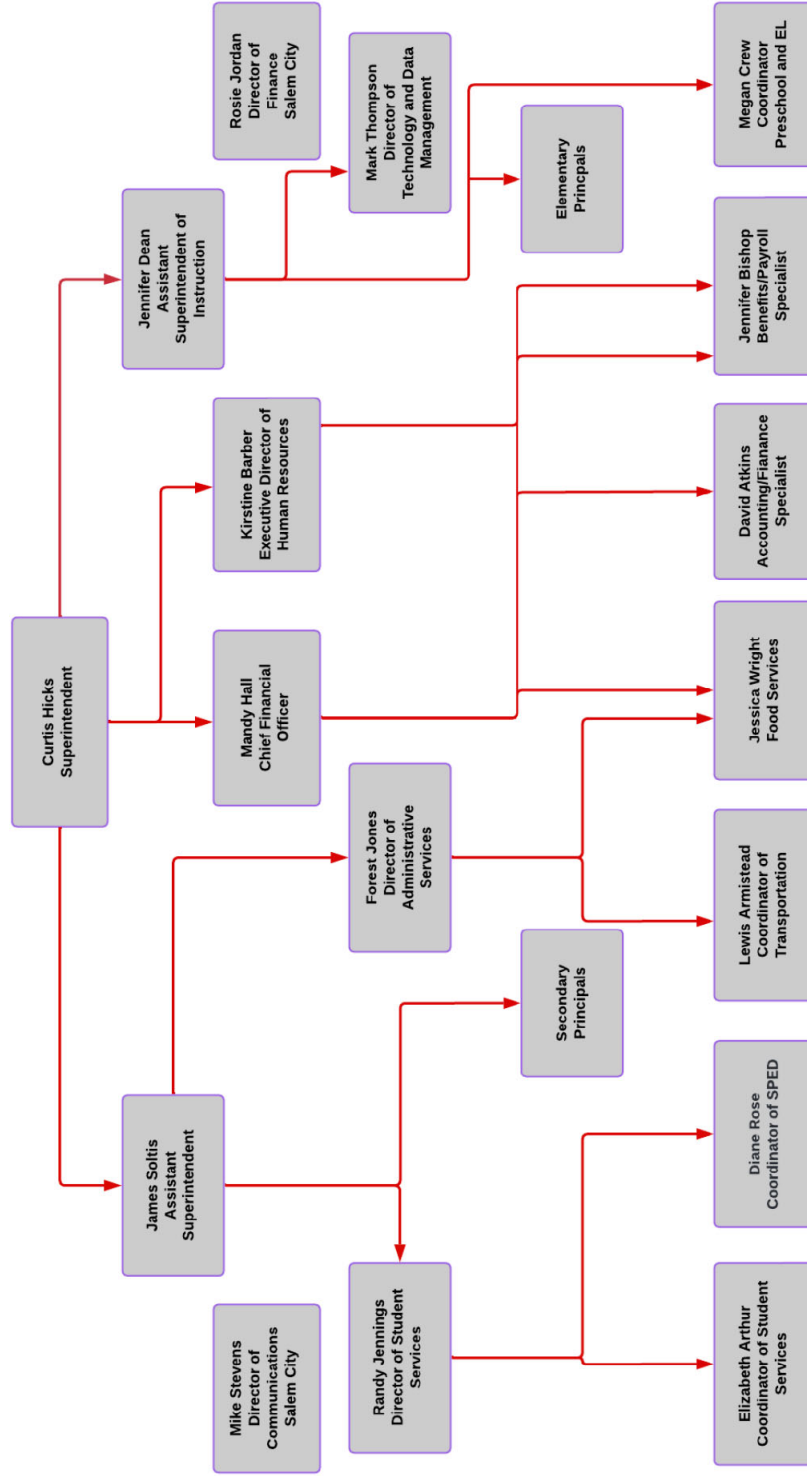
School Administration

Dr. Curtis N. Hicks, Superintendent

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

The School Board of Salem City Schools is a five (5) member group, serving overlapping terms, which reorganize each July. The members of the School Board are appointed by the Salem City Council. The School Board generally meets on the second Tuesday of each month. Visit the School Board website at www.salem.k12.va.us for more information on School Board Meetings.

Salem City School Division Organizational Chart 2023-2024



Direct Reports

Superintendent	Assistant Superintendent	Assistant Superintendent of Instruction
Assistant Superintendent	Secondary Principals	Elementary Principals
Assistant Superintendent of Instruction	Director of Student Services	Director of Technology
Executive Director Human Resources	Director of Administrative Services	
Chief Financial Officer		



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, 2023.

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



A handwritten signature in black ink, reading 'Ryan S. Stechschulte'.

Ryan S. Stechschulte
President

A handwritten signature in black ink, reading 'James M. Rowan'.

James M. Rowan, CAE, SFO
CEO/Executive Director

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") as of and for the year ended June 30, 2024, 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, 2024, 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.

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.

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 accompanying combining and individual nonmajor fund financial statements and 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*, are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other 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 13, 2024 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 13, 2024

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**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024. 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

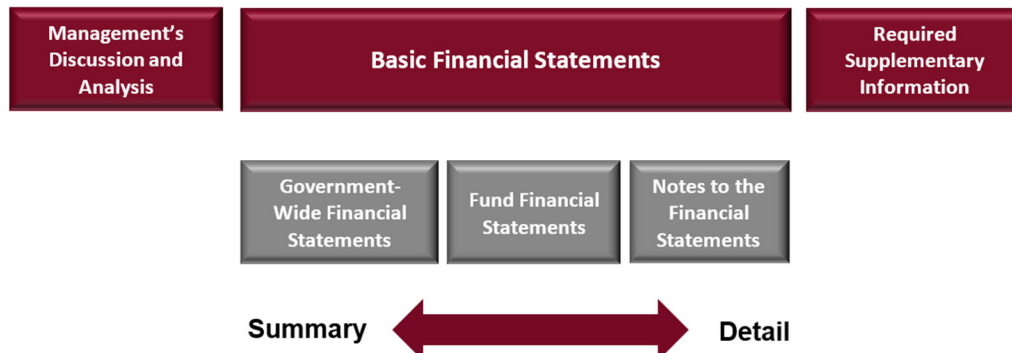
- The School Division maintained a healthy net position of \$59.2 million. Net position reflects the financial health of the School Division and includes certain assets procured with debt issued by the City of Salem, Virginia (City). The School Division is a component unit of, and fiscally dependent on, the City. As such, all debt related to School Division assets is shown on the City's Statement of Net Position, except for financed purchase obligations, lease liabilities, and subscription liabilities of the School Division.
- The School Division had expenses, net of program revenues, of \$41.3 million, which were \$3.1 million less than general revenue of \$44.4 million.
- For the governmental funds, General Fund revenues accounted for \$60.6 million or 93.2% of all revenues, and expenditures were \$59.0 million or 91.8% of all expenditures, compared to \$54.6 million (86.4%) in revenues and \$54.9 million (82.7%) in expenditures in fiscal year 2023.
- The Cafeteria Fund ended the fiscal year with a fund balance of \$0.9 million, a decrease of \$6,334 from the previous year. The decrease in fund balance is attributed to lower revenue from State reduced-price meal funds and federal national lunch and breakfast program.

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, 2024**

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 (net investment in capital assets, restricted, and/or unrestricted). Increases or decreases in net position are indicators of whether the School Division's financial position is improving or declining. Other non-financial factors, such as changes in the property tax base of the City and the condition of school buildings and other facilities should also be considered in order to assess the overall financial position of the School Division.



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

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

Fund Financial Statements

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

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

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

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

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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

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

Notes to the Basic Financial Statements

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

Other Information

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

FINANCIAL ANALYSIS OF THE SCHOOL DIVISION

Summary of Net Position

The following table presents a condensed summary of net position:

**Summary of Net Position
As of June 30, 2024 and 2023**

	Governmental Activities		Percentage
	2024	2023	Change
Current and other assets	\$ 23,211,883	\$ 21,471,834	8.1%
Capital assets, net	73,094,089	73,943,266	(1.1%)
Total assets	<u>96,305,972</u>	<u>95,415,100</u>	0.9%
Deferred outflows of resources	<u>10,717,843</u>	<u>9,790,214</u>	9.5%
Current and other liabilities	9,110,381	8,627,283	5.6%
Long-term liabilities	34,223,957	33,135,244	3.3%
Total liabilities	<u>43,334,338</u>	<u>41,762,527</u>	3.8%
Deferred inflows of revenues	<u>4,479,188</u>	<u>7,304,284</u>	(38.7%)
Net investment in capital assets	73,010,158	73,141,922	(0.2%)
Restricted	833,000	909,597	(8.4%)
Unrestricted	(14,632,869)	(17,913,016)	(18.3%)
Total net position	<u>\$ 59,210,289</u>	<u>\$ 56,138,503</u>	5.5%

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

For fiscal year 2024, current assets increased by \$1,740,049. This increase was comprised of an increase in cash and cash equivalents of \$2,317,321 and prepaid items of \$71,868, and decreases in receivables of \$165, lease receivable of \$10,120, due from other governmental units of \$522,717, net pension assets of \$76,597, and inventories of \$39,541.

Net capital assets (capital assets net of accumulated depreciation and amortization) represented \$73,094,089 of the School Division's total assets.

Current and other liabilities increased by \$483,098. The net increase for this category was comprised of increases in accrued payroll liabilities of \$419,724, self-insurance claims of \$81,666, unearned revenues of \$434,394, lease liability of \$868, and compensated absences of \$71,125, which were offset by a decrease in accounts payable and accrued liabilities of \$524,679.



Long-term liabilities increased by \$1,088,713. The net increase for this category was due to an increase in the net pension liability of \$1,541,787, offset by decreases in lease liability of \$32,901, compensated absences of \$99,537, and net OPEB liability of \$320,636. As a component unit (School Division) in Virginia, the School Division does not have the authority to issue debt.



Net investment in capital assets of \$73,010,158 represents net capital assets reduced by related liabilities. The School Division uses these capital assets to provide services to students; consequently, these assets are not available for future spending and are reported as a component of net position. 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 \$833,000 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 \$(14,632,869), a decrease of \$3,280,147 from the deficit at June 30, 2023. 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, 2024**

The chart below summarizes the changes in the School Division's net position for fiscal year 2024, as compared to fiscal year 2023.

**Summary of Changes in Net Position
For the Years Ended June 30, 2024 and 2023**

	Governmental Activities 2024	2023	Percentage Change
Program revenues:			
Charges for services	\$ 1,920,513	\$ 1,837,177	4.5%
Operating grants and contributions	18,441,574	16,842,179	9.5%
Capital grants and contributions	796,132	2,304,642	(65.5%)
General revenues:			
City appropriation	24,053,049	25,147,133	(4.4%)
State aid	19,338,324	16,562,083	16.8%
Other	1,018,547	1,857,634	(45.2%)
Total revenues	<u>65,568,139</u>	<u>64,550,848</u>	1.6%
Program expenses:			
Central administration	2,335,660	1,581,633	47.7%
Centralized instructional costs	8,114,430	4,344,767	86.8%
Instructional costs	45,889,476	43,387,453	5.8%
Attendance and health services	1,620,506	1,364,537	18.8%
Transportation	2,292,826	2,171,148	5.6%
Food services	2,240,743	2,442,362	(8.3%)
Interest and other fiscal charges	2,712	1,674	62.0%
Total expenses	<u>62,496,353</u>	<u>55,293,574</u>	13.0%
Change in net position	<u>3,071,786</u>	<u>9,257,274</u>	(66.8%)
Total net position, beginning of year	56,138,503	46,881,229	19.7%
Total net position, end of year	<u>\$ 59,210,289</u>	<u>\$ 56,138,503</u>	5.5%

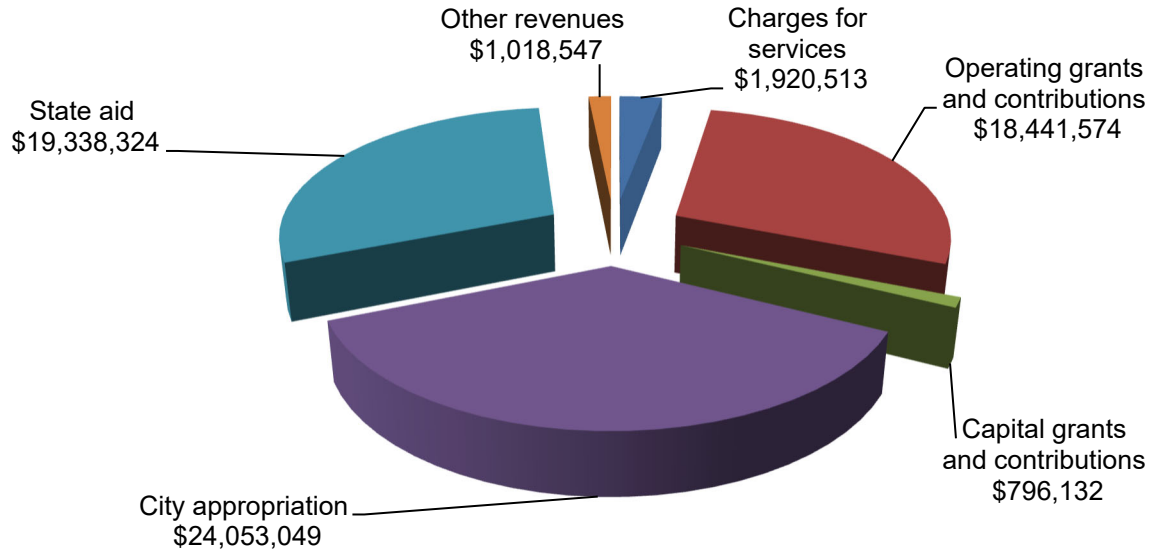


Appropriations from the City and State aid account for the majority of the School Division revenue. Most of the School Division's expenses are directly related to providing services to students including classroom instruction, attendance and health services, transportation, and food services. The remaining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

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Governmental Activities – Revenues

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



For fiscal year 2024, revenues from governmental activities totaled \$65,568,139 and reflected a \$1,017,291, or 1.6%, increase over fiscal year 2023.

The appropriation from the City was the largest funding source, representing 36.7% of total governmental revenues. This appropriation was down \$1,094,084 over the previous year. Funding of \$22.9 million was transferred to cover operating costs, an increase of \$1.1 million. In fiscal year 2024, \$801,131 in bond proceeds were transferred to the School Division to cover Salem High School renovation and Fieldhouse addition which is lower than the \$3.1 million transferred in fiscal year 2023. Meals tax is shared with the School Division and \$355,788 was transferred in fiscal year 2024, which is more than the \$258,012 transferred in the previous year.

State aid, which was 29.5% of total government revenues, increased by 16.8% or \$2,776,241, due to an increase in basic aid.

Operating grants and contributions, which were 28.1% of total government revenues, increased by 9.5%, or \$1,599,395, due to increases in funding for a compensation supplement and supplemental general fund payments in lieu of food and hygiene tax.

Capital grants and contributions were 1.2% of total governmental revenues and decreased by \$1,508,510 or 65.5%. This decrease is due to ESSER related grants being exhausted.

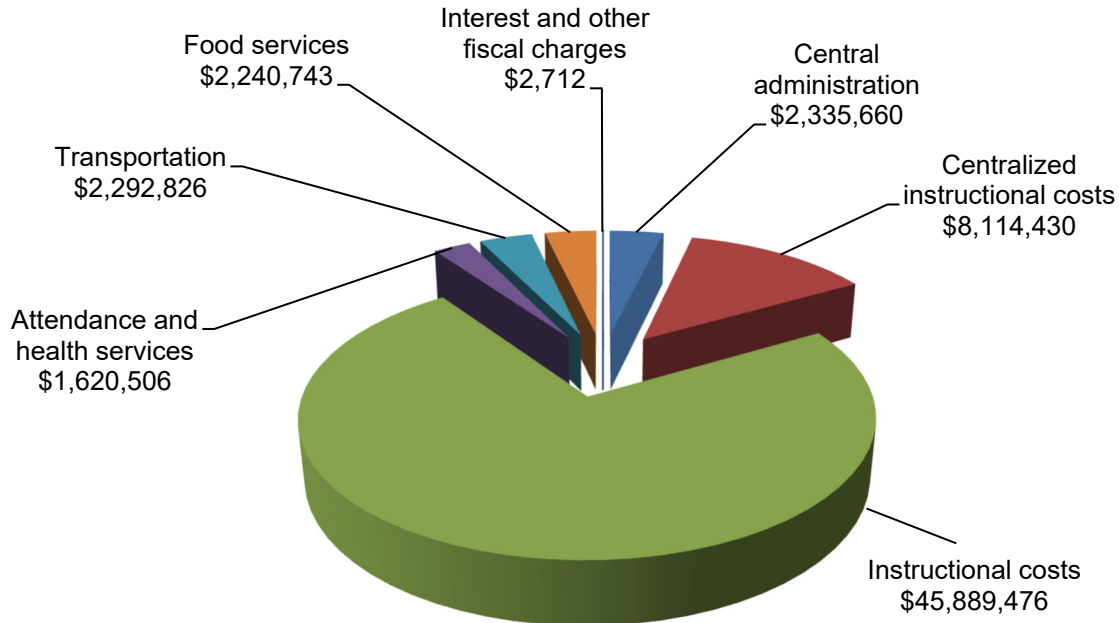
Charges for services were 2.9% of total government revenues, and increased by 4.5%, or \$83,336, due to higher lunch and a la carte sales in the cafeteria.

Other revenues, which made up 1.6% of the total governmental revenues, decreased by 45.2% or \$839,087 from the prior year. The decrease was due to lower state contributions to pension and OPEB plans.

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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 2024 were \$62,496,353, which represented an increase of \$7,202,779, or 13.0% from fiscal year 2023.

Instructional costs were 73.4% of the total expenses of the School Division, an increase of 5.8%, or \$2,502,023. Salary and fringe benefit costs contributed to the increase.

Centralized instruction costs accounted for 13.0% of total expenses for fiscal year 2024. Online tuition cost for the Virginia Virtual Academy contributed to the \$3,769,663 increase from the previous year.

Centralized administration costs accounted for 3.7%, or \$2,335,660, of total expenses. Higher salary and fringe costs contributed to the net increase of \$754,027.

Transportation costs accounted for 3.7% of total expenses. Higher salary and fringe costs contributed to the overall \$121,678 increase.

Food service cost, which was 3.6%, or \$2,240,734 of total government expenses, included costs associated with operation of the school cafeterias. The \$201,619 decrease was attributable to lower food purchases, lower salary and benefits costs, and lower furniture and non-capital equipment purchases at Salem High School.

Attendance and health services expenses accounted for 2.6% of the total government expenses. Higher salary and fringe costs was the primary reason for the \$255,969 increase.

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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		Percent Change
	2024	2023	
Central administration	\$ 2,335,660	\$ 1,581,633	47.7%
Centralized instructional costs	8,114,430	4,344,767	86.8%
Instructional costs	45,889,476	43,387,453	5.8%
Attendance and health services	1,620,506	1,364,537	18.8%
Transportation	2,292,826	2,171,148	5.6%
Food services	2,240,743	2,442,362	(8.3%)
Interest and other fiscal charges	2,712	1,674	62.0%
Total expenses	\$ 62,496,353	\$ 55,293,574	13.0%

	Net Cost of Services		Percent Change
	2024	2023	
Central administration	\$ 2,335,660	\$ 1,581,633	47.7%
Centralized instructional costs	7,932,364	4,187,371	89.4%
Instructional costs	27,310,713	24,942,600	9.5%
Attendance and health services	1,620,506	1,364,537	18.8%
Transportation	2,292,826	2,171,148	5.6%
Food services	(156,647)	60,613	(358.4%)
Interest and other fiscal charges	2,712	1,674	62.0%
Total expenses	\$ 41,338,134	\$ 34,309,576	20.5%

Significant Aspects of Governmental Activities Include:

- The cost of all governmental activities was \$62,496,353.
- The net cost of governmental activities was \$41,338,134.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$19,237,706.
- City of Salem taxpayers paid for these activities through local taxes and bond proceeds in the amount of \$24,053,049.

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE FUNDS

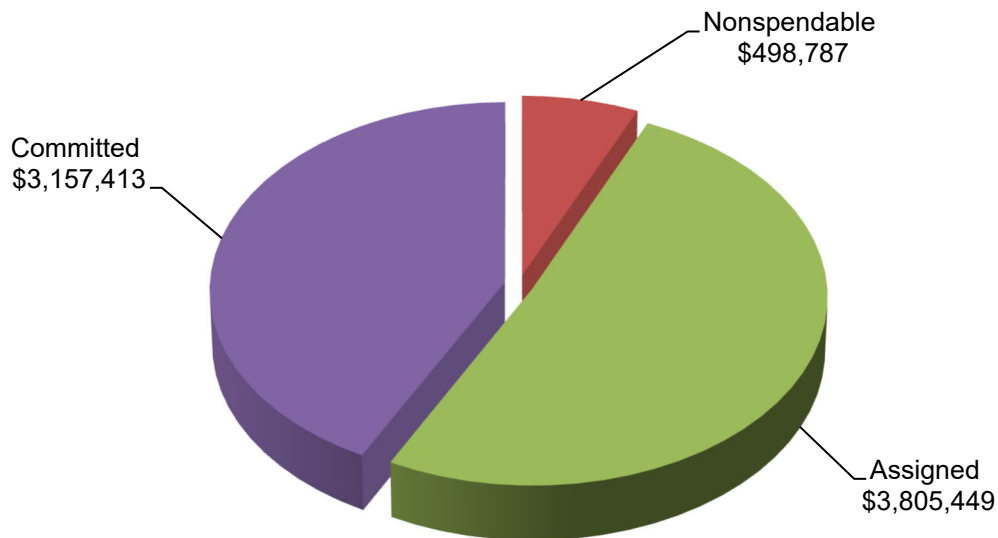
Governmental Funds

The School Division's combined fund balance for the governmental funds was \$7,461,649 as of June 30, 2024

Fund Balance Comparison

Fund:	2024	2023
General	\$ 4,106,186	\$ 3,039,914
Cafeteria	928,989	935,323
Capital Projects	1,772,141	1,877,101
Activity Fund	654,333	688,485
Total combined fund balance	<u>\$ 7,461,649</u>	<u>\$ 6,540,823</u>

The chart below shows the classifications of the fund balance of governmental funds as of June 30, 2024:



As of June 30, 2024, the School Division's governmental funds reported a combined fund balance of \$7,461,649, an increase of \$920,826 in comparison to fiscal year 2023. Of this amount, \$498,787 constituted non-spendable fund balance, which reflected inventories and prepaid assets that were in a form that could not be spent, \$3,157,413 constituted committed fund balance, which was designated for future projects and food services, and \$3,805,449 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 \$4,106,186, an increase of \$1,066,272 from the fund balance reported for fiscal year 2023. The cafeteria fund reported a fund balance at the end of fiscal year 2024 of \$928,989, a \$6,334 decrease from the fund balance reported for fiscal year 2023. The Capital Projects Fund reported a fund balance of \$1,772,141 at the end of fiscal year 2024, which represented a \$104,960 decrease from the fiscal year 2023 fund balance. The Activity Fund reported a fund balance of \$654,333, which represented a decrease of \$34,152 over the 2023 fund balance.

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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 \$60,643,123, while expenditures totaled \$58,951,088. In addition, there was a transfer of \$710,267 of prior year reserves to the Capital Projects Fund, insurance recoveries of \$50,445, and inception of leases of \$34,059. This resulted in an increase in fund balance of \$1,066,272.

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 \$928,989, a decrease of \$6,334 from the previous year. The decrease in fund balance is attributed to lower revenue from State reduced-price meal funds and the federal government for the national lunch and breakfast program.

The Capital Projects Fund is used to account for building improvements, machinery, and equipment. This fund had a beginning balance of \$1,877,101. After a contribution from the City of \$801,131, expenditures of \$1,622,358, and a transfer from the general fund and school activity fund of \$710,267 and \$6,000 respectively, the ending balance of the fund was \$1,772,141. The Salem High School renovation, Salem High School Fieldhouse upgrade, West Salem Elementary School HVAC upgrade, East Salem Elementary School HVAC upgrade, Central Office roofing, Roofing at West Salem Elementary School, Playground equipment at East Salem, West Salem and South Salem Elementary School, and a convection oven at Andrew Lewis Middle School were some of the major Capital Projects Fund expenditures during the year.

The Activity Fund consists of accounts held at the individual schools and support activities that are based in student organizations. This fund had a beginning balance of \$688,485. Revenue collected amounted to \$1,184,317 and expenditures amounted to \$1,212,469. There was also a transfer of \$6,000 to the Capital Projects Fund, resulting in a decrease in fund balance of \$34,152.

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, 2024**

	Original Budget	Amended Budget	Actual
Revenues:			
City of Salem	\$ 21,797,899	\$ 22,896,130	\$ 23,251,918
Commonwealth of Virginia	27,844,362	33,568,582	33,293,342
Federal Government	3,408,931	3,982,612	3,519,685
Charges for Services	441,970	441,618	373,129
Other	55,804	170,939	205,049
Total	<u>53,548,966</u>	<u>61,059,881</u>	<u>60,643,123</u>
Expenditures	<u>54,652,197</u>	<u>62,428,247</u>	<u>58,951,088</u>
Other Financing (Sources) Uses			
Inception of leases	-	-	34,059
Insurance recoveries	5,000	5,000	50,445
Transfers out	-	(710,267)	(710,267)
Total	<u>5,000</u>	<u>(705,267)</u>	<u>(625,763)</u>
	<u>\$ (1,098,231)</u>	<u>\$ (2,073,633)</u>	<u>\$ 1,066,272</u>

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

During fiscal year 2024, the School Division amended its General Fund budget to appropriate other revenue and grant funds when the official notice of the award was received. Revenues received from the City and other revenues were all above budget. Actual expenditures were less than the final budget due to personnel savings and expenditure savings throughout most departments. The net change in fund balance was included in the budget as an appropriation (i.e. spenddown) of fund balance.

CAPITAL ASSETS

At the end of fiscal year 2024, the School Division had \$73,094,089 (a 1.1% decrease from fiscal year 2023) invested in machinery and equipment, land, buildings, construction in progress, leases, and subscriptions in governmental activities. The following table displays fiscal year 2024 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, 2024 and 2023**

	Governmental Activities		Percentage
	2024	2023	Change
Land	\$ 1,123,637	\$ 1,123,637	0.0%
Construction in progress	346,597	36,365,691	(99.0%)
Machinery and equipment	2,967,083	2,464,210	20.4%
Buildings and improvements	68,472,574	33,758,738	102.8%
Leases	82,289	115,785	(28.9%)
Subscriptions	101,909	115,205	(11.5%)
Total	<u>\$ 73,094,089</u>	<u>\$ 73,943,266</u>	<u>(1.1%)</u>

Major Capital Asset Additions for Fiscal Year 2024 included:

- Salem High School renovation
- Salem High School Fieldhouse addition
- West Salem Elementary School HVAC upgrade
- East Salem Elementary School HVAC upgrade
- Central Office roofing
- Roofing at West Salem Elementary School
- Playground equipment for East Salem Elementary School
- Playground equipment for West Salem Elementary School
- Playground equipment for South Salem Elementary School
- Convection oven at Andrew Lewis Middle 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

**CITY OF SALEM SCHOOL DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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

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

- Unrest in the Middle East and Eastern Europe
- Unknown changes in State funding
- Student enrollment fluctuations
- Uncertainty of Federal grant funding
- Unknown local funding
- Healthcare cost increases

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

**CITY OF SALEM SCHOOL DIVISION
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents (Note 2)	\$ 19,732,326
Receivables	28,271
Lease receivable	474,032
Due from other governmental units (Note 4)	1,645,467
Net pension asset (Note 10)	833,000
Inventories	48,616
Prepaid items	450,171
<i>Capital assets: (Note 5)</i>	
Nondepreciable and nonamortizable	1,470,234
Depreciable and amortizable, net	71,623,855
Total assets	<u>96,305,972</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension (Note 12)	9,352,878
OPEB (Note 15)	1,364,965
Total deferred outflows of resources	<u>10,717,843</u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable and accrued liabilities	634,744
Accrued payroll and related liabilities	6,594,574
Self-insurance claims liability	399,336
Unearned revenues	919,739
<i>Long-term liabilities due in less than one year: (Note 7)</i>	
Lease liability	32,901
Compensated absences	529,087
<i>Long-term liabilities due in more than one year: (Note 7)</i>	
Lease liability	51,030
Compensated absences	269,912
Net pension liability	28,549,821
Net OPEB liability	5,353,194
Total liabilities	<u>43,334,338</u>
DEFERRED INFLOWS OF RESOURCES	
Pension (Note 12)	3,429,494
OPEB (Note 15)	603,325
Leases	446,369
Total deferred outflows of resources	<u>4,479,188</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	73,010,158
Restricted for net pension asset	833,000
Unrestricted	(14,632,869)
Total net position	<u>\$ 59,210,289</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, 2024**

					Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental activities:</i>					
Central administration	\$ 2,335,660	\$ -	\$ -	\$ -	\$ (2,335,660)
Centralized instructional costs	8,114,430	182,066	-	-	(7,932,364)
Instructional costs	45,889,476	1,104,060	16,693,183	781,520	(27,310,713)
Attendance and health services	1,620,506	-	-	-	(1,620,506)
Transportation	2,292,826	-	-	-	(2,292,826)
Food services	2,240,743	634,387	1,748,391	14,612	156,647
Interest and other fiscal charges	2,712	-	-	-	(2,712)
Total governmental activities	<u>\$ 62,496,353</u>	<u>\$ 1,920,513</u>	<u>\$ 18,441,574</u>	<u>\$ 796,132</u>	<u>(41,338,134)</u>
<i>General revenues:</i>					
Payments from City of Salem					24,053,049
Unrestricted State aid					19,338,324
Other					1,018,547
Total general revenues					<u>44,409,920</u>
Change in net position					3,071,786
Net position, beginning					<u>56,138,503</u>
Net position, ending					<u>\$ 59,210,289</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, 2024**

	General	Cafeteria	Capital Projects	Activity	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 9,926,115	\$ 975,822	\$ 1,840,177	\$ 653,472	\$ 13,395,586
Receivables, net	9,356	350	-	7,377	17,083
Lease receivable	474,032	-	-	-	474,032
Due from other funds	12,787	-	-	-	12,787
Due from other governmental units	1,616,186	29,281	-	-	1,645,467
Inventories	-	38,621	-	9,995	48,616
Prepaid items	449,671	-	-	500	450,171
Total assets	<u>\$ 12,488,147</u>	<u>\$ 1,044,074</u>	<u>\$ 1,840,177</u>	<u>\$ 671,344</u>	<u>\$ 16,043,742</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 497,438	\$ 56,871	\$ 68,036	\$ 4,224	\$ 626,569
Accrued payroll and related liabilities	6,577,272	17,302	-	-	6,594,574
Due to other funds	-	-	-	12,787	12,787
Unearned revenues	860,882	40,912	-	-	901,794
Total liabilities	<u>7,935,592</u>	<u>115,085</u>	<u>68,036</u>	<u>17,011</u>	<u>8,135,724</u>
DEFERRED INFLOWS OF RESOURCES	<u>446,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,369</u>
FUND BALANCES					
Nonspendable	449,671	38,621	-	10,495	498,787
Committed	494,904	890,368	1,772,141	-	3,157,413
Assigned	3,161,611	-	-	643,838	3,805,449
Total fund balances	<u>4,106,186</u>	<u>928,989</u>	<u>1,772,141</u>	<u>654,333</u>	<u>7,461,649</u>
Total liabilities and fund balances	<u>\$ 12,488,147</u>	<u>\$ 1,044,074</u>	<u>\$ 1,840,177</u>	<u>\$ 671,344</u>	<u>\$ 16,043,742</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, 2024**

Total fund balance of governmental funds	\$ 7,461,649
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.	73,094,089
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	(798,999)
Lease liability	(83,931)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources related to pension	9,352,878
Deferred inflows of resources related to pension	(3,429,494)
Net pension asset	833,000
Net pension liability	(28,549,821)
Financial statement elements related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources related to OPEB	1,364,965
Deferred inflows of resources related to OPEB	(603,325)
Net OPEB liability	(5,353,194)
The internal service fund is used by management to charge the costs of health insurance to individual funds. The assets, liabilities, and net position of the internal service fund are included in governmental activities in the Statement of Net Position.	5,922,472
Net position of governmental activities	<u><u>\$ 59,210,289</u></u>

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

CITY OF SALEM SCHOOL DIVISION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General	Cafeteria	Capital Projects	Activity	Total Governmental Funds
REVENUES					
<i>Intergovernmental:</i>					
City of Salem	\$ 23,251,918	\$ -	\$ 801,131	\$ -	\$ 24,053,049
Commonwealth of Virginia	33,293,342	42,743	-	-	33,336,085
Federal Government	3,519,685	1,720,260	-	-	5,239,945
<i>Other:</i>					
Charges for services	373,129	634,387	-	912,997	1,920,513
Other	205,049	51,242	-	271,320	527,611
Total revenues	<u>60,643,123</u>	<u>2,448,632</u>	<u>801,131</u>	<u>1,184,317</u>	<u>65,077,203</u>
EXPENDITURES					
<i>Current:</i>					
Central administration	2,284,594	-	-	-	2,284,594
Centralized instruction costs	8,276,024	-	-	-	8,276,024
Instructional costs	44,381,199	-	-	1,212,469	45,593,668
Attendance and health services	1,730,970	-	-	-	1,730,970
Transportation	2,209,497	-	-	-	2,209,497
Food services	-	2,454,966	-	-	2,454,966
<i>Capital projects</i>	-	-	1,622,358	-	1,622,358
<i>Debt service:</i>					
Principal	66,092	-	-	-	66,092
Interest	2,712	-	-	-	2,712
Total expenditures	<u>58,951,088</u>	<u>2,454,966</u>	<u>1,622,358</u>	<u>1,212,469</u>	<u>64,240,881</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,692,035</u>	<u>(6,334)</u>	<u>(821,227)</u>	<u>(28,152)</u>	<u>836,322</u>
OTHER FINANCING SOURCES (USES)					
Inception of leases	34,059	-	-	-	34,059
Insurance recoveries	50,445	-	-	-	50,445
Transfers in	-	-	716,267	-	716,267
Transfers out	(710,267)	-	-	(6,000)	(716,267)
Total other financing sources (uses), net	<u>(625,763)</u>	<u>-</u>	<u>716,267</u>	<u>(6,000)</u>	<u>84,504</u>
Net change in fund balances	<u>1,066,272</u>	<u>(6,334)</u>	<u>(104,960)</u>	<u>(34,152)</u>	<u>920,826</u>
Fund balances, beginning	<u>3,039,914</u>	<u>935,323</u>	<u>1,877,101</u>	<u>688,485</u>	<u>6,540,823</u>
Fund balances, ending	<u>\$ 4,106,186</u>	<u>\$ 928,989</u>	<u>\$ 1,772,141</u>	<u>\$ 654,333</u>	<u>\$ 7,461,649</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, 2024

Net changes in fund balances of governmental funds	\$ 920,826
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	2,674,389
Depreciation and amortization expense	(3,136,701)
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	(5,400)
Net loss from sale of assets	(381,465)
Repayment of subscription and lease principal is an expenditure in the governmental funds but reduces long-term liabilities in the Statement of Net Position.	
Inception of subscriptions	(34,059)
Principal payments	66,092
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	28,412
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	4,698,808
Non-employer pension contribution	416,522
Pension expense	(3,019,657)
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	800,254
Non-employer OPEB contributions	23,969
OPEB expense	(489,018)
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.	
	508,814
Change in net position of governmental activities	<u><u>\$ 3,071,786</u></u>

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

CITY OF SALEM SCHOOL DIVISION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
REVENUES	Original	Final	Actual Amounts	
Intergovernmental:				
City of Salem	\$ 21,797,899	\$ 22,896,130	\$ 23,251,918	\$ 355,788
Commonwealth of Virginia	27,844,362	33,568,582	33,293,342	(275,240)
Federal Government	3,408,931	3,982,612	3,519,685	(462,927)
Other:				
Charges for Services	441,970	441,618	373,129	(68,489)
Other	55,804	170,939	205,049	34,110
Total revenues	53,548,966	61,059,881	60,643,123	(416,758)
EXPENDITURES				
Current:				
Central administration	2,250,233	2,425,902	2,284,594	141,308
Centralized instructional costs	5,295,653	9,083,599	8,276,024	807,575
Instructional costs:				
Salem High School	11,674,534	12,771,973	12,556,045	215,928
Andrew Lewis Middle School	8,156,251	8,781,348	8,396,677	384,671
G.W. Carver Elementary School	4,272,609	4,503,548	4,511,001	(7,453)
West Salem Elementary School	3,830,062	4,151,416	4,037,395	114,021
South Salem Elementary School	3,707,351	4,002,805	3,871,178	131,627
East Salem Elementary School	4,067,130	4,370,034	4,444,707	(74,673)
Regional Special Education Program	973,119	1,159,569	1,016,142	143,427
Federal and state grants programs	3,854,581	6,870,945	5,548,054	1,322,891
Attendance and health services	1,748,187	1,721,604	1,730,970	(9,366)
Transportation	2,353,216	2,470,504	2,209,497	261,007
Non-departmental	2,469,271	115,000	-	115,000
Debt service:				
Principal	-	-	66,092	(66,092)
Interest	-	-	2,712	(2,712)
Total expenditures	54,652,197	62,428,247	58,951,088	3,477,159
Excess (deficiency) of revenues over (under) expenditures	(1,103,231)	(1,368,366)	1,692,035	3,060,401
OTHER FINANCING SOURCES (USES)				
Inception of leases	-	-	34,059	34,059
Insurance recoveries	5,000	5,000	50,445	45,445
Transfers out	-	(710,267)	(710,267)	-
Total other financing sources (uses)	5,000	(705,267)	(625,763)	79,504
Net change in fund balances*	\$ (1,098,231)	\$ (2,073,633)	\$ 1,066,272	\$ 3,139,905

* 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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES	Original	Final		
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 57,712	\$ 57,712	\$ 42,743	\$ (14,969)
Federal Government	1,533,601	1,629,543	1,720,260	90,717
<i>Other:</i>				
Charges for Services	686,583	686,583	634,387	(52,196)
Other	7,800	53,164	51,242	(1,922)
Total revenues	<u>2,285,696</u>	<u>2,427,002</u>	<u>2,448,632</u>	<u>21,630</u>
EXPENDITURES				
<i>Current:</i>				
Food services:				
Salem High School	832,383	855,814	522,606	333,208
Andrew Lewis Middle School	522,615	542,790	487,797	54,993
G.W. Carver Elementary School	248,756	268,931	369,877	(100,946)
West Salem Elementary School	238,282	275,457	361,326	(85,869)
South Salem Elementary School	219,335	239,510	359,207	(119,697)
East Salem Elementary School	224,325	244,500	354,153	(109,653)
Total expenditures	<u>2,285,696</u>	<u>2,427,002</u>	<u>2,454,966</u>	<u>(27,964)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(6,334)	(6,334)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,334)</u>	<u>\$ (6,334)</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, 2024**

	Internal Service Fund
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 6,336,740
Receivables	11,188
Total assets	<u>6,347,928</u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable and accrued liabilities	8,175
Self-insurance claims liability	399,336
Unearned revenues	17,945
Total liabilities	<u>425,456</u>
NET POSITION	
Unrestricted	5,922,472
Total net position	<u><u>\$ 5,922,472</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, 2024

	Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ 5,508,957
Total operating revenues	<u>5,508,957</u>
OPERATING EXPENSES	
Claims	5,078,962
Contractual services	26,704
Administration	230,782
Miscellaneous	2,079
Total operating expenses	<u>5,338,527</u>
Operating income	<u>170,430</u>
NONOPERATING REVENUES	
Interest income	338,384
Total nonoperating revenues	<u>338,384</u>
Change in net position	<u>508,814</u>
Net position, beginning	5,413,658
Net position, ending	<u><u>\$ 5,922,472</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, 2024**

	Internal Service Fund
OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,504,629
Payments to City	(230,782)
Payments for claims	(4,997,296)
Payments for contractual services	(36,881)
Net cash provided by operating activities	<u>239,670</u>
INVESTING ACTIVITIES	
Interest received	338,384
Net cash provided by investing activities	<u>338,384</u>
Net increase in cash and cash equivalents	578,054
Cash and cash equivalents, beginning	5,758,686
Cash and cash equivalents, ending	<u><u>\$ 6,336,740</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 170,430
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
<i>(Increase) decrease in assets:</i>	
Receivables	(2,887)
<i>Increase (decrease) in liabilities:</i>	
Accounts payable and accrued liabilities	(8,098)
Self-insurance claims liability	81,666
Unearned revenues	(1,441)
Net cash provided by operating activities	<u><u>\$ 239,670</u></u>

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

EXHIBIT 12

**CITY OF SALEM SCHOOL DIVISION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2024**

	OPEB Trust Fund
ASSETS	
Investments held by trustee, fair value of pooled funds	\$ 2,629,094
Total assets	<u>2,629,094</u>
LIABILITIES	
Liability to agency	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Restricted for OPEB	<u><u>\$ 2,629,094</u></u>

EXHIBIT 13

**CITY OF SALEM SCHOOL DIVISION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2024**

	OPEB Trust Fund
ADDITIONS	
Employer contributions	\$ 256,387
<i>Investment income</i>	
Increase in fair value of investments	219,854
Total additions	<u>476,241</u>
DEDUCTIONS	
Retirement benefits	159,252
Administrative expenses	2,796
Total deductions	<u>162,048</u>
Change in fiduciary net position	<u>314,193</u>
Net position, beginning	2,314,901
Net position, ending	<u><u>\$ 2,629,094</u></u>

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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 four elementary schools, one middle school, one high school and an alternative and adult 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 may be 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 four 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, 2024**

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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 operation. 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 \$8,486,317 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, 2024**

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. Encumbrances as of June 30, 2024 total \$153,699 in the General Fund, \$63,600 in the Cafeteria Fund, and \$347,986 in the Capital Projects Fund.

Deposits and Investments

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

Interfund Balances

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

Inventory

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

Prepaid Items

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

Leases

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

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

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

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

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

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

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

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

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

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

Subscription-Based Information Technology Arrangements

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

1. Summary of Significant Accounting Policies (Continued)

Subscription-Based Information Technology Arrangements (Continued)

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

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

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

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

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

Capital Assets

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

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

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

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

Capital Assets and Related Debt Reporting

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

Deferred Outflows/Inflows of Resources

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

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

Unearned Revenues

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

Compensated Absences

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

1. Summary of Significant Accounting Policies (Continued)

Pensions

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

Other Postemployment Benefits – Retiree Health Plan

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

Other Postemployment Benefits – Group Life Insurance and Health Insurance Credit

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

Net Position

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

- **Net investment in capital assets** – consists of the historical cost of capital assets less accumulated depreciation and any capital related liabilities, such as right-to-use lease liabilities and subscription-based information technology arrangements used to finance those assets.
- **Restricted** – consists of assets where there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- **Unrestricted** – all other net position is reported in this category.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

1. Summary of Significant Accounting Policies (Continued)

Fund Balances

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

The classifications are as follows:

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

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

Restricted Amounts

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

Estimates

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

2. Deposits and Investments

The City maintains a concentration bank account used by the School Division. The School Division's portion of this account is presented in the basic financial statements as cash and cash equivalents. Deposits and investments held by Fiduciary Funds total \$2,629,094 for the OPEB Trust Fund.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

2. Deposits and Investments (Continued)

Deposits

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

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development, the Asian Development Bank, the African Development Bank, prime quality commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, the State Non-Arbitrage Program (SNAP), and the Local Government Investment Pool (LGIP).

As of June 30, 2024, 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	\$ 13,731,811	unrated
Cash on hand	515	unrated
Local Government Investment Pool (LGIP)	6,000,000	AAAm
Total	<u>\$ 19,732,326</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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

2. Deposits and Investments (Continued)

Custodial Credit Risk

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

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

3. Interfund Balances and Transfers

The composition of the interfund balances is as follows:

		<u>Due from (fund)</u>
		<u>Activity</u>
Due to (fund)	General	\$ 12,787

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

During the year, the School Division transferred \$710,267 from the General Fund and \$6,000 from the Activity Fund to the Capital Projects Fund for current projects.

4. Due from Other Governmental Units

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

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Governmental Activities</u>
Commonwealth of Virginia			
Sales tax	\$ 752,226	\$ -	\$ 752,226
Medicaid reimbursement	5,350	-	5,350
Federal government			
National School Breakfast and Lunch Programs	-	29,281	29,281
Title I Grants to Local Educational Agencies	163,499	-	163,499
Special Education - Grants to States (IDEA, Part B)	64,227	-	64,227
Special Education - Preschool Grants (IDEA Preschool)	8,918	-	8,918
Career & Technical Education - Basic Grants to States (Perkins IV)	13,178	-	13,178
School-Based Mental Health Services	68,570	-	68,570
English Language Acquisition State Grants	176	-	176
Supporting Effective Instruction State Grants	13,021	-	13,021
Student Support and Academic Enrichment Grants	253	-	253
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	413,345	-	413,345
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	112,473	-	112,473
Education for Homeless Children and Youths	950	-	950
	<u>\$ 1,616,186</u>	<u>\$ 29,281</u>	<u>\$ 1,645,467</u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

5. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Capital assets, nondepreciable and nonamortizable				
Land	\$ 1,123,637	\$ -	\$ -	\$ 1,123,637
Construction in progress	36,365,691	1,470,112	(37,489,206)	346,597
Capital assets, nondepreciable and nonamortizable	<u>37,489,328</u>	<u>1,470,112</u>	<u>(37,489,206)</u>	<u>1,470,234</u>
Capital assets, depreciable and amortizable				
Machinery and equipment	9,438,512	1,012,170	(248,349)	10,202,333
Buildings and improvements	72,726,903	37,647,254	(11,291,180)	99,082,977
Right-to-use leased machinery and equipment	131,663	-	-	131,663
Subscription-based information technology arrangements	131,497	34,059	-	165,556
Capital assets, depreciable and amortizable	<u>82,428,575</u>	<u>38,693,483</u>	<u>(11,539,529)</u>	<u>109,582,529</u>
Accumulated depreciation and accumulated amortization				
Machinery and equipment	(6,974,302)	(486,779)	225,831	(7,235,250)
Buildings and improvements	(38,968,165)	(2,569,071)	10,926,833	(30,610,403)
Right-to-use leased machinery and equipment	(16,458)	(32,916)	-	(49,374)
Subscription-based information technology arrangements	(15,712)	(47,935)	-	(63,647)
Accumulated depreciation and accumulated amortization	<u>(45,974,637)</u>	<u>(3,136,701)</u>	<u>11,152,664</u>	<u>(37,958,674)</u>
Capital assets, depreciable and amortizable, net	<u>36,453,938</u>	<u>35,556,782</u>	<u>(386,865)</u>	<u>71,623,855</u>
Capital assets, net	<u>\$ 73,943,266</u>	<u>\$37,026,894</u>	<u>\$(37,876,071)</u>	<u>\$ 73,094,089</u>

Depreciation and amortization expense was charged to functions as follows:

Central administration	\$ 139,961
Centralized instructional costs	79,847
Instructional costs	2,695,945
Transportation	191,920
Food services	29,028
Total depreciation and amortization expense	<u>\$ 3,136,701</u>

Intangible Right-to Use Assets

As of June 30, 2024, the School Division recognized right-to-use assets for the value of copiers leased under long-term contracts as part of capital assets. The intangible right-to-use assets are being amortized over the lease terms for each lease. Terms of the leases are described in Note 7.

Subscription-Based Information Technology Arrangements

As of June 30, 2024, the School Division recognized subscription-based information technology arrangement assets for the value of software subscriptions under subscription contracts as part of capital assets. The subscription-based information technology arrangement assets are being amortized over the subscription terms for each subscription. Terms of the subscriptions are described in Note 7.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

6. Deferred Outflows/Inflows of Resources

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

Deferred outflows of resources	
Pension	\$ 9,352,878
OPEB	1,364,965
Total deferred outflows of resources	<u>\$10,717,843</u>
Deferred inflows of resources	
Pension	\$ 3,429,494
OPEB	603,325
Leases	446,369
Total deferred inflows of resources	<u>\$ 4,479,188</u>

7. Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Lease liability	\$ 115,964	\$ -	\$ (32,033)	\$ 83,931	\$ 32,901
Subscription liability	-	34,059	(34,059)	-	-
Compensated absences	827,411	500,675	(529,087)	798,999	529,087
Net pension liability	27,008,034	13,491,492	(11,949,705)	28,549,821	-
Net OPEB liability	5,673,830	2,059,814	(2,380,450)	5,353,194	-
	<u>\$33,625,239</u>	<u>\$16,086,040</u>	<u>\$(14,925,334)</u>	<u>\$34,785,945</u>	<u>\$ 561,988</u>

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

Copier Leases

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

Fiscal Year	Principal	Interest
2025	\$ 32,901	\$ 1,844
2026	33,792	953
2027	17,238	135
	<u>\$ 83,931</u>	<u>\$ 2,932</u>

Subscription-Based Information Technology Arrangements

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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	\$ -	\$ 38,621	\$ -	\$ 9,995
Prepays	449,671	-	-	500
Committed to:				
Other projects	494,904	-	1,772,141	-
Food services	-	890,368	-	-
Assigned to:				
General education	3,161,611	-	-	-
Activity fund	-	-	-	643,838
Total fund balances	<u>\$ 4,106,186</u>	<u>\$ 928,989</u>	<u>\$ 1,772,141</u>	<u>\$ 654,333</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 \$80,089.

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 \$129,780.

Healthcare

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

9. Risk Management (Continued)

Healthcare (continued)

During the current fiscal year, total claim expenses of \$8,704,448 were incurred. This represents claims processed and an estimate for claims incurred but not reported (IBNR) as of June 30, 2024. The estimated liability for the City and School Division was \$362,631 and \$385,336, respectively for a total of \$747,967 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
2024	\$ 679,113	\$ 8,704,448	\$ 8,635,594	\$ 747,967
2023	765,656	8,075,826	8,162,369	679,113
2022	716,796	9,042,833	8,993,973	765,656

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. 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 \$550,249 were incurred. This represents claims processed and an estimate for claims incurred but not reported (IBNR) as of June 30, 2024. The estimated liability for the City and School Division was \$13,000 and \$14,000, respectively for a total of \$27,000 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
2024	\$ 15,000	\$ 550,249	\$ 538,249	\$ 27,000
2023	19,000	511,769	515,769	15,000
2022	24,000	534,284	539,284	19,000

Other

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

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

Plan Description

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Plan Description (Continued)

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2022, actuarial valuation, the following employees were covered by the benefit terms of the VRS Retirement Plan:

	<u>School Division (Non-Professional)</u>
Inactive members or their beneficiaries currently receiving benefits	80
Inactive members:	
Vested inactive members	24
Non-vested inactive members	53
Inactive members active elsewhere in VRS	18
Total inactive members	<u>95</u>
Active members	<u>61</u>
Total covered employees	<u><u>236</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions 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, 2024, was 1.92% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VRS Political Subdivision Retirement Plan from the School Division were \$18,736 and \$17,162 for the years ended June 30, 2024, and June 30, 2023, respectively. Contributions for the fiscal year ended June 30, 2023, were adjusted to reflect actual amounts as shown on the VRS actuarial report rather than estimated amounts used in the prior year's annual financial report.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions

The total pension liability for general employees in the VRS Retirement Plan was based on an actuarial valuation performed as of June 30, 2022, 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, 2023.

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

Mortality rates:

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

The actuarial assumptions used in the June 30, 2022, valuations were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Long-Term Expected Rate of Return

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Long-Term Expected Rate of Return (Continued)

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.25%

* The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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, 2022	\$ 5,672,571	\$ 6,582,168	\$ (909,597)
Changes for the year:			
Service cost	126,854	-	126,854
Interest	378,463	-	378,463
Differences between expected and actual experience	73,188	-	73,188
Contributions - employer	-	17,162	(17,162)
Contributions - employee	-	73,370	(73,370)
Net investment income	-	415,500	(415,500)
Benefit payments, including refunds of employee contributions	(385,122)	(385,122)	-
Administrative expenses	-	(4,290)	4,290
Other changes	-	166	(166)
Net changes	193,383	116,786	76,597
Balances at June 30, 2023	\$ 5,865,954	\$ 6,698,954	\$ (833,000)

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

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

	Net Pension Liability (Asset)		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Retirement Plan (Non-Professional Staff)	\$ (195,221)	\$ (833,000)	\$ (1,363,383)

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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

For the year ended June 30, 2024, School Division recognized pension expense of \$30,592, under the VRS Political Subdivision Retirement Plan. At June 30, 2024, 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	\$ 28,010	\$ -
Net difference between projected and actual earnings on pension plan investments	-	113,596
Employer contributions subsequent to the measurement date	18,736	-
Total	<u>\$ 46,746</u>	<u>\$ 113,596</u>

The deferred outflows of resources related to pensions resulting from the School Division's contributions of \$18,736 subsequent to the measurement date will be recognized as an increase to the net pension asset in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30,	School Division (Non-Professional)
2025	\$ (51,078)
2026	(133,630)
2027	95,380
2028	3,742
	<u>\$ (85,586)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report. A copy of the report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payable to the Pension Plan

At June 30, 2024, \$9,052 was payable to the System under the VRS Political Subdivision Retirement Plan for the legally required contributions of the School Division, related to the June 2024 payroll.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

11. Pension Plan – Virginia Retirement System Teacher Retirement Plan

Plan Description

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2024, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VRS Teacher Retirement Plan from the School Division were \$4,680,086 and \$4,458,974 for the years ended June 30, 2024, and June 30, 2023, respectively. Contributions for the fiscal year ended June 30, 2023, were adjusted to reflect actual amounts as shown on the VRS actuarial report rather than estimated amounts used in the prior year's annual financial report.

In June 2023, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Retirement Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The School Division's proportionate share is reflected in net pension liability in Exhibit 1 and in other general revenues in Exhibit 2.

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

At June 30, 2024, the School Division reported a liability of \$28,549,821 for its proportionate share of the VRS Teacher Retirement Plan net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the School Division's proportion was 0.28247% as compared to 0.28368% at June 30, 2022.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

11. Pension Plan – Virginia Retirement System Teacher Retirement Plan (Continued)

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

For the year ended June 30, 2024, the School Division recognized pension expense of \$2,989,065 under the VRS Teacher Retirement Plan. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022, measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
School Division (Professional)		
Differences between expected and actual experience	\$ 2,452,454	\$ 1,114,136
Changes in assumptions	1,294,263	-
Net difference between projected and actual earnings on pension plan investments	-	1,856,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	879,329	345,448
Employer contributions subsequent to the measurement date	4,680,086	-
Total	<u>\$ 9,306,132</u>	<u>\$ 3,315,898</u>

The \$4,680,086 reported as deferred outflows of resources related to pensions resulting from the School Division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>School Division (Professional)</u>
2025	\$ (387,480)
2026	(1,390,456)
2027	2,551,608
2028	536,476
	<u>\$ 1,310,148</u>

Net Pension Liability

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

11. Pension Plan – Virginia Retirement System Teacher Retirement Plan (Continued)

Net Pension Liability (Continued)

As of June 30, 2023, net pension liability amounts for the VRS Teacher Employee Retirement Plan are as follows (amounts expressed in thousands):

	<u>VRS Teacher Retirement Plan</u>
Total Pension Liability	\$ 57,574,609
Plan Fiduciary Net Position	<u>47,467,405</u>
Employer's Net Pension Liability	<u><u>\$ 10,107,204</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.45%

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

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

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

	<u>Net Pension Liability (Asset)</u>		
	<u>1% Decrease (5.75%)</u>	<u>Current Discount (6.75%)</u>	<u>1% Increase (7.75%)</u>
School Division (Professional)	\$ 50,608,650	\$ 28,549,821	\$ 10,415,650

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report. A copy of the report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2024, \$590,066 was payable to the System under the VRS Teacher Retirement Plan for the legally required contributions of the School Division related to the June 2024 payroll.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

12. Summary of Pension Elements

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

	<u>School Division</u>
Pension Expense	
VRS Retirement Plan	\$ 30,592
VRS Teacher Retirement Plan	2,989,065
Total Pension Expense	<u>\$ 3,019,657</u>
Net Pension Asset	
VRS Retirement Plan	<u>\$ 833,000</u>
Net Pension Liability	
VRS Teacher Retirement Plan	\$ 28,549,821
Total Pension Liability	<u>\$ 28,549,821</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	
VRS Retirement Plan	\$ 28,010
VRS Teacher Retirement Plan	2,452,454
Changes in assumptions	
VRS Teacher Retirement Plan	1,294,263
Changes in proportion and differences between employer contributions and proportionate share of contributions	
VRS Teacher Retirement Plan	879,329
Employer contributions subsequent to the measurement date	
VRS Retirement Plan	18,736
VRS Teacher Retirement Plan	4,680,086
Total Deferred Outflows of Resources	<u>\$ 9,352,878</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	
VRS Teacher Retirement Plan	\$ 1,114,136
Net difference between projected and actual earnings on pension plan investments	
VRS Retirement Plan	113,596
VRS Teacher Retirement Plan	1,856,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	
VRS Teacher Retirement Plan	345,448
Total Deferred Inflows of Resources	<u>\$ 3,429,494</u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

13. Other Postemployment Benefits – Retiree Health Plan

Plan Description

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

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

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

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

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

Employees Covered by Benefit Terms

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

Active employees	557
Retired participants	24
Total participants	<u>581</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 \$184,564, of the total premiums through their required monthly contributions of between \$642 and \$1,471, depending on the type of coverage.

The School Division contributed \$159,252 in pay-as-you-go contributions to the Retiree Health Plan for the year ended June 30, 2024. In addition, the School Division contributed \$97,135 to the OPEB Trust Fund. It is the intent of the School Division to fully fund the actuarially determined contributions each year.

Net OPEB Liability

Under the Retiree Health Plan, the School Division's net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2023.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Net OPEB Liability (Continued)

The components of the net OPEB liability as of June 30, 2024, were as follows:

Total OPEB liability	\$ 2,961,987
Plan fiduciary net position	2,629,094
Net OPEB liability	<u>\$ 332,893</u>

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

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

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Inflation	2.50%
Investment rate of return	6.50%, net of investment expense
Pre-65 healthcare cost trend rates	6.50% for 2023 graded to 3.90% by 2073
Post-65 healthcare cost trend rates	N/A
Pre-retirement mortality	General Employees: Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years. Teachers: Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.
Post-retirement mortality	General Employees: Pub-2010 Amount Weighted Healthy Retiree Rates projected generationally; 110% of rates for females. Teachers: Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Plan Investments

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

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Plan Investments (Continued)

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

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

Asset Class	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Geometric Long-Term Expected Rate of Return
US Core Fixed Income	20.00%	2.21%	2.08%
US Large Cap Equity	21.00%	5.38%	3.80%
US Small Cap Equity	10.00%	6.94%	4.39%
Foreign Developed Equity	13.00%	6.92%	5.13%
Emerging Market Equity	5.00%	9.59%	6.21%
Private Real Estate Property	15.00%	5.14%	3.91%
Private Equity	10.00%	10.46%	6.25%
Hedge Fund of Funds - Strategic	6.00%	2.69%	1.94%
Assumed Inflation - Mean		2.31%	2.30%
Assumed Inflation - Standard Deviation		1.44%	1.44%
Portfolio Real Mean Return		5.62%	4.71%
Portfolio Nominal Mean Return		7.93%	7.12%
Portfolio Standard Deviation			13.16%
Long-Term Expected Rate of Return			6.50%

At June 30, 2024, 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, 2024, the annual money-weighted rate of return on the plan investments, net of OPEB plan investment expense, was 9.49% 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, 2024**

13. 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

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances at June 30, 2023	\$ 2,846,224	\$ 2,314,901	\$ 531,323
Changes for the year:			
Service cost	89,300	-	89,300
Interest	185,715	-	185,715
Contributions - employer	-	256,387	(256,387)
Net investment income	-	219,854	(219,854)
Benefit payments	(159,252)	(159,252)	-
Administrative expenses	-	(2,796)	2,796
Net changes	<u>115,763</u>	<u>314,193</u>	<u>(198,430)</u>
Balances at June 30, 2024	<u>\$ 2,961,987</u>	<u>\$ 2,629,094</u>	<u>\$ 332,893</u>

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

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

<u>Net OPEB Liability</u>		
<u>1% Decrease (5.50%)</u>	<u>Current Discount (6.50%)</u>	<u>1% Increase (7.50%)</u>
\$ 550,301	\$ 332,893	\$ 130,335

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

13. 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
\$ 47,243	\$ 332,893	\$ 659,583

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

For the year ended June 30, 2024, the School Division recognized OPEB expense of \$142,141. At June 30, 2024, 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	\$ 282,489	\$ 26,979
Changes in assumptions	59,593	80,508
Net difference between projected and actual earnings on plan investments	-	5,962
Total	<u>\$ 342,082</u>	<u>\$ 113,449</u>

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
2025	\$ 4,278
2026	79,549
2027	25,265
2028	44,988
2029	57,548
Thereafter	17,005
	<u>\$ 228,633</u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Virginia Retirement System OPEB Plans

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

Plan Description – Group Life Insurance Program

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

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

Plan Description – Political Subdivision Health Insurance Credit Program

All full-time, salaried permanent (non-professional) employees of the School Division are automatically covered by the Political Subdivision Health Insurance Credit (HIC) Program. The Political Subdivision HIC provides all the same benefits as the Teacher HIC described below, except the Political Subdivision HIC Program is considered a multi-employer agent plan. As of the June 30, 2023, actuarial valuation, the following School Division employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

Inactive members or their beneficiaries currently receiving benefits	38
Inactive members:	
Vested inactive members	6
Non-vested inactive members	19
Total inactive members	<u>63</u>
Active members	60
Total covered employees	<u><u>123</u></u>

Plan Description – Teacher Employee Health Insurance Credit Program

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Plan Description – Teacher Employee Health Insurance Credit Program (Continued)

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

Contributions

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

	OPEB Contributions	
	Year Ended	Year Ended
	June 30, 2024	June 30, 2023
School Division - Non-Professional GLI	\$ 9,878	\$ 9,029
School Division - Professional GLI	158,510	150,865
School Division - Political Subdivision HIC	20,301	18,538
School Division - Teacher Employee HIC	355,177	337,915

GLI Program

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

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance Program. The special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The School Division's proportionate share is reflected in net OPEB liability in Exhibit 1 and in general revenues in Exhibit 2.

Political Subdivision HIC Program

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

Teacher Employee HIC Program

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Contributions (Continued)

In June 2023, the Commonwealth made a special contribution of approximately \$4.0 million to the Teacher Employee HIC Program. The special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The School Division's proportionate share is reflected in net OPEB liability in Exhibit 1 and in general revenues in Exhibit 2.

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

The net OPEB liabilities were measured as of June 30, 2023, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportions of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. Specific details related to the School Division's proportionate shares of the net VRS OPEB liabilities and VRS OPEB expenses for the GLI Program and Teacher Employee HIC Program are as follows:

	Proportionate Share of Net OPEB Liability	Employer's Proportion	
	June 30, 2024	June 30, 2023	June 30, 2022
School Division - Non-Professional GLI	\$ 85,151	0.00710%	0.00667%
School Division - Professional GLI	1,422,506	0.11861%	0.12043%
School Division - Teacher Employee HIC	3,392,938	0.28008%	0.28107%

	OPEB Expense
	Year Ended
	June 30, 2024
School Division - Non-Professional GLI	\$ 4,722
School Division - Professional GLI	64,272
School Division - Teacher Employee HIC	263,188

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

The net OPEB liabilities for the GLI Program and the Teacher Employee HIC Program represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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

As of the measurement date of June 30, 2023, net OPEB liability amounts for the entire GLI Program and the entire Teacher Employee HIC Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program	Teacher Employee HIC OPEB Program
Total OPEB liability	\$ 3,907,052	\$ 1,475,471
Plan fiduciary net position	2,707,739	264,054
Net OPEB liability	<u>\$ 1,199,313</u>	<u>\$ 1,211,417</u>

Plan fiduciary net position as a percentage of total OPEB liability	69.30%	17.90%
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The total liabilities for the GLI Program and Teacher Employee HIC Program are calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liabilities are disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information. Changes in the net OPEB liability of the Political Subdivision HIC Program are as follows:

	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, 2022	\$ 180,659	\$ 79,253	\$ 101,406
Changes for the year:			
Service cost	2,533	-	2,533
Interest	11,843	-	11,843
Differences between expected and actual experience	27,368	-	27,368
Contributions - employer	-	18,538	(18,538)
Net investment income	-	4,445	(4,445)
Benefit payments	(15,475)	(15,475)	-
Administrative expenses	-	(89)	89
Other changes	-	550	(550)
Net changes	<u>26,269</u>	<u>7,969</u>	<u>18,300</u>
Balances at June 30, 2023	<u>\$ 206,928</u>	<u>\$ 87,222</u>	<u>\$ 119,706</u>

For the year ended June 30, 2024, the School Division recognized OPEB expense of \$14,695 related to the Political Subdivision HIC Program.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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

At June 30, 2024, School Division reported deferred outflows of resources and deferred inflows of resources related to VRS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
School Division - Non-Professional GLI		
Differences between expected and actual experience	\$ 8,505	\$ 2,585
Net difference between projected and actual earnings on program investments	-	3,422
Changes in assumptions	1,820	5,900
Changes in proportion	9,652	2,688
Employer contributions subsequent to the measurement date	9,878	-
Total	<u>\$ 29,855</u>	<u>\$ 14,595</u>
School Division - Professional GLI		
Differences between expected and actual experience	\$ 142,074	\$ 43,180
Net difference between projected and actual earnings on program investments	-	57,164
Changes in assumptions	30,407	98,557
Changes in proportion	48,936	35,575
Employer contributions subsequent to the measurement date	158,510	-
Total	<u>\$ 379,927</u>	<u>\$ 234,476</u>
School Division - Political Subdivision HIC		
Differences between expected and actual experience	\$ 17,865	\$ 16,237
Changes in assumptions	14,733	-
Net difference between projected and actual earnings on program investments	-	19
Employer contributions subsequent to the measurement date	20,301	-
Total	<u>\$ 52,899</u>	<u>\$ 16,256</u>
School Division - Teacher Employee HIC		
Differences between expected and actual experience	\$ -	\$ 149,340
Net difference between projected and actual earnings on program investments	1,703	-
Changes in assumptions	78,982	3,419
Changes in proportion	124,340	71,790
Employer contributions subsequent to the measurement date	355,177	-
Total	<u>\$ 560,202</u>	<u>\$ 224,549</u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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

The deferred outflows of resources related to OPEB resulting from the School Division's contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to VRS OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year ended June 30,	GLI Non-Professional	GLI Professional	Political Subdivision HIC	Teacher Employee HIC
2025	\$ 81	\$ (9,397)	\$ 8,182	\$ (12,464)
2026	(2,134)	(56,076)	6,891	(9,360)
2027	3,350	31,154	1,065	3,204
2028	2,350	11,010	204	(421)
2029	1,735	10,250	-	4,021
Thereafter	-	-	-	(4,504)
	<u>\$ 5,382</u>	<u>\$ (13,059)</u>	<u>\$ 16,342</u>	<u>\$ (19,524)</u>

Actuarial Assumptions and Other Inputs

The total VRS OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

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

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

Long-Term Expected Rate of Return

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

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Long-Term Expected Rate of Return (Continued)

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		* Expected arithmetic nominal return	<u>8.25%</u>

* The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net positions were projected to be available to make all projected future benefit payments of 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.

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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

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

	Net OPEB Liability		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Group Life Insurance (Non-Professional)	\$ 126,221	\$ 85,151	\$ 51,946
Group Life Insurance (Professional)	2,108,598	1,422,506	867,796
Political Subdivision Health Insurance Credit	139,486	119,706	102,782
Teacher Employee Health Insurance Credit	3,837,792	3,392,938	3,015,963

OPEB Plan Fiduciary Net Positions

Information about the various VRS OPEB plan fiduciary net positions is available in the separately issued VRS 2023 Annual Comprehensive Financial Report. A copy of the report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plans

At June 30, 2024, the following amounts were payable to VRS for the legally required contributions related to the June 2024 payroll:

	Payable to VRS June 30, 2024
School Division - Non-Professional GLI	\$ 2,215
School Division - Professional GLI	38,299
School Division - Political Subdivision HIC	1,864
School Division - Teacher Employee HIC	34,584

15. 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	\$ 142,141
VRS GLI	68,994
VRS Political Subdivision HIC	14,695
VRS Teacher Employee HIC	263,188
Total OPEB Expense	<u>\$ 489,018</u>
Net OPEB Liability	
Retiree Health Plan	\$ 332,893
VRS GLI	1,507,657
VRS Political Subdivision HIC	119,706
VRS Teacher Employee HIC	3,392,938
Total OPEB Liability	<u>\$ 5,353,194</u>

**CITY OF SALEM SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

15. Summary of Other Postemployment Benefit Elements (Continued)

	<u>School Division</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	
Retiree Health Plan	\$ 282,489
VRS GLI	150,579
VRS Retirement Plan - HIC	17,865
VRS Teacher Retirement Plan - HIC	1,703
Changes in assumptions	
Retiree Health Plan	59,593
VRS GLI	32,227
VRS Political Subdivision HIC	14,733
VRS Teacher Employee HIC	78,982
Changes in proportion	
VRS GLI	58,588
VRS Teacher Retirement Plan - HIC	124,340
Employer contributions subsequent to the measurement date	
VRS GLI	168,388
VRS Political Subdivision HIC	20,301
VRS Teacher Employee HIC	355,177
Total Deferred Outflows of Resources	<u>\$ 1,364,965</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	
Retiree Health Plan	\$ 26,979
VRS GLI	45,765
VRS Political Subdivision HIC	16,237
VRS Teacher Employee HIC	149,340
Net difference between projected and actual earnings on program investments	
Retiree Health Plan	5,962
VRS GLI	60,586
VRS Political Subdivision HIC	19
Changes in assumptions	
Retiree Health Plan	80,508
VRS GLI	104,457
VRS Teacher Employee HIC	3,419
Changes in proportion	
VRS GLI	38,263
VRS Teacher Employee HIC	71,790
Total Deferred Inflows of Resources	<u>\$ 603,325</u>

16. Commitments and Contingencies

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, 2024**

16. 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 entered a new agreement with Aramark for a period of one year with options for four additional one-year renewals by mutual written agreement. The School Division is currently exercising the fourth and final one-year renewal option, which is in place through June 30, 2024. Beginning on July 1, 2023, Aramark received a flat fee of \$9,120 per month for ten months for general and administrative expenses and a flat fee of \$2,432 per month for ten months for management services. With the contract ending, a new RFP process resulted in a change in provider for these services that started June 12, 2024 with Nutrition, Inc., dba The Nutrition Group (to coincide with the start of the summer school feeding program).

Management of Online School Program

In July 2023, the School Division engaged K12 Virtual Schools, L.L.C. (K12), to provide a full-time virtual online school program, where students across the state can receive an education online. This is an annual agreement that is reviewed and renewed each year, if agreeable by both parties. The School Division receives 5.5% of the per pupil revenue from the State for each student as an administrative fee, with the remaining revenue going to K12 to provide online services for students.

17. Jointly Governed Organizations

Roanoke Valley Governor's School

The Counties of Bedford, Botetourt, Craig, Franklin and Roanoke and the Cities of Roanoke and Salem jointly participate in a regional education program focusing on science, technology, engineering and mathematics operated by Roanoke Valley Governor's School (RVGS). RVGS is governed by a seven member board, with one member from each participating locality. The School Division has control over budget and financing only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on their proportionate share of students attending RVGS. For the year ended June 30, 2024, the School Division remitted \$82,730 for services. Financial statements may be obtained from RVGS at 2104 Grandin Road, Roanoke, Virginia 24015.

18. New Accounting Standards

The GASB has issued Statement No. 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.

The GASB has issued Statement No. 102, *Certain Risk Disclosures*, to enhance financial reporting by requiring disclosure about risks related to vulnerabilities due to certain concentrations or constraints. The provisions of this statement are effective for fiscal years beginning after June 15, 2024. 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. 103, *Financial Reporting Model Improvements*, to enhance financial reporting by updating standards for management's discussion and analysis, unusual or infrequent item reporting, presentation of proprietary fund statement reports, major component unit information and budgetary comparison information. The provisions of this statement are effective for fiscal years beginning after June 15, 2025. Management has not completed the process of evaluating the impact that will result from adoption of the standard and is, therefore, unable to disclose the impact of adoption.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALEM SCHOOL DIVISION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
YEAR ENDED JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	Non-Professional Staff									
Total pension liability										
Service cost	\$ 126,854	\$ 118,969	\$ 106,418	\$ 119,513	\$ 130,680	\$ 130,240	\$ 120,806	\$ 124,227	\$ 132,051	\$ 145,676
Interest	378,463	361,795	344,320	350,152	348,873	350,464	345,744	347,691	337,943	323,812
Changes of benefit terms	-	-	150,153	-	-	-	-	-	-	-
Differences between expected and actual experience	73,188	132,716	(89,731)	(195,286)	(81,471)	(177,270)	(39,860)	(182,245)	(45,142)	-
Changes in assumptions	-	-	-	-	134,293	-	(23,501)	-	-	-
Benefit payments, including refunds of employee contributions	(385,122)	(363,739)	(378,725)	(342,849)	(314,833)	(337,479)	(334,040)	(300,945)	(270,236)	(264,987)
Net change in total pension liability	193,383	249,741	132,435	(68,470)	217,542	(34,045)	69,149	(11,272)	154,616	204,501
Total pension liability - beginning	5,672,571	5,422,830	5,290,395	5,358,865	5,141,323	5,175,368	5,106,219	5,117,491	4,962,875	4,758,374
Total pension liability - ending	\$ 5,865,954	\$ 5,672,571	\$ 5,422,830	\$ 5,290,395	\$ 5,358,865	\$ 5,141,323	\$ 5,175,368	\$ 5,106,219	\$ 5,117,491	\$ 4,962,875
Plan fiduciary net position										
Contributions - employer	\$ 17,162	\$ 22,143	\$ 19,987	\$ 39,178	\$ 40,178	\$ 51,406	\$ 51,554	\$ 92,100	\$ 93,028	\$ 97,271
Contributions - employee	73,370	65,114	57,197	58,791	57,762	61,121	61,318	58,188	59,073	61,480
Net investment income	415,500	(4,145)	1,516,515	110,040	369,207	399,866	608,458	86,505	228,863	697,591
Benefit payments, including refunds of employee contributions	(385,122)	(363,739)	(378,725)	(342,849)	(314,833)	(337,479)	(334,040)	(300,945)	(270,236)	(264,987)
Administrative expense	(4,290)	(4,345)	(3,965)	(3,871)	(3,796)	(3,562)	(3,661)	(3,256)	(3,202)	(3,812)
Other	166	155	141	(128)	(231)	(350)	(535)	(37)	(47)	37
Net change in plan fiduciary net position	116,786	(284,817)	1,211,150	(138,839)	148,287	171,002	383,094	(67,445)	107,479	587,580
Plan fiduciary net position - beginning	6,582,168	6,866,985	5,655,835	5,794,674	5,646,387	5,475,385	5,092,291	5,159,736	5,052,257	4,464,677
Plan fiduciary net position - ending	\$ 6,698,954	\$ 6,582,168	\$ 6,866,985	\$ 5,655,835	\$ 5,794,674	\$ 5,646,387	\$ 5,475,385	\$ 5,092,291	\$ 5,159,736	\$ 5,052,257
Net pension liability (asset) - ending	\$ (833,000)	\$ (909,597)	\$ (1,444,155)	\$ (365,440)	\$ (435,809)	\$ (505,064)	\$ (300,017)	\$ 13,928	\$ (42,245)	\$ (89,382)
Plan fiduciary net position as a percentage of the total pension liability	114.20%	116.04%	126.63%	106.91%	108.13%	109.82%	105.80%	99.73%	100.83%	101.80%
Covered payroll	\$ 893,854	\$ 962,739	\$ 869,000	\$ 1,061,734	\$ 1,088,835	\$ 1,187,206	\$ 1,190,624	\$ 1,173,248	\$ 1,185,071	\$ 1,229,675
Net pension liability (asset) as a percentage of covered payroll	(93.19%)	(94.48%)	(166.19%)	(34.42%)	(40.03%)	(42.54%)	(25.20%)	1.19%	(3.56%)	(7.27%)

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, 2024**

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)					
2024	\$ 18,736	\$ 18,736	\$ -	\$ 975,833	1.92%
2023*	17,162	17,162	-	893,854	1.92%
2022	22,143	22,143	-	962,739	2.30%
2021	19,987	19,987	-	869,000	2.30%
2020	39,178	39,178	-	1,061,734	3.69%
2019**	40,178	40,178	-	1,088,835	3.69%
2018	51,406	51,406	-	1,187,206	4.33%
2017	51,554	51,554	-	1,190,624	4.33%
2016	92,100	92,100	-	1,173,248	7.85%
2015	93,028	93,028	-	1,185,071	7.85%

* Revised to reflect actual 2023 amounts as shown in the VRS actuarial report rather than estimated amounts used in the prior year ACFR.

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

**CITY OF SALEM SCHOOL DIVISION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
YEAR ENDED JUNE 30, 2024**

<u>Plan Year Ended June 30</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Employer's Share of the Net Pension Liability as a % of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
		(a)	(b)		
School Division (Professional Staff)					
2023	0.28247%	\$ 28,549,821	\$ 26,828,965	106.41%	82.45%
2022	0.28368%	27,008,034	25,356,474	106.51%	82.61%
2021	0.27131%	21,062,060	23,117,413	91.11%	85.46%
2020	0.27321%	39,759,230	23,135,236	171.86%	71.47%
2019	0.27613%	36,340,277	22,568,718	161.02%	73.51%
2018	0.28140%	33,092,000	22,299,761	148.40%	74.81%
2017	0.27878%	34,284,000	21,639,120	158.44%	72.92%
2016	0.28026%	39,276,000	21,368,521	183.80%	68.28%
2015	0.28555%	35,941,000	21,230,718	169.29%	70.68%
2014	0.29170%	35,251,000	19,575,450	180.08%	70.88%

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, 2024**

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)					
2024	\$ 4,680,086	\$ 4,680,086	\$ -	\$ 28,159,362	16.62%
2023*	4,458,974	4,458,974	-	26,828,965	16.62%
2022	4,214,246	4,214,246	-	25,356,474	16.62%
2021	3,842,114	3,842,114	-	23,117,413	16.62%
2020	3,627,605	3,627,605	-	23,135,236	15.68%
2019**	3,538,775	3,538,775	-	22,568,718	15.68%
2018	3,639,321	3,639,321	-	22,299,761	16.32%
2017	3,172,295	3,172,295	-	21,639,120	14.66%
2016	3,004,414	3,004,414	-	21,368,521	14.06%
2015	3,078,454	3,078,454	-	21,230,718	14.50%

* Revised to reflect actual 2023 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, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 89,300	\$ 99,076	\$ 78,070	\$ 72,888	\$ 74,370	\$ 73,179	\$ 71,941	\$ 67,235
Interest	185,715	152,908	146,183	139,914	136,316	158,451	151,536	145,477
Effect of economic/demographic gains or losses	-	381,935	-	(51,503)	-	17,662	-	-
Effect of assumption changes	-	31,900	-	69,553	(16,279)	(255,288)	-	-
Benefit payments	(159,252)	(143,627)	(140,032)	(139,150)	(136,057)	(151,400)	(136,054)	(125,858)
Net change in total OPEB liability	115,763	522,192	84,221	91,702	58,350	(157,396)	87,423	86,854
Total OPEB liability - beginning	2,846,224	2,324,032	2,239,811	2,148,109	2,089,759	2,247,155	2,159,732	2,072,878
Total OPEB liability - ending	\$ 2,961,987	\$ 2,846,224	\$ 2,324,032	\$ 2,239,811	\$ 2,148,109	\$ 2,089,759	\$ 2,247,155	\$ 2,159,732
Plan fiduciary net position								
Contributions - employer	\$ 256,387	\$ 240,762	\$ 237,167	\$ 236,285	\$ 233,192	\$ 248,535	\$ 233,189	\$ 211,531
Net investment income	219,854	157,543	(205,312)	480,434	44,595	59,924	105,580	116,176
Benefit payments	(159,252)	(143,627)	(140,032)	(139,150)	(136,057)	(151,400)	(136,054)	(125,858)
Administrative expense	(2,796)	(2,632)	(2,813)	(2,294)	(2,100)	(1,894)	(1,717)	(1,579)
Net change in plan fiduciary net position	314,193	252,046	(110,990)	575,275	139,630	155,165	200,998	200,270
Plan fiduciary net position - beginning	2,314,901	2,062,855	2,173,845	1,598,570	1,458,940	1,303,775	1,102,777	902,507
Plan fiduciary net position - ending	\$ 2,629,094	\$ 2,314,901	\$ 2,062,855	\$ 2,173,845	\$ 1,598,570	\$ 1,458,940	\$ 1,303,775	\$ 1,102,777
Net OPEB liability - ending	\$ 332,893	\$ 531,323	\$ 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%	81.33%	88.76%	97.05%	74.42%	69.81%	58.02%	51.06%
Covered-employee payroll	\$ 29,388,566	\$ 29,388,566	\$ 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	1.13%	1.81%	1.05%	0.27%	2.29%	2.63%	4.09%	4.58%
Annual money-weighted rate of return, net of investment expense	9.49%	7.63%	(9.39%)	30.01%	3.05%	4.59%	9.52%	12.79%

Schedule is intended to show information for 10 years. Since 2024 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.

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, 2024**

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)
2024	\$ 132,024	\$ 256,387	\$ (124,363)	\$ 29,388,566	0.87%
2023	128,179	240,762	(112,583)	29,388,566	0.82%
2022	94,871	237,167	(142,296)	24,787,563	0.96%
2021	92,108	236,285	(144,177)	24,787,563	0.95%
2020	120,718	233,192	(112,474)	23,962,730	0.97%
2019	114,675	248,535	(133,860)	23,962,730	1.04%
2018	140,801	233,189	(92,388)	23,076,891	1.01%
2017	136,700	211,531	(74,831)	23,076,891	0.92%

Schedule is intended to show information for 10 years. Since 2024 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.

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	Closed over 24 years
Asset valuation method	Market value
Investment rate of return	6.50%
Projected long-term salary increases	2.50%

CITY OF SALEM SCHOOL DIVISION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM
YEAR ENDED JUNE 30, 2024

	Plan Year					
	2023	2022	2021	2020	2019	2017
Total HIC OPEB liability						
Service cost	\$ 2,533	\$ 3,280	\$ 4,085	\$ 4,133	\$ 3,643	\$ 2,543
Interest	11,843	8,186	8,118	8,927	9,771	11,059
Changes of benefit terms	-	62,508	-	955	-	-
Changes in assumptions	-	26,248	2,663	-	2,818	370
Differences between expected and actual experience	27,368	(28,738)	(750)	(10,631)	(9,720)	(20,255)
Benefit payments	(15,475)	(17,649)	(15,100)	(15,662)	(12,020)	(11,482)
Net change in total HIC OPEB liability	26,269	53,835	(984)	(12,278)	(5,508)	4,360
Total HIC OPEB liability - beginning	180,659	126,824	127,808	140,086	145,594	159,369
Total HIC OPEB liability - ending	\$ 206,928	\$ 180,659	\$ 126,824	\$ 127,808	\$ 140,086	\$ 145,594
Plan fiduciary net position						
Contributions - employer	\$ 18,538	\$ 16,389	\$ 8,589	\$ 7,533	\$ 7,318	\$ 8,875
Net investment income	4,445	(12)	15,149	1,341	4,257	4,693
Benefit payments	(15,475)	(17,649)	(15,100)	(15,662)	(12,020)	(11,482)
Administrative expense	(89)	(130)	(164)	(116)	(90)	(108)
Other	550	10,296	-	(1)	(5)	(359)
Net change in plan fiduciary net position	7,969	8,894	8,474	(6,905)	(540)	1,619
Plan fiduciary net position - beginning	79,253	70,359	61,885	68,790	69,330	67,711
Plan fiduciary net position - ending	\$ 87,222	\$ 79,253	\$ 70,359	\$ 61,885	\$ 68,790	\$ 69,330
Net OPEB liability - ending	\$ 119,706	\$ 101,406	\$ 56,465	\$ 65,923	\$ 71,296	\$ 76,264
Plan fiduciary net position as a percentage of the total OPEB liability	42.15%	43.87%	55.48%	48.42%	49.11%	47.62%
Covered payroll	\$ 1,670,090	\$ 1,450,354	\$ 1,263,088	\$ 1,276,780	\$ 1,240,339	\$ 1,286,232
Net OPEB liability as a percentage of covered payroll	7.17%	6.99%	4.47%	5.16%	5.75%	5.93%
						7.61%

Schedule is intended to show information for 10 years. Since fiscal year 2024 (plan year 2023) is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available.

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, 2024**

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)
2024	\$ 20,301	\$ 20,301	\$ -	\$ 1,828,919	1.11%
2023	18,538	18,538	-	1,670,090	1.11%
2022*	16,389	16,389	-	1,450,354	1.13%
2021	8,589	8,589	-	1,263,088	0.68%
2020	7,533	7,533	-	1,276,780	0.59%
2019**	7,318	7,318	-	1,240,339	0.59%
2018	8,875	8,875	-	1,286,232	0.69%

Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available.

* Beginning in fiscal year 2022, the School Division elected to provide the enhanced health insurance credit.

** 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, 2024**

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

2023	0.00710%	\$ 85,151	\$ 1,672,037	5.09%	69.30%
2022	0.00667%	80,313	1,450,741	5.54%	67.21%
2021	0.00614%	71,486	1,271,111	5.62%	67.45%
2020	0.00623%	103,968	1,285,000	8.09%	52.64%
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)

2023	0.11861%	\$ 1,422,506	\$ 27,937,963	5.09%	69.30%
2022	0.12043%	1,450,093	26,196,111	5.54%	67.21%
2021	0.11525%	1,341,822	23,860,556	5.62%	67.45%
2020	0.11525%	1,923,334	23,770,577	8.09%	52.64%
2019	0.11726%	1,908,133	22,986,731	8.30%	52.00%
2018	0.11861%	1,801,000	22,553,654	7.99%	51.22%
2017	0.11835%	1,781,000	21,829,358	8.16%	48.86%

School Division - Teacher Employee Health Insurance Credit Program

2023	0.28008%	\$ 3,392,938	\$ 27,926,860	12.15%	17.90%
2022	0.28107%	3,510,695	26,196,281	13.40%	15.08%
2021	0.26840%	3,445,100	23,772,562	14.49%	9.95%
2020	0.27051%	3,528,848	23,716,667	14.88%	9.95%
2019	0.27380%	3,584,308	22,965,750	15.61%	8.97%
2018	0.27878%	3,540,000	22,545,854	15.70%	8.08%
2017	0.27639%	3,506,000	21,812,560	16.07%	7.04%

Schedule is intended to show information for 10 years. Since fiscal year 2024 (plan year 2023) is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available.

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, 2024**

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)

2024	\$	9,878	\$	9,878	\$	-	\$	1,829,259	0.54%
2023		9,029		9,029		-		1,672,037	0.54%
2022		7,834		7,834		-		1,450,741	0.54%
2021		6,864		6,864		-		1,271,111	0.54%
2020		6,682		6,682		-		1,285,000	0.52%
2019**		6,464		6,464		-		1,243,077	0.52%
2018		6,688		6,688		-		1,286,154	0.52%

School Division - Group Life Insurance Program (Professional Staff)

2024	\$	158,510	\$	158,510	\$	-	\$	29,353,704	0.54%
2023		150,865		150,865		-		27,937,963	0.54%
2022		141,459		141,459		-		26,196,111	0.54%
2021		128,847		128,847		-		23,860,556	0.54%
2020		123,607		123,607		-		23,770,577	0.52%
2019**		119,531		119,531		-		22,986,731	0.52%
2018		117,279		117,279		-		22,553,654	0.52%

School Division - Teacher Employee Health Insurance Credit Program

2024	\$	355,177	\$	355,177	\$	-	\$	29,353,471	1.21%
2023*		337,915		337,915		-		27,926,860	1.21%
2022		316,975		316,975		-		26,196,281	1.21%
2021		287,648		287,648		-		23,772,562	1.21%
2020		284,600		284,600		-		23,716,667	1.20%
2019**		275,589		275,589		-		22,965,750	1.20%
2018		277,314		277,314		-		22,545,854	1.23%

Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, only six additional years of data is available. However, additional years will be included as they become available.

* Revised to reflect actual 2023 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, 2024**

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, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty/Public Safety Employees:

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

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

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

**CITY OF SALEM, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

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 75 to 80 for all
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- No change to disability rates
- No changes to salary scale
- No change to discount rate

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STATISTICAL SECTION

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

Pages

Financial Trends	97 - 101
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These schedules contain trend information to help the reader understand how the School Division's financial performance and well-being have changed over time.

Revenue Capacity	102 - 105
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These schedules contain information to help the reader assess the School Division's revenue sources. The schedules also include information about the City's most significant local revenue source, property taxes, as the City provides significant revenues to the School Division.

Debt Capacity	106 - 107
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and ability to issue additional debt in the future. These schedules are shown because the City incurs significant debt for the School Division's use.

Demographic and Economic Information	108 - 110
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These schedules offer demographic and economic indicators to help the reader understand the environment in which the School Division operates and to help make comparisons over time and with other governments.

Operating Information	111 - 116
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These schedules contain service and infrastructure data to help the reader understand how the information in the School Division's financial report relates to the services the School provides and the activities it performs.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
				(1)			(2)			(3)
Governmental Activities										
Net investment in capital assets	\$ 73,010,158	\$ 73,141,922	\$ 67,754,198	\$ 60,234,738	\$ 46,748,373	\$ 42,906,415	\$ 43,173,063	\$ 45,092,573	\$ 46,530,313	\$ 48,121,333
Restricted	833,000	909,597	1,444,155	365,440	965,614	650,756	537,062	-	78,138	78,474
Unrestricted	(14,632,869)	(17,913,016)	(22,317,124)	(24,507,178)	(27,114,252)	(28,122,133)	(32,351,599)	(28,646,696)	(31,510,148)	(35,459,054)
Total School Division net position	\$ 59,210,289	\$ 56,138,503	\$ 46,881,229	\$ 36,093,000	\$ 20,599,735	\$ 15,435,038	\$ 11,358,526	\$ 16,445,877	\$ 15,098,303	\$ 12,740,753

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.

TABLE 2
UNAUDITED

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
				(1)			(2)			
Expenses										
Central administration	\$ 2,335,660	\$ 1,581,633	\$ 2,011,242	\$ 2,085,923	\$ 2,016,415	\$ 1,783,674	\$ 1,596,030	\$ 1,652,209	\$ 1,593,894	\$ 1,695,545
Centralized instruction costs	8,114,430	4,344,767	3,396,049	3,567,700	4,075,157	3,840,082	3,518,687	3,543,531	3,473,872	3,636,537
Instructional costs	45,889,476	43,387,453	41,661,291	39,488,999	37,077,981	33,908,535	34,871,104	32,458,269	30,933,478	32,699,399
Attendance and health services	1,620,506	1,364,537	1,153,234	1,126,855	1,147,452	978,529	1,010,606	1,005,378	936,415	981,451
Transportation	2,292,826	2,171,148	1,922,120	1,762,900	1,472,764	1,500,881	1,524,848	1,408,400	1,348,170	1,463,135
Food services	2,240,743	2,442,362	2,235,602	1,960,853	1,848,960	1,792,273	1,794,237	1,756,692	1,675,156	1,973,317
Federal and state grants programs		-	-	-	-	7,106	-	1,970,034	1,844,532	1,969,993
Interest and other fiscal charges	2,712	1,674	-	1,212	6,006	-	493	6,333	10,612	-
Total governmental activities	62,496,353	55,293,574	52,379,538	49,994,442	47,644,735	43,811,080	44,316,005	43,800,896	41,816,129	44,419,377
Program revenues										
Charges for services:										
Central administration	-	-	-	-	-	-	-	26,251	33,158	20,106
Centralized instruction	182,066	157,396	168,533	218,111	166,551	166,262	209,937	546,197	510,968	587,734
Instructional	1,104,060	1,080,537	1,003,370	783,482	910,778	1,000,374	945,598	174,200	179,915	175,813
Food services	634,387	599,244	119,398	62,276	569,747	845,340	836,801	841,634	815,618	759,141
Operating grants and contributions	18,441,574	16,842,179	17,351,097	12,922,879	10,758,674	9,818,437	9,540,263	8,605,485	8,197,005	8,119,815
Capital grants and contributions	796,132	2,304,642	637,913	-	-	17,438	14,400	156,367	49,773	5,174
Total governmental activities	21,158,219	20,983,998	19,280,311	13,986,748	12,405,750	11,847,851	11,546,999	10,350,134	9,786,437	9,667,783
Net expense	(41,338,134)	(34,309,576)	(33,099,227)	(36,007,694)	(35,238,985)	(31,963,229)	(32,769,006)	(33,450,762)	(32,029,692)	(34,751,594)
General revenues and other changes in net position										
Payments from City of Salem	24,053,049	25,147,133	26,611,308	34,606,636	25,341,148	21,026,377	20,170,298	19,760,242	19,739,512	19,151,270
State aid	19,338,324	16,562,083	16,404,289	16,116,582	14,952,136	14,891,728	14,222,573	14,075,825	13,757,083	13,916,982
Other	1,018,547	1,857,634	871,859	169,906	110,398	121,636	123,394	962,269	890,647	954,837
Total governmental activities	44,409,920	43,566,850	43,887,456	50,893,124	40,403,682	36,039,741	34,516,265	34,798,336	34,387,242	34,023,089
Change in net position	\$ 3,071,786	\$ 9,257,274	\$ 10,788,229	\$ 14,885,430	\$ 5,164,697	\$ 4,076,512	\$ 1,747,259	\$ 1,347,574	\$ 2,357,550	\$ (728,505)

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.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
FUND BALANCES										
<u>General Fund</u>				(1)						
Nonspendable	\$ 449,671	\$ 378,303	\$ 420,882	\$ 220,392	\$ 158,753	\$ 101,494	\$ 4,068	\$ -	\$ -	\$ -
Restricted	-	-	-	-	529,805	650,756	537,062	-	78,138	78,474
Committed	494,904	555,157	765,341	699,526	351,315	545,572	454,828	85,500	-	-
Assigned	3,161,611	2,106,454	3,133,334	6,260,707	5,175,071	5,053,704	3,911,615	4,493,379	4,532,051	2,761,526
Total General Fund	<u>\$ 4,106,186</u>	<u>\$ 3,039,914</u>	<u>\$ 4,319,557</u>	<u>\$ 7,180,625</u>	<u>\$ 6,214,944</u>	<u>\$ 6,351,526</u>	<u>\$ 4,907,573</u>	<u>\$ 4,578,879</u>	<u>\$ 4,610,189</u>	<u>\$ 2,840,000</u>
<u>Cafeteria Fund</u>										
Nonspendable	\$ 38,621	\$ 84,724	\$ 133,878	\$ 116,984	\$ 98,571	\$ 56,438	\$ 37,579	\$ 33,103	\$ 33,187	\$ 34,125
Committed	890,368	850,599	955,362	404,295	624,572	580,465	464,331	-	-	-
Assigned	-	-	-	-	-	-	-	349,325	305,919	324,603
Total Cafeteria Fund	<u>\$ 928,989</u>	<u>\$ 935,323</u>	<u>\$ 1,089,240</u>	<u>\$ 521,279</u>	<u>\$ 723,143</u>	<u>\$ 636,903</u>	<u>\$ 501,910</u>	<u>\$ 382,428</u>	<u>\$ 339,106</u>	<u>\$ 358,728</u>
<u>Capital Projects Fund</u>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,939	\$ 14,816	\$ 24,693	\$ -
Committed	1,772,141	1,877,101	3,363,092	3,267,093	2,810,420	1,765,046	2,746,660	2,030,441	905,058	1,146,489
Total Capital Projects Fund	<u>\$ 1,772,141</u>	<u>\$ 1,877,101</u>	<u>\$ 3,363,092</u>	<u>\$ 3,267,093</u>	<u>\$ 2,810,420</u>	<u>\$ 1,765,046</u>	<u>\$ 2,751,599</u>	<u>\$ 2,045,257</u>	<u>\$ 929,751</u>	<u>\$ 1,146,489</u>
<u>Activity Fund</u>										
Nonspendable	\$ 10,495	\$ 3,433	\$ 4,541	\$ 3,547						
Assigned	643,838	685,052	689,657	677,556						
Total Capital Projects Fund	<u>\$ 654,333</u>	<u>\$ 688,485</u>	<u>\$ 694,198</u>	<u>\$ 681,103</u>						
Total School Division	<u>\$ 7,461,649</u>	<u>\$ 6,540,823</u>	<u>\$ 9,466,087</u>	<u>\$ 11,650,100</u>	<u>\$ 9,748,507</u>	<u>\$ 8,753,475</u>	<u>\$ 8,161,082</u>	<u>\$ 7,006,564</u>	<u>\$ 5,879,046</u>	<u>\$ 4,345,217</u>

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.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues										
<u>General Fund</u>										
<i>Intergovernmental:</i>										
City of Salem	\$ 23,251,918	\$ 22,055,911	\$ 20,919,612	\$ 20,222,585	\$ 20,499,426	\$ 21,026,377	\$ 20,170,298	\$ 19,760,242	\$ 19,739,512	\$ 19,151,270
Commonwealth of Virginia	33,293,342	26,828,343	25,623,802	24,348,690	22,563,977	21,878,266	21,067,259	20,052,041	19,491,109	19,455,460
Federal Government	3,519,685	5,085,296	5,977,011	3,113,287	1,747,379	1,708,244	1,648,522	1,705,496	1,631,925	1,761,396
<i>Other:</i>										
Charges for services	373,129	343,459	416,929	662,966	1,077,329	1,166,636	1,155,535	746,647	724,041	783,653
Other	205,049	174,600	179,553	99,070	99,069	115,004	96,502	944,782	883,593	810,937
Total General Fund	60,643,123	54,487,609	53,116,907	48,446,598	45,987,180	45,894,527	44,138,116	43,209,208	42,470,180	41,962,716
<u>Cafeteria Fund</u>										
<i>Intergovernmental:</i>										
Commonwealth of Virginia	42,743	59,170	35,968	18,084	38,054	29,478	28,674	24,710	21,590	24,581
Federal Government	1,720,260	1,723,336	2,756,518	1,559,400	1,361,400	1,094,177	1,016,458	899,020	809,467	795,360
<i>Other:</i>										
Charges for services	634,387	599,244	119,398	62,276	569,747	845,340	836,801	841,634	815,617	759,141
Other	51,242	47,909	11,088	10,632	12,859	8,018	29,886	17,531	7,121	143,900
Total Cafeteria Fund	2,448,632	2,429,659	2,922,972	1,650,392	1,982,060	1,977,013	1,911,819	1,782,895	1,653,795	1,722,982
<u>Capital Projects Fund</u>										
<i>Intergovernmental:</i>										
City of Salem	801,131	3,091,222	5,691,696	14,384,051	4,841,722	-	-	-	-	-
Commonwealth of Virginia	-	1,905,758	-	-	-	-	-	-	-	-
<i>Other:</i>										
Other	-	7,000	-	-	-	-	-	-	-	5,174
Total Capital Projects Fund	801,131	5,003,980	5,691,696	14,384,051	4,841,722	-	-	-	-	5,174
<u>Activity Fund</u>										
<i>Other:</i>										
Charges for services	912,997	894,474	754,975	338,627						
Other	271,320	273,570	176,946	63,788						
Total Activity Fund	1,184,317	1,168,044	931,921	402,415						
Expenditures										
<u>General Fund</u>										
<i>Current:</i>										
Central administration	2,284,594	2,193,690	2,121,974	2,040,621	2,007,754	1,734,048	1,587,712	1,608,371	1,593,852	1,658,908
Centralized instruction costs	8,276,024	4,683,958	3,739,425	3,554,076	4,074,573	4,053,997	3,768,680	3,795,451	3,687,727	3,832,984
Instructional costs:										
Salem High School	12,556,045	12,501,010	11,589,554	10,812,614	10,504,638	10,516,395	10,459,247	10,090,056	10,048,013	9,976,964
Andrew Lewis Middle School	8,396,677	8,237,680	7,777,571	7,582,656	7,343,857	7,133,729	7,110,842	6,985,732	6,629,696	6,769,119
G.W. Carver Elementary School	4,511,001	4,634,533	4,206,255	3,869,788	3,779,518	3,734,148	3,694,139	3,525,927	3,473,543	3,590,403
West Salem Elementary School	4,037,395	3,957,893	3,792,579	3,489,273	3,592,948	3,570,397	3,383,487	3,019,223	2,999,504	3,013,001
South Salem Elementary School	3,871,178	3,785,246	3,386,465	3,239,527	3,210,750	3,193,441	3,248,699	2,984,447	2,946,511	2,985,015
East Salem Elementary School	4,444,707	4,376,050	4,184,387	3,836,461	3,764,485	3,902,247	3,778,488	3,634,861	3,543,633	3,472,215
Regional Program	1,016,142	916,181	773,303	798,101	695,930	736,901	743,403	754,116	733,930	698,011
Federal and state grants programs	5,548,054	5,687,390	6,917,985	3,579,467	2,114,568	2,119,327	1,969,614	2,142,407	2,027,663	1,958,910
Attendance and health services	1,730,970	1,520,760	1,321,077	1,148,003	1,136,256	1,088,768	1,085,034	1,049,120	1,001,682	988,485
Transportation	2,209,497	2,285,285	2,246,537	1,567,746	1,390,916	1,577,945	1,410,894	1,317,610	1,269,037	1,269,076
<i>Debt service:</i>										
Principal	66,092	147,196	-	99,919	95,293	104,768	137,071	131,405	142,981	-
Interest	2,712	1,674	-	4,849	9,475	-	5,911	965	10,612	-
Total General Fund	58,951,088	54,928,546	52,057,112	45,623,101	43,720,961	43,466,111	42,383,221	41,039,691	40,108,384	40,213,091

(CONTINUED)

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenditures										
Cafeteria Fund				(1)						
Food services	2,454,966	2,583,576	2,355,011	1,852,256	1,895,820	1,842,020	1,792,337	1,739,573	1,673,417	1,871,733
Total Cafeteria Fund	2,454,966	2,583,576	2,355,011	1,852,256	1,895,820	1,842,020	1,792,337	1,739,573	1,673,417	1,871,733
Capital Projects Fund										
Capital projects	1,622,358	7,726,023	9,857,321	15,785,194	6,199,149	2,270,996	719,859	1,085,321	1,219,802	1,335,621
Total Capital Projects Fund	1,622,358	7,726,023	9,857,321	15,785,194	6,199,149	2,270,996	719,859	1,085,321	1,219,802	1,335,621
Activity Fund										
Instructional costs	1,212,469	1,173,757	918,826	329,147						
Total Activity Fund	1,212,469	1,173,757	918,826	329,147						
Excess (deficiency) of revenues over (under) expenditures										
General Fund	1,692,035	(340,937)	1,059,795	2,823,497	2,266,219	2,428,416	1,754,895	2,169,517	2,361,796	1,749,625
Cafeteria Fund	(6,334)	(153,917)	567,961	(201,864)	86,240	134,993	119,482	43,322	(19,622)	(148,751)
Capital Projects Fund	(821,227)	(2,722,043)	(4,165,625)	(1,401,143)	(1,357,427)	(2,270,996)	(719,859)	(1,085,321)	(1,219,802)	(1,330,447)
Activity Fund	(28,152)	(5,713)	13,095	73,268						
	836,322	(3,222,610)	(2,524,774)	1,293,758	995,032	292,413	1,154,518	1,127,518	1,122,372	270,427
Other financing sources (uses)										
General Fund										
Proceeds from sale of capital assets	-	-	15,838	-	-	-	-	-	-	-
Inception of leases	34,059	131,663	-	-	-	-	-	-	-	-
Inception of subscriptions	-	131,497	-	-	-	-	-	-	-	-
Insurance recoveries	50,445	34,186	324,923	-	-	-	-	-	-	-
Transfers out	(710,267)	(1,236,052)	(4,261,624)	(1,857,816)	(2,402,801)	(984,463)	(1,426,201)	(2,200,827)	(591,607)	(926,492)
Total General Fund	(625,763)	(938,706)	(3,920,863)	(1,857,816)	(2,402,801)	(984,463)	(1,426,201)	(2,200,827)	(591,607)	(926,492)
Capital Projects Fund										
Issuance of financed purchase obligation	-	-	-	-	-	299,980	-	-	411,457	-
Transfers in	716,267	1,236,052	4,261,624	1,857,816	2,402,801	984,463	1,426,201	2,200,827	591,607	926,492
Total Capital Projects Fund	716,267	1,236,052	4,261,624	1,857,816	2,402,801	1,284,443	1,426,201	2,200,827	1,003,064	926,492
Activity Fund										
Transfers out	(6,000)	-	-	-	-	-	-	-	-	-
Total Activity Fund	(6,000)	-	-	-	-	-	-	-	-	-
Net change in fund balances										
General Fund	1,066,272	(1,279,643)	(2,861,068)	965,681	(136,582)	1,443,953	328,694	(31,310)	1,770,189	823,133
Cafeteria Fund	(6,334)	(153,917)	567,961	(201,864)	86,240	134,993	119,482	43,322	(19,622)	(148,751)
Capital Projects Fund	(104,960)	(1,485,991)	95,999	456,673	1,045,374	(986,553)	706,342	1,115,506	(216,738)	(403,955)
Activity Fund	(34,152)	(5,713)	13,095	73,268						
	\$ 920,826	\$ (2,925,264)	\$ (2,184,013)	\$ 1,293,758	\$ 995,032	\$ 592,393	\$ 1,154,518	\$ 1,127,518	\$ 1,533,829	\$ 270,427
Capital outlay	\$ 2,674,389	\$ 8,741,949	\$ 10,081,225	\$ 15,845,173	\$ 6,290,605	\$ 2,559,481	\$ 525,195	\$ 831,774	\$ 1,133,365	\$ 1,202,283
Ratio of debt service expenditures to non-capital expenditures	0.12%	0.27%	0.00%	0.22%	0.23%	0.23%	0.32%	0.31%	0.37%	0.00%

Notes:

Source: City of Salem Finance Department

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

TABLE 5
UNAUDITED

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

Fiscal Year	General Fund			
	City of Salem		Commonwealth of Virginia	
	Revenue	Increase (Decrease)	Revenue	Increase (Decrease)
2024	\$ 23,251,918	\$ 1,196,007	\$ 33,293,342	\$ 6,364,999
2023	22,055,911	1,136,299	26,928,343	1,304,541
2022	20,919,612	697,027	25,623,802	1,275,112
2021	20,222,585	(276,841)	24,348,690	1,784,713
2020	20,499,426	(526,951)	22,563,977	685,711
2019	21,026,377	856,079	21,878,266	811,007
2018	20,170,298	410,056	21,067,259	1,015,218
2017	19,760,242	20,730	20,052,041	560,932
2016	19,739,512	588,242	19,491,109	35,649
2015	19,151,270	(470,773)	19,455,460	2,597

Note:

Source: City of Salem Finance Department

TABLE 6
UNAUDITED

CITY OF SALEM SCHOOL DIVISION
MAJOR LOCAL REVENUE SOURCES
LAST TEN FISCAL YEARS

Fiscal Year	Cafeteria Fund	
	Food Sales	Increase (Decrease)
2024	\$ 634,387	\$ 35,143
2023	599,244	479,846
2022	119,398	57,122
2021	62,276	(507,471)
2020	569,747	(275,593)
2019	845,340	8,539
2018	836,801	(4,833)
2017	841,634	26,017
2016	815,617	56,476
2015	759,141	(73,501)

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			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		Assessed Value	Direct Tax Rate		
2024	\$ 2,790,455,995	\$ 1.20		\$ 419,542,318	\$ 3.40		\$ 108,078,260	\$ 3.20		\$ 66,002,253	\$ 1.20		\$ 690,909	\$ 1.20		\$ 3,384,769,735			\$ 1.53
2023	2,531,447,388	1.20		409,058,153	3.40		98,620,864	3.20		62,248,749	1.20		732,557	1.20		3,102,107,711			1.55
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

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
2024	\$ 49,017,765	\$ 46,765,355	95.40%	\$ -	-	\$ 46,765,355	95.40%
2023	45,280,224	43,064,907	95.11%	27,315	1,585,515	44,650,422	98.55%
2022	43,896,135	41,921,818	95.50%	43,953	1,586,298	43,508,116	99.02%
2021	40,322,441	38,719,642	96.03%	(4,000)	1,273,413	39,993,055	99.19%
2020	38,547,607	35,634,651	92.44%	29,391	2,644,934	38,279,585	99.23%
2019	36,274,839	35,191,478	97.01%	170,855	1,210,976	36,402,454	99.88%
2018	35,837,963	34,375,408	95.92%	(350,519)	1,076,503	35,451,911	99.90%
2017	35,253,119	34,012,836	96.48%	(71,996)	1,139,133	35,151,969	99.92%
2016	33,896,364	32,608,317	96.20%	(19,524)	1,222,632	33,830,949	99.86%
2015	33,407,499	31,903,905	95.50%	(62,546)	1,334,740	33,238,645	99.68%

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	2024			2015		
	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)	\$ 70,889,000	1	2.33%	\$ 36,118,600	1	1.80%
Carter Machinery/Carthy Corp/Mount Sinai	17,248,300	2	0.57%	7,586,000	10	0.38%
Lowes/NS Retail Holdings LLC (2)	16,839,400	3	0.55%	12,462,800	4	0.62%
Yokohama Industries	15,558,200	4	0.51%	13,946,300	3	0.69%
Woodrock Riverwalk LLC	14,455,700	5	0.47%			
Spartan Square/EGAP SALEM I LLC	13,483,600	6	0.44%	8,953,000	8	0.44%
Phoenix Salem Industrial	12,822,200	7	0.42%			
US Foods/USF PROPCO I LLC (3)	12,580,400	8	0.41%	10,708,600	5	0.53%
Valley Properties & L & M Properties LLC	11,724,500	9	0.38%			
Friendship Salem Terrace LLC (4)	11,219,200	10	0.37%	8,361,700	9	0.42%
Lewis-Gale Clinic/HRT				22,095,300	2	1.10%
General Electric				10,655,700	6	0.53%
Chateau Riviera Apts/CSW Associates				9,694,200	7	0.48%

Notes:

Source: City of Salem Real Estate Valuation Department

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

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

(3) Formerly U.S Food Service Inc.

(4) Formerly Salem Terrace/White Whale in 2015

TABLE 10
UNAUDITED

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

Fiscal Year	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds	Total Primary Government
	(1)		
2024	\$ 60,402,408	\$ 25,237,394	\$ 85,639,802
2023	64,619,132	29,177,914	93,797,046
2022	68,803,018	32,714,325	101,517,343
2021	57,250,371	35,559,482	92,809,853
2020	60,686,620	39,296,513	99,983,133
2019	32,910,038	40,780,877	73,690,915
2018	30,897,265	41,669,640	72,566,905
2017	33,916,905	45,723,894	79,640,799
2016	36,971,375	49,665,950	86,637,325
2015	34,681,163	47,663,394	82,344,557

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)	
2024	\$ 3,384,769,735	2.53%	25,600	\$ 3,345	\$ 59,109	6.00%
2023	3,102,107,711	3.02%	25,523	3,675	57,434	6.00%
2022	2,970,621,977	3.42%	25,373	4,001	54,977	7.00%
2021	2,808,194,315	3.30%	25,346	3,662	53,489	7.00%
2020	2,701,785,905	3.70%	25,301	3,952	52,248	8.00%
2019	2,600,807,782	2.83%	25,643	2,874	49,860	6.00%
2018	2,549,817,563	2.85%	25,862	2,806	48,384	6.00%
2017	2,501,620,017	3.18%	25,549	3,117	48,047	6.00%
2016	2,451,813,919	3.53%	25,432	3,407	45,577	7.00%
2015	2,428,048,133	3.39%	25,483	3,231	43,418	7.00%

Notes:

Source: City of Salem Finance Department

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

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

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

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

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

TABLE 11
UNAUDITED

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

Fiscal Year	Assessed Value of Real Property	Debt Limit 10% of Assessed Value	Amount of Debt Applicable to Limit							Net Debt Applicable to Limit as a Percent of Debt Limit
			Total General Obligation Bonds	Financed Purchase Obligation	Enterprise Bonds	RVRA Supported Debt	Net Debt Applicable to Limit			
2024	\$ 2,856,458,248	\$ 285,645,825	\$ 85,639,802	\$ -	\$ (25,237,394)	\$ -	\$ 60,402,408	\$ 225,243,417	21.15%	
2023	2,593,696,137	259,369,614	93,797,046	14,529	(29,177,914)	(189,981)	64,443,680	194,925,934	24.85%	
2022	2,449,870,110	244,987,011	101,517,343	29,059	(32,714,325)	(385,416)	68,446,661	176,540,350	27.94%	
2021	2,360,939,893	236,093,989	92,809,853	43,589	(35,559,482)	(585,396)	56,708,564	179,385,425	24.02%	
2020	2,283,843,346	228,384,335	99,983,133	99,520	(39,296,513)	(789,921)	59,996,219	168,388,116	26.27%	
2019	2,197,986,008	219,798,601	73,690,915	121,467	(40,780,877)	(998,082)	32,033,423	187,765,178	14.57%	
2018	2,144,111,245	214,411,125	72,566,905	198,016	(41,669,640)	(1,209,879)	29,885,402	184,525,723	13.94%	
2017	2,098,953,697	209,895,370	79,640,799	271,203	(45,723,894)	(1,425,312)	32,762,796	177,132,574	15.61%	
2016	2,064,259,382	206,425,938	86,637,325	341,175	(49,665,950)	-	37,312,550	169,113,388	18.08%	
2015	2,052,563,692	205,256,369	82,344,557	-	(47,663,394)	-	34,681,163	170,575,206	16.90%	

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)
2024	25,600	\$ 7,237,160	\$ 59,109	4,273	3.2%
2023	25,523	7,004,787	57,434	3,650	3.0%
2022	25,373	6,588,916	54,977	3,701	3.0%
2021	25,346	6,391,212	53,489	3,756	4.0%
2020	25,301	6,254,966	52,248	3,882	7.7%
2019	25,643	5,962,802	49,860	3,872	2.9%
2018	25,862	5,785,780	48,384	3,889	3.4%
2017	25,549	5,758,037	48,047	3,843	4.1%
2016	25,432	5,435,865	45,577	3,751	4.0%
2015	25,483	5,159,100	43,418	3,797	5.2%

Notes:

Source: City of Salem Finance Department

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

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

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

(4) Director of Business, School Division. In fiscal year 2024, the School Division offered an online option for the first time with 689 students enrolled. In-school enrollment was 3,584. Total enrollment for the School Division was 4,273.

(5) Virginia Employment Commission

TABLE 13
UNAUDITED

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

Employer	2024			2015		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Veterans Administration Medical Center	1	Fed Govt.	1500-1800	1	Fed Govt.	1800-2000
Lewis-Gale Hospital HCA	2	Private	1100-1300	2	Private	1300-1500
Virginia Department of Transportation	3	State Govt.	600-700	7	State Govt.	500-600
Yokohama Industries	4	Private	600-700	3	Private	800-1000
Lewis Gale Physicians	5	Private	500-600			
City of Salem Schools	6	Local Govt.	500-600	6	Local Govt.	500-600
Integer	7	Private	475-575			
Roanoke College	8	Private	400-500	9	Private	400-500
City of Salem	9	Local Govt.	400-500	8	Local Govt.	400-500
Carter Machinery	10	Private	300-500			
U.S. Foodservice, Inc.				10	Private	400-500
General Electric				4	Private	600-800
Lewis Gale Clinic				5	Private	500-700

Notes:

Source: City of Salem Economic Development

(1) The percentage of total employment each employer represents is unavailable.

TABLE 14
UNAUDITED

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

Fiscal Year Ended	Membership September 30	Average Daily Membership March 31	Membership End of Year	Average Daily Membership End of Year	Average Daily Attendance March 31	Special Education Child Count December 1	Salem Per Pupil Expenditures	State Average Per Pupil Expenditures	Composite Index
June 30	(1)	(1)	(1)	(2)	(3), (6)	(4)	(2)	(2)	
2024	4,322	4,141	3,584	4,214	3,946	665	N/A	N/A	0.3632
2023	3,751	3,606	3,650	3,657	3,394	640	\$15,508	\$16,676	0.3713
2022	3,801	3,659	3,701	3,707	3,448	623	14,393	15,541	0.3641
2021	3,834	3,694	3,756	3,743	3,581	621	12,390	14,206	0.3641
2020	3,931	3,810	3,882	3,860	3,652	622	11,571	13,241	0.3715
2019	3,962	3,836	3,872	3,876	3,676	584	11,349	12,931	0.3715
2018	3,953	3,872	3,889	3,906	3,709	586	11,038	12,548	0.3704
2017	3,852	3,775	3,843	3,818	3,625	527	11,017	12,171	0.3704
2016	3,808	3,716	3,751	3,752	3,585	514	10,858	11,745	0.3695
2015	3,815	3,774	3,797	3,813	3,636	528	10,844	11,523	0.3695

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

2023	4,180
2022	4,182
2021	4,288
2020	4,389
2019	4,393
2018	4,429
2017	4,317
2016	4,285
2015	4,364
2014	4,361

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

(3) Superintendent's Annual Report Table 8

(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, 2023.

(6) 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	2024		2023		2022		2021		2020		2019		2018		2017		2016		2015	
	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA	SALEM	VA
Grade 3 English RLR	66	67	79	66	72	68	64	61	*	*	80	71	77	72	81	75	83	76	85	75
Grade 3 Mathematics	70	70	83	69	78	67	60	54	*	*	86	82	80	73	83	75	86	77	85	74
Grade 3 History	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	*	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 3 Science	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	*	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 4 English RLR	80	73	79	73	70	72	75	68	*	*	77	75	77	76	84	79	84	77	84	77
Grade 4 Mathematics	78	71	78	70	66	66	68	56	*	*	83	83	83	79	88	81	91	83	88	84
VA Studies	76	69	76	69	68	66	n/a	n/a	*	*	80	81	87	85	87	87	89	87	93	87
Grade 5 English RLR	79	72	68	71	74	72	70	66	*	*	77	78	83	80	83	81	88	81	83	79
Grade 5 English Writing	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	*	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 5 Mathematics	78	68	76	67	74	64	63	51	*	*	88	81	83	77	78	79	79	79	85	79
Grade 5 Science	71	67	67	66	68	61	57	50	*	*	79	79	85	79	79	79	83	81	86	79
Grade 6 English RLR	71	71	76	71	72	70	71	69	*	*	83	77	79	80	82	78	85	77	84	76
Grade 6 Mathematics	76	63	74	61	74	57	57	45	*	*	71	78	71	79	77	82	88	82	80	83
Grade 6 US History I	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	*	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 7 English RLR	82	72	79	70	70	72	68	71	*	*	80	79	80	81	88	82	87	82	91	81
Grade 7 Mathematics	77	61	73	59	66	55	42	45	*	*	70	78	65	69	74	71	84	72	85	72
Grade 7 US History II	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	*	*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 8 English RLR	81	72	76	71	76	72	77	69	*	*	77	76	79	77	81	76	82	75	81	75
Grade 8 English Writing	n/a	64	54	55	63	57	n/a	n/a	*	*	78	70	77	73	77	73	78	71	76	72
Grade 8 Mathematics	66	63	60	60	64	57	25	43	*	*	75	77	63	71	72	74	69	73	86	74
Grade 8 Civics	74	73	79	73	71	70	n/a	n/a	*	*	79	82	85	86	87	87	87	87	92	86
Grade 8 Science	71	65	68	62	72	61	62	58	*	*	84	78	87	78	88	79	87	79	87	78
End of Course English RLR	90	84	89	85	86	85	91	81	*	*	91	86	91	87	91	87	91	89	91	89
End of Course English Writing	100	76	n/a	76	n/a	74	n/a	n/a	*	*	<	81	82	84	87	84	88	83	88	83
Algebra I	87	85	91	82	90	80	61	63	*	*	83	86	82	81	89	82	83	83	90	82
Algebra II	91	86	93	86	93	86	95	78	*	*	98	91	93	89	98	90	99	89	98	87
Geometry	88	80	89	78	96	80	82	73	*	*	83	83	80	77	91	78	86	80	90	80
Earth Science	74	67	83	67	84	72	72	67	*	*	91	81	84	81	93	82	97	84	93	83
Biology	79	74	85	72	75	70	73	66	*	*	86	83	89	82	90	82	89	84	92	84
Chemistry	53	37	<	37	99	64	90	52	*	*	91	88	93	89	96	89	98	88	100	88
World History I	62	66	47	66	36	66	n/a	n/a	*	*	82	80	92	82	93	85	95	84	98	85
World History II	36	31	30	30	56	48	n/a	n/a	*	*	57	81	89	84	95	87	95	86	94	87
World Geography	70	68	67	67	64	66	n/a	n/a	*	*	83	80	85	82	86	83	88	86	88	86
VAVUS History	42	35	43	38	53	38	n/a	n/a	*	*	72	68	89	84	92	86	91	86	90	87

Notes:

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

n/a: not applicable

< = A group below state definition for personally identifiable results

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

TABLE 16
UNAUDITED

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

Fiscal Year Ended June 30	Number of Students Who Took SATs	Combined Score for Verbal and Math		
		Salem	Virginia	National
2024	85	1,131	1,101	1,024
2023	88	1,114	1,113	1,028
2022	91	1,104	1,124	1,050
2021	98	1,149	1,151	1,160
2020	157	1,134	1,116	1,051
2019	171	1,099	1,112	1,039
2018	173	1,108	1,095	1,044
2017	157	1,080	1,288	1,264
2016	123	1,047	1,029	981
2015	148	1,046	1,028	987

Note:

Source: Assistant Superintendent of Instruction

TABLE 17
UNAUDITED

**CITY OF SALEM SCHOOL DIVISION
ACCREDITATION STATUS
2022-2023 SCHOOL YEAR**

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

Note:

Source: Assistant Superintendent of Instruction

TABLE 18
UNAUDITED

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

Positions	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Board Member	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Administrator	7.1	9.9	9.1	9.7	9.1	9.1	8.5	9.7	9.5	10.3
Principal	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Assistant Principal	8.5	8.5	8.5	8.5	8.5	9.5	9.0	9.0	9.0	9.0
Teachers	331.8	332.3	335.1	312.3	307.7	306.6	303.1	300.5	302.1	307.1
Instructional Assistants	109.2	106.7	98.2	91.2	74.3	71.6	72.1	71.7	65.1	54.3
Secretary/Specialist	21.7	23.2	24.5	24.8	24.9	22.8	21.6	21.7	21.4	21.8
Attendance & Health	13.8	13.4	12.7	10.9	10.5	10.3	10.5	10.4	10.5	10.6
Transportation	37.9	37.9	34.3	30.0	30.6	30.0	30.4	27.5	26.2	27.1
Maintenance	35.9	39.0	38.6	39.6	39.3	38.0	37.3	37.6	37.3	38.5
Technology	13.5	12.2	11.7	10.7	10.7	10.8	10.8	9.8	9.7	10.0
School Nutrition	3.0	5.0	5.0	5.0	6.0	10.8	14.6	20.0	20.0	27.0
Total	594.4	599.1	588.7	553.7	532.6	530.5	528.9	528.9	521.8	526.7

Note:
Source: Annual School Report

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

Degree	Level	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Bachelors	Minimum	\$ 50,605	\$ 48,880	\$ 46,740	\$ 42,119	\$ 42,714	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000
	Maximum	\$ 76,977	\$ 74,352	\$ 71,097	\$ 64,697	\$ 65,613	\$ 64,516	\$ 63,469	\$ 61,710	\$ 60,328	\$ 60,179
Masters	Minimum	\$ 55,313	\$ 53,426	\$ 51,088	\$ 45,905	\$ 46,554	\$ 45,776	\$ 45,776	\$ 45,776	\$ 45,776	\$ 45,720
	Maximum	\$ 84,138	\$ 81,268	\$ 77,711	\$ 70,155	\$ 71,182	\$ 69,958	\$ 68,494	\$ 66,035	\$ 64,104	\$ 63,899
Doctorate	Minimum	\$ 57,078	\$ 55,132	\$ 52,718	\$ 47,732	\$ 48,406	\$ 47,597	\$ 47,597	\$ 47,597	\$ 47,597	\$ 47,514
	Maximum	\$ 86,822	\$ 83,862	\$ 80,191	\$ 72,788	\$ 73,818	\$ 72,584	\$ 70,919	\$ 68,122	\$ 65,925	\$ 65,693
Average Salary		\$ 68,632	\$ 65,429	\$ 62,691	\$ 59,494	\$ 58,760	\$ 57,980	\$ 58,418	\$ 57,387	\$ 55,776	\$ 55,352
Virginia Average Salary		n/a	\$ 68,308	\$ 64,427	\$ 61,684	\$ 60,265	\$ 58,714	\$ 56,861	\$ 56,351	\$ 54,891	\$ 54,486

Note:

Source: Salary Scales and Annual School Report

TABLE 20
UNAUDITEDCITY OF SALEM SCHOOL DIVISION
EXPENDITURES BY FUNCTION - GENERAL FUND
LAST TEN FISCAL YEARS

Function	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<i>Current:</i>							(1)			
Central administration	\$ 2,284,594 3.88%	\$ 2,193,690 3.99%	\$ 2,121,974 4.08%	\$ 2,040,621 4.47%	\$ 2,007,754 4.59%	\$ 1,734,048 3.99%	\$ 1,587,712 3.75%	\$ 1,608,371 3.92%	\$ 1,593,852 3.97%	\$ 1,658,908 4.13%
Centralized instruction costs	8,276,024 14.04%	4,683,958 8.53%	3,739,425 7.18%	3,554,076 7.79%	4,074,573 9.32%	4,053,997 9.33%	3,768,680 8.89%	3,795,451 9.25%	3,687,727 9.19%	3,832,984 9.53%
Instructional costs:	44,381,199 75.28%	44,095,983 80.28%	42,628,099 81.89%	37,207,887 81.55%	35,006,694 80.07%	34,906,585 80.31%	34,387,919 81.14%	30,994,362 75.52%	30,374,830 75.73%	30,504,728 75.86%
Attendance and health services	1,730,970 2.94%	1,520,760 2.77%	1,321,077 2.54%	1,148,003 2.52%	1,136,256 2.60%	1,088,768 2.50%	1,085,034 2.56%	1,049,120 2.56%	1,001,682 2.50%	988,485 2.46%
Transportation	2,209,497 3.75%	2,285,285 4.16%	2,246,537 4.32%	1,567,746 3.44%	1,390,916 3.18%	1,577,945 3.63%	1,410,894 3.33%	1,317,610 3.21%	1,269,037 3.16%	1,269,076 3.16%
Federal and state grants programs	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	2,142,407 5.22%	2,027,663 5.06%	1,958,910 4.87%
<i>Debt service:</i>										
Principal	66,092 0.11%	147,196 0.27%	- 0.00%	99,919 0.22%	95,293 0.22%	104,768 24.00%	137,071 0.32%	131,405 0.32%	142,981 0.36%	- 0.00%
Interest	2,712 0.00%	1,674 0.00%	- 0.00%	4,849 0.01%	9,475 0.02%	- 0.00%	5,911 0.01%	965 0.00%	10,612 0.03%	- 0.00%
Total expenditures	<u>\$ 58,951,088</u>	<u>\$ 54,928,546</u>	<u>\$ 52,057,112</u>	<u>\$ 45,623,101</u>	<u>\$ 43,720,961</u>	<u>\$ 43,466,111</u>	<u>\$ 42,383,221</u>	<u>\$ 41,039,691</u>	<u>\$ 40,108,384</u>	<u>\$ 40,213,091</u>

Notes:

Source: City of Salem Finance Department

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

TABLE 21
UNAUDITED

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

School / Statistic	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
		(1)								
East Salem Elementary (1962)										
Square feet	56,308	56,308	56,308	56,308	56,308	56,308	56,308	56,308	56,308	56,308
Capacity (students)	600	600	500	500	500	500	500	500	500	500
Enrollment	343	374	379	382	406	397	387	413	419	416
G W Carver Elementary (1939)										
Square feet	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000
Capacity (students)	700	700	600	600	600	600	600	600	600	600
Enrollment	397	415	427	429	431	422	431	462	461	444
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	362	365	379	363	401	419	420	397	394	412
West Salem Elementary (1952)										
Square feet	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000	73,000
Capacity (students)	550	550	450	450	450	450	450	450	450	450
Enrollment	393	399	399	392	460	426	439	427	396	423
Andrew Lewis Middle (1933)										
Square feet	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000
Capacity (students)	1,150	1,150	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Enrollment	869	896	889	927	916	942	914	893	898	901
Salem High School (2023)										
Square feet	281,991	281,991	220,812	220,812	220,812	220,812	220,812	220,812	220,812	220,812
Capacity (students)	1,897	1,897	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Enrollment	1,229	1,228	1,251	1,268	1,258	1,281	1,278	1,188	1,170	1,187
Central Administration Office (1958)										
Square feet	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
AIMS Alternative Education Center (1965)										
Square feet	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500

Note:

Source: City of Salem School Division Business Office

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

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

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COMPLIANCE SECTION

**CITY OF SALEM SCHOOL DIVISION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Department of Agriculture</u>			
<i>Virginia Department of Agriculture and Consumer Services</i>			
Child Nutrition Cluster			
Food Distribution - Commodities	10.555	-	\$ 159,183
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT)			
Administrative Costs Grant	10.649	202323S900941	\$ 3,256
<i>Virginia Department of Education</i>			
Child Nutrition Cluster (Continued)			
National School Breakfast Program	10.553	202323N11994 1	63,558
National School Breakfast Program	10.553	202424N11994 1	292,065
National School Lunch Program	10.555	202323N11994 1	219,200
National School Lunch Program	10.555	202322N89034 1	1,050
National School Lunch Program	10.555	202424N11994 1	892,700
National School Lunch Program	10.555	202323N89034 1	74,637
Total Child Nutrition Cluster			1,702,393
Child Nutrition Discretionary Grants Limited Availability	10.579	202222N81034 1	14,612
			14,612
<u>Department of Treasury</u>			
<i>Virginia Department of Education</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP1026	307,990
			307,990
<u>Federal Communications Commission (FCC)</u>			
Emergency Connectivity Fund Program	32.009	BEAR202401304	30,000
			30,000
<i>Virginia Department of Education</i>			
Adult Education - Basic Grants to States 2022	84.002	V002A220047	3,867
Title I Grants to Local Educational Agencies 2022	84.010	S010A220046	2,737
Title I Grants to Local Educational Agencies 2023	84.010	S010A230046	561,811
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B) 2023	84.027	H027A230107	724,638
Special Education - Grants to States (IDEA, Part B ARP) 2021	84.027X	H027X210107	873
Special Education - Preschool Grants (IDEA Preschool) 2022	84.173	H173A220112	5,434
Special Education - Preschool Grants (IDEA Preschool) 2023	84.173	H173A230112	9,623
Total Special Education Cluster (IDEA)			740,568
Career and Technical Education - Basic Grants to States (Perkins IV) 2022	84.048	V048A220046	725
Career and Technical Education - Basic Grants to States (Perkins IV) 2023	84.048	V048A230046	58,497
School-Based Mental Health Services	84.184H	S184H220101	239,569
English Language Acquisition State Grants 2023	84.365	S365A230046	11,756
Supporting Effective Instruction State Grants 2022	84.367	S367A220044	20,211
Supporting Effective Instruction State Grants 2023	84.367	S367A230044	64,810
Student Support and Academic Enrichment Grants 2022	84.424	S424A220048	28
Student Support and Academic Enrichment Grants 2023	84.424	S424A230048	18,282
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund 2021	84.425D	S425D210008	1,990
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	S425U210008	1,405,763
			1,407,753

**CITY OF SALEM SCHOOL DIVISION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
<i>The College of William & Mary</i> Education for Homeless Children and Youths	84.196A	S196A200048	<u>3,000</u>	3,000
<u>Department of Health and Human Services</u> <i>Virginia Department of Health</i> Public Health Crisis Response - COVID-19	93.354	NU90TP922153	<u>48,080</u>	48,080
Total Expenditures of Federal Awards			<u>\$ 5,239,945</u>	

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, 2024, the City of Salem School Division (School Division) had food commodities in inventory of \$20,316.

Note 3: Indirect Cost Rate

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

Note 4: Reporting Information

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

Note 5: Outstanding Loan Balances

At June 30, 2024, 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 the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the me 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, 2024, 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 13, 2024.

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 or significant deficiencies 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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2024

City of Salem School Division

Summary of Compliance Matters

June 30, 2024

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