



OHIO AUDITOR OF STATE
KEITH FABER



**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2025**

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**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY
JUNE 30, 2025**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

To the Board of Education:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salem City School District, Columbiana County, Ohio (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Salem City School District, Columbiana County, Ohio as of June 30, 2025, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District, 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.

Emphasis of Matter

As discussed in Note 23 to the financial statements, during 2025, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 District'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 GAAS 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 GAAS 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 District'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 District'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 schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2026, on our consideration of the District's internal control over financial reporting and 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 District'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 District's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 19, 2026

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Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

As management of the Salem City School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Net position increased in fiscal year 2025 due mainly to (1) an increase in cash and cash equivalents resulting from the School District earning a greater amount of investment earnings/interest due to the School District's increased cash balances, (2) an increase in capital assets due to the School District beginning the design process for the new school facility, and (3) changes in the net pension liability.
- The School District's capital assets increased by \$3,060,168 from the prior fiscal year. The increase was due to current year additions outpacing annual depreciation/amortization and current year deletions. For fiscal year 2025, additions included the completion of the wellness center project, ongoing construction for the new elementary school, various equipment such as chromebooks, snow removal equipment, sound system, wrestling mats, baseball scoreboard, and a bus.
- The School District is currently undertaking a capital project with the purpose of constructing a new high school under the Exceptional Needs Program of the Ohio Facilities Construction Commission. The project will included building a new school facility to replace the current Salem City Schools and other site issues as the project determines.
- The School District implemented GASB Statement No. 101, *Compensated Absences*. This implementation resulted in recognizing additional long-term liabilities in the amount of \$3,835,516 at July 1, 2024.
- Total program expenses decreased in fiscal year 2025 due to changes in the net pension liability and net OPEB asset/liability.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

The *statement of activities* presents information showing how the government's 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the classroom facilities capital projects fund. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2025 compared to 2024.

Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Table 1
Net Position
Governmental Activities

	2025	2024	Change
Assets			
Current and Other Assets	\$89,953,440	\$88,284,564	\$1,668,876
Net OPEB Asset	1,452,050	1,458,773	(6,723)
Capital Assets, Net	10,952,202	7,892,034	3,060,168
<i>Total Assets</i>	<u>102,357,692</u>	<u>97,635,371</u>	<u>4,722,321</u>
Deferred Outflows of Resources			
Pension	3,855,846	3,942,582	(86,736)
OPEB	603,302	691,814	(88,512)
<i>Total Deferred Outflows of Resources</i>	<u>4,459,148</u>	<u>4,634,396</u>	<u>(175,248)</u>
Liabilities			
Current Liabilities	3,828,566	4,177,251	348,685
Long-Term Liabilities			
Due Within One Year	1,626,328	826,504	(799,824)
Due In More Than One Year			
Net Pension Liability	17,827,195	19,562,389	1,735,194
Net OPEB Liability	624,960	1,041,840	416,880
Other Amounts	27,208,153	24,996,551	(2,211,602)
<i>Total Liabilities</i>	<u>51,115,202</u>	<u>50,604,535</u>	<u>(510,667)</u>
Deferred Inflows of Resources			
Property Taxes	12,008,645	11,544,282	(464,363)
Pension	2,892,526	2,509,257	(383,269)
OPEB	2,065,526	2,214,878	149,352
<i>Total Deferred Inflows of Resources</i>	<u>16,966,697</u>	<u>16,268,417</u>	<u>(698,280)</u>
Net Position			
Net Investment in Capital Assets	8,876,530	7,207,678	1,668,852
Restricted for:			
Capital Projects	42,766,845	39,901,591	2,865,254
Debt Service	0	1,062,882	(1,062,882)
Unclaimed Monies	7,325	7,325	0
OPEB Plans	1,452,050	1,458,773	(6,723)
Other Purposes	1,909,819	1,595,351	314,468
Unrestricted (Deficit)	<u>(16,277,628)</u>	<u>(15,836,785)</u>	<u>(440,843)</u>
<i>Total Net Position</i>	<u>\$38,734,941</u>	<u>\$35,396,815</u>	<u>\$3,338,126</u>

New Accounting Pronouncement/Restatements

For 2025, the School District implemented GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections*, does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle

Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

The implementation of GASB 101 resulted in recognizing additional compensated absences liabilities of \$3,835,516 in governmental activities at July 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense (See Note 23).

Governmental Activities

The net pension liability (NPL) is one of the largest single liability reported by the School District at June 30, 2025. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Unrestricted net position may be used to meet the government’s ongoing obligations to citizens and creditors. An additional portion of the School District’s net position represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net position reflects “Net Investment in Capital Assets” (i.e. land, construction in progress, buildings and improvements, land improvements, furniture, fixtures, vehicles and intangible right to use assets) less any related debt to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School District’s investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The School District continues to provide the services that the School District residents expect while maintaining the costs of providing those services. The most dramatic changes were increases in both cash and cash equivalents, capital assets, and changes in the net pension liability. Cash and cash equivalents increased mainly due to the School District seeing increased investment earnings/interest due to the School District’s increased cash balances. In future years, as the construction projects progress, the corresponding cash and cash equivalents will reduce. Capital assets increased due to current year additions exceeding depreciation for fiscal year 2025. Current liabilities decreased due to a decrease in unearned revenue as revenue recognition criteria was met.

Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Table 2 shows the changes in net position for fiscal year 2025 compared to 2024.

Table 2
Change in Net Position
Governmental Activities

	2025	2024 *	Change
Program Revenues			
Charges for Services	\$840,739	\$973,938	(\$133,199)
Operating Grants and Contributions	6,107,608	6,092,752	14,856
<i>Total Program Revenues</i>	<u>6,948,347</u>	<u>7,066,690</u>	<u>(118,343)</u>
General Revenues			
Property Taxes	12,698,704	12,314,523	384,181
Income Taxes	2,306	5,756	(3,450)
Grants and Entitlements	13,751,039	50,233,471	(36,482,432)
Investment Earnings/Interest	1,710,330	882,900	827,430
Unrestricted Contributions	5,760	8,961	(3,201)
Miscellaneous	158,656	148,938	9,718
<i>Total General Revenues</i>	<u>28,326,795</u>	<u>63,594,549</u>	<u>(35,267,754)</u>
<i>Total Revenues</i>	<u>35,275,142</u>	<u>70,661,239</u>	<u>(35,386,097)</u>
Program Expenses			
Instruction:			
Regular	9,953,686	11,387,686	1,434,000
Special	5,126,741	4,513,612	(613,129)
Vocational	366,346	343,678	(22,668)
Adult/Continuing	582,291	195,170	(387,121)
Support Services:			
Pupils	2,024,212	2,404,999	380,787
Instructional Staff	488,035	581,237	93,202
Board of Education	48,686	43,200	(5,486)
Administration	2,024,707	1,918,428	(106,279)
Fiscal	691,546	694,899	3,353
Business	22,904	39,215	16,311
Operation and Maintenance of Plant	2,113,135	2,259,945	146,810
Pupil Transportation	1,151,296	949,338	(201,958)
Central	257,890	297,072	39,182
Extracurricular Activities	963,062	893,019	(70,043)
Operation of Non-Instructional Services	185,977	112,453	(73,524)
Operation of Food Service	1,045,472	1,039,207	(6,265)
Intergovernmental	81,238	0	(81,238)
Interest	974,276	558,250	(416,026)
<i>Total Program Expenses</i>	<u>28,101,500</u>	<u>28,231,408</u>	<u>129,908</u>
Change in Net Position	<u>7,173,642</u>	<u>42,429,831</u>	<u>(35,256,189)</u>
<i>Net Position Beginning of Year as Previously Stated</i>	35,396,815	(7,033,016)	42,429,831
Change in Accounting Principle	<u>(3,835,516)</u>	0	<u>(3,835,516)</u>
<i>Restated Net Position Beginning of Year</i>	<u>31,561,299</u>	<u>(7,033,016)</u>	<u>38,594,315</u>
<i>Net Position End of Year</i>	<u>\$38,734,941</u>	<u>\$35,396,815</u>	<u>\$3,338,126</u>

Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

New Accounting Pronouncement/Restatements

The above table also separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections* does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2024 information does not reflect activity related to the additional compensated absences expenses required under GASB 101, *Compensated Absences*. (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 23.)

*Table 2 also reflects the reclassification in the financial statements for fiscal year 2024 Pell grants in the amount of \$187,038 and Federal Direct Student Loans in the amount of \$301,864. (See Note 23 for more information.)

Analysis of Overall Financial Position and Results of Operations

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

Program revenues decreased for governmental activities in fiscal year 2025. Charges for services and sales decreased due to a decrease in tuition and fees related to food service operations. Operating grants increased slightly in fiscal year 2025 as the School District continues to seek out additional sources of funding. General revenues decreased due to the recognition of grant monies to be received from the Ohio Facilities Construction Commission in the prior fiscal year.

Instruction composes the most significant portion of governmental program expenses. Program expenses decreased due to changes in the net pension/OPEB liabilities and related deferred outflows/inflows. These changes were offset by certified staff receiving a three percent increase in base salary and classified staff receiving a \$0.40 per hour increase in base salary over the prior fiscal year.

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The grants and entitlements not restricted can be partially attributed to the School District actively seeking out additional sources of Federal and State funding to ensure the programs important to the community are maintained.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2025 compared to 2024.

Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2025		2024 *	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$16,029,064	\$11,248,780	\$16,440,146	\$11,437,383
Support Services:				
Pupils and Instructional Staff	2,512,247	2,360,326	2,986,236	2,355,677
Board of Education, Administration, Fiscal and Business	2,787,843	2,517,771	2,695,742	2,577,785
Operation and Maintenance of Plant	2,113,135	1,993,412	2,259,945	1,952,466
Pupil Transportation	1,151,296	1,076,887	949,338	885,113
Central	257,890	247,860	297,072	287,084
Extracurricular Activities	963,062	716,458	893,019	658,133
Operation of Non-Instructional Services	1,231,449	(63,855)	1,151,660	(36,075)
Intergovernmental	81,238	81,238	0	0
Interest	974,276	974,276	558,250	558,250
Total	<u>\$28,101,500</u>	<u>\$21,153,153</u>	<u>\$28,231,408</u>	<u>\$20,675,816</u>

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

*Table 3 also reflects the reclassification in the financial statements for fiscal year 2024 Pell grants in the amount of \$187,038 and Federal Direct Student Loans in the amount of \$301,864. (See Note 23 for more information.)

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due to current year revenues continuing to exceed current year expenditures in fiscal year 2025 resulting in more cash and cash equivalents in the general fund. The classroom facilities capital projects fund had an increase in fund balance due to OFCC monies and investment earnings/interest revenue exceeding capital outlay expenditures during fiscal year 2025.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2025, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

For the general fund, the final budget basis revenue estimate was higher than the original budget estimate. The change was mainly due to an increase in estimated property taxes and intergovernmental revenues as funding levels became more apparent.

The final budget appropriations were higher than the original budget appropriations for the general fund. This change was attributed to increases in estimate for instructional activities and support services, as a more accurate picture of the fiscal year was realized.

Capital Assets and Long-term Obligations

Capital Assets

Capital assets increased during fiscal year 2025 due to current year additions outpacing annual depreciation/amortization and current year deletions. Current year capital asset additions included the completion of the wellness center project, ongoing construction for the new elementary school, various equipment such as chromebooks, snow removal equipment, sound system, wrestling mats, baseball scoreboard, a bus, etc. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Long-term Obligations

On October 27, 2010, the School District issued \$1,740,000 in energy conservation improvement bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the School District's buildings.

On August 24, 2011, the School District issued \$356,000 in energy conservation improvement notes. The proceeds of these notes were used for building improvements intended to increase the energy efficiency of the School District's buildings. These notes were fully repaid in fiscal year 2025.

On March 7, 2024, the School District issued \$22,500,000 in school facilities construction bonds, which included serial and term bonds in the amounts of \$11,560,000 and \$10,940,000, respectively. The bonds were issued at a premium of \$1,319,059. The school facilities construction bonds were issued for the purpose of building a new school facility within the Salem City School District. The bonds were issued for a thirty-seven year period with final maturity at November 1, 2060. The bonds will be retired from the bond retirement debt service fund.

Leases will be paid from the general fund. Special termination benefits will be paid from the general fund.

The School District's overall legal debt margin was \$15,952,077 with an unvoted debt margin of \$414,715. For more information about the School District's long-term obligations, see Note 11 to the basic financial statements.

Salem City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

School District Outlook

The School District's financial results have been fairly steady the last three fiscal years due to the elementary and secondary school emergency relief special revenue funds the School District has received. Looking ahead, the School District anticipates some additional revenues due to a continuation of the phase-in of the Fair School Funding formula as well as an increase in property values.

The greatest obstacle to School District planning is the lack of certainty about State funding, including new proposed legislation regarding property taxes.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Michael Douglas, Treasurer, at 1226 East State Street, Salem, Ohio 44460-2299.

Salem City School District*Statement of Net Position**June 30, 2025*

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$39,692,648
Accrued Interest Receivable	78,955
Intergovernmental Receivable	37,372,734
Inventory Held for Resale	6,943
Prepaid Items	21,825
Property Taxes Receivable	12,778,029
Income Taxes Receivable	2,306
Net OPEB Asset (See Note 18)	1,452,050
Nondepreciable Capital Assets	2,506,283
Depreciable Capital Assets, Net	8,445,919
<i>Total Assets</i>	<u>102,357,692</u>
Deferred Outflows of Resources	
Pension	3,855,846
OPEB	603,302
<i>Total Deferred Outflows of Resources</i>	<u>4,459,148</u>
Liabilities	
Accounts Payable	142,559
Accrued Wages and Benefits	2,360,053
Contracts Payable	510,753
Intergovernmental Payable	538,781
Matured Compensated Absences Payable	171,826
Accrued Interest Payable	84,340
Due to Students	1,319
Unearned Revenue	18,935
Long-Term Liabilities:	
Due Within One Year	1,626,328
Due in More Than One Year	
Net Pension Liability (See Note 17)	17,827,195
Net OPEB Liability (See Note 18)	624,960
Other Amounts	27,208,153
<i>Total Liabilities</i>	<u>51,115,202</u>
Deferred Inflows of Resources	
Property Taxes	12,008,645
Pension	2,892,526
OPEB	2,065,526
<i>Total Deferred Inflows of Resources</i>	<u>16,966,697</u>
Net Position	
Net Investment in Capital Assets	8,876,530
Restricted for:	
Capital Projects	42,766,845
Unclaimed Monies	7,325
OPEB Plans	1,452,050
Other Purposes	1,909,819
Unrestricted (Deficit)	(16,277,628)
<i>Total Net Position</i>	<u>\$38,734,941</u>

See accompanying notes to the basic financial statements

Salem City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2025

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$9,953,686	\$130,318	\$1,508,604	(\$8,314,764)
Special	5,126,741	45,471	2,421,297	(2,659,973)
Vocational	366,346	4,158	40,260	(321,928)
Adult/Continuing	582,291	323,176	307,000	47,885
Support Services:				
Pupils	2,024,212	0	80,125	(1,944,087)
Instructional Staff	488,035	0	71,796	(416,239)
Board of Education	48,686	0	0	(48,686)
Administration	2,024,707	0	209,399	(1,815,308)
Fiscal	691,546	0	60,673	(630,873)
Business	22,904	0	0	(22,904)
Operation and Maintenance of Plant	2,113,135	0	119,723	(1,993,412)
Pupil Transportation	1,151,296	0	74,409	(1,076,887)
Central	257,890	0	10,030	(247,860)
Extracurricular Activities	963,062	240,333	6,271	(716,458)
Operation of Non-Instructional Services	185,977	0	151,997	(33,980)
Operation of Food Service	1,045,472	97,283	1,046,024	97,835
Intergovernmental	81,238	0	0	(81,238)
Interest	974,276	0	0	(974,276)
Totals	\$28,101,500	\$840,739	\$6,107,608	(21,153,153)
General Revenues				
Property Taxes Levied for:				
General Purposes				10,824,908
Classroom Facilities Maintenance				201,504
Debt Service				982,044
Capital Outlay				690,248
Income Taxes Levied for General Purposes				2,306
Grants and Entitlements not Restricted to Specific Programs				13,751,039
Investment Earnings/Interest				1,710,330
Unrestricted Contributions				5,760
Miscellaneous				158,656
Total General Revenues				28,326,795
Change in Net Position				7,173,642
Net Position Beginning of Year as Previously Stated				35,396,815
Change in Accounting Principle - See Note 23				(3,835,516)
Restated Net Position Beginning of the Year				31,561,299
Net Position End of Year				\$38,734,941

See accompanying notes to the basic financial statements

Salem City School District

Balance Sheet

Governmental Funds

June 30, 2025

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$10,201,613	\$21,138,153	\$8,345,557	\$39,685,323
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	7,325	0	0	7,325
Accrued Interest Receivable	0	68,691	10,264	78,955
Intergovernmental Receivable	367,650	36,520,769	484,315	37,372,734
Prepaid Items	21,825	0	0	21,825
Interfund Receivable	343,334	0	0	343,334
Inventory Held for Resale	0	0	6,943	6,943
Property Taxes Receivable	10,898,032	0	1,879,997	12,778,029
Income Taxes Receivable	2,306	0	0	2,306
<i>Total Assets</i>	<u>\$21,842,085</u>	<u>\$57,727,613</u>	<u>\$10,727,076</u>	<u>\$90,296,774</u>
Liabilities				
Accounts Payable	\$70,563	\$0	\$71,996	\$142,559
Accrued Wages and Benefits	2,112,587	0	247,466	2,360,053
Contracts Payable	0	470,441	40,312	510,753
Intergovernmental Payable	504,316	0	34,465	538,781
Interfund Payable	0	0	343,334	343,334
Matured Compensated Absences Payable	171,826	0	0	171,826
Due to Students	1,319	0	0	1,319
Unearned Revenue	0	0	18,935	18,935
<i>Total Liabilities</i>	<u>2,860,611</u>	<u>470,441</u>	<u>756,508</u>	<u>4,087,560</u>
Deferred Inflows of Resources				
Property Taxes	10,283,572	0	1,725,073	12,008,645
Unavailable Revenue	241,681	34,403,126	396,623	35,041,430
<i>Total Deferred Inflows of Resources</i>	<u>10,525,253</u>	<u>34,403,126</u>	<u>2,121,696</u>	<u>47,050,075</u>
Fund Balances				
Nonspendable	29,150	0	0	29,150
Restricted	0	22,854,046	8,305,149	31,159,195
Committed	7,000	0	0	7,000
Assigned	3,352,543	0	0	3,352,543
Unassigned (Deficit)	5,067,528	0	(456,277)	4,611,251
<i>Total Fund Balances</i>	<u>8,456,221</u>	<u>22,854,046</u>	<u>7,848,872</u>	<u>39,159,139</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$21,842,085</u>	<u>\$57,727,613</u>	<u>\$10,727,076</u>	<u>\$90,296,774</u>

See accompanying notes to the basic financial statements

Salem City School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2025*

Total Governmental Funds Balances	\$39,159,139
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,952,202
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:	
Delinquent Property Taxes	192,099
Grants	34,772,228
Tuition and Fees	<u>77,103</u>
Total	35,041,430
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(84,340)
The net pension liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds:	
Net OPEB Asset	1,452,050
Deferred Outflows - Pension	3,855,846
Deferred Outflows - OPEB	603,302
Net Pension Liability	(17,827,195)
Net OPEB Liability	(624,960)
Deferred Inflows - Pension	(2,892,526)
Deferred Inflows - OPEB	<u>(2,065,526)</u>
Total	(17,499,009)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(23,271,310)
Energy Conservation Bonds	(115,000)
Leases Payable	(177,228)
Compensated Absences	(5,124,165)
Special Termination Benefits	<u>(146,778)</u>
Total	<u>(28,834,481)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$38,734,941</u></u>

See accompanying notes to the basic financial statements

Salem City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General	(Formerly Major) Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$10,826,309		\$0	\$1,873,859	\$12,700,168
Income Taxes	2,306		0	0	2,306
Intergovernmental	14,882,532		3,088,331	4,917,471	22,888,334
Investment Earnings/Interest	444,484		1,072,827	208,478	1,725,789
Charges for Services	0		0	97,283	97,283
Tuition and Fees	526,018		0	0	526,018
Extracurricular Activities	50,971		0	189,362	240,333
Contributions and Donations	5,760		0	6,271	12,031
Miscellaneous	127,975		0	30,681	158,656
<i>Total Revenues</i>	<i>26,866,355</i>		<i>4,161,158</i>	<i>7,323,405</i>	<i>38,350,918</i>
Expenditures					
Current:					
Instruction:					
Regular	10,397,087		0	202,418	10,599,505
Special	4,030,544		0	1,242,701	5,273,245
Vocational	361,920		0	275	362,195
Adult/Continuing	373,842		0	307,000	680,842
Support Services:					
Pupils	2,024,817		0	70,506	2,095,323
Instructional Staff	644,327		0	87,566	731,893
Board of Education	50,212		0	0	50,212
Administration	1,939,348		0	80,044	2,019,392
Fiscal	672,853		0	49,636	722,489
Business	22,444		0	0	22,444
Operation and Maintenance of Plant	2,036,459		0	93,309	2,129,768
Pupil Transportation	974,882		0	135,489	1,110,371
Central	284,663		0	35,373	320,036
Extracurricular Activities	526,364		0	217,457	743,821
Operation of Non-Instructional Services	40,446		0	147,461	187,907
Operation of Food Service	0		0	1,042,199	1,042,199
Intergovernmental	0		0	81,238	81,238
Capital Outlay	406,629		1,687,891	1,972,563	4,067,083
Debt Service:					
Principal Retirement	207,611		0	500,000	707,611
Interest	21,563		0	1,173,387	1,194,950
<i>Total Expenditures</i>	<i>25,016,011</i>		<i>1,687,891</i>	<i>7,438,622</i>	<i>34,142,524</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>1,850,344</i>		<i>2,473,267</i>	<i>(115,217)</i>	<i>4,208,394</i>
Other Financing Sources (Uses)					
Inception of Lease	235,718		0	0	235,718
Transfers In	0		0	100,000	100,000
Transfers Out	(100,000)		0	0	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<i>135,718</i>		<i>0</i>	<i>100,000</i>	<i>235,718</i>
<i>Net Change in Fund Balances</i>	<i>1,986,062</i>		<i>2,473,267</i>	<i>(15,217)</i>	<i>4,444,112</i>
<i>Fund Balances Beginning of Year:</i>					
As Previously Reported	6,470,159	1,317,623	20,380,779	6,546,466	34,715,027
Changes Within the Reporting Entity - See Note 23					
Major Fund to Nonmajor Fund Adjustment					
Bond Retirement Fund	0	(1,317,623)	0	1,317,623	0
<i>Adjusted Fund Balances Beginning of Year</i>	<i>6,470,159</i>	<i>-</i>	<i>20,380,779</i>	<i>7,864,089</i>	<i>34,715,027</i>
<i>Fund Balances End of Year</i>	<i>\$8,456,221</i>		<i>\$22,854,046</i>	<i>\$7,848,872</i>	<i>\$39,159,139</i>

See accompanying notes to the basic financial statements

Salem City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2025*

Net Change in Fund Balances -Total Governmental Funds		\$4,444,112
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period:		
Capital Asset Additions	4,003,567	
Current Year Depreciation/Amortization	<u>(924,839)</u>	
Total		3,078,728
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(18,560)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(1,464)	
Grants	(3,051,417)	
Tuition and Fees	<u>(22,895)</u>	
Total		(3,075,776)
Repayment of bond, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		707,611
In the statement of activities, interest is accrued on outstanding obligations, and bond premium, are amortized over the terms of the bonds whereas in governmental funds the expenditure is reported when bonds are issued:		
Accrued Interest	184,862	
Amortization of Bond Premium	<u>35,812</u>	
Total		220,674
Contractual required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	1,900,502	
OPEB	<u>44,538</u>	
Total		1,945,040
Except for amounts reported as deferred outflows/inflows, changes in net pension/OPEB asset/liability are reported as pension/OPEB expense in the statement of activities:		
Pension	(635,313)	
OPEB	<u>426,459</u>	
Total		(208,854)
Other financing sources in the governmental funds, such as inception of lease, increase long-term liabilities in the statement of net position.		
		(235,718)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated Absences	420,824	
Special Termination Benefits	<u>(104,439)</u>	
Total		<u>316,385</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$7,173,642</u></u>
See accompanying notes to the basic financial statements		

Salem City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget
Revenues				
Property Taxes	\$9,926,454	\$11,124,815	\$11,124,815	\$0
Income Taxes	5,136	5,756	5,756	0
Intergovernmental	12,842,057	14,392,402	14,392,402	0
Interest	390,434	437,569	437,569	0
Tuition and Fees	165,025	184,947	184,947	0
Contributions and Donations	98	110	110	0
Miscellaneous	170,796	118,635	25,004	(93,631)
<i>Total Revenues</i>	<u>23,500,000</u>	<u>26,264,234</u>	<u>26,170,603</u>	<u>(93,631)</u>
Expenditures				
Current:				
Instruction:				
Regular	10,812,945	10,497,054	10,417,887	79,167
Special	3,385,439	4,483,156	4,444,042	39,114
Vocational	347,152	368,277	364,930	3,347
Adult/Continuing	0	2,000	1,957	43
Support Services:				
Pupils	1,848,870	1,999,429	1,982,564	16,865
Instructional Staff	570,045	609,197	604,306	4,891
Board of Education	46,259	49,662	49,152	510
Administration	1,746,372	1,847,054	1,815,783	31,271
Fiscal	706,019	692,547	685,978	6,569
Business	43,001	23,233	22,984	249
Operation and Maintenance of Plant	1,917,809	2,034,056	2,017,255	16,801
Pupil Transportation	842,641	960,697	953,232	7,465
Central	305,653	280,871	278,680	2,191
Extracurricular Activities	555,906	531,398	526,919	4,479
Operation of Non-Instructional Services	55,457	27,726	27,643	83
Capital Outlay	0	172,762	170,911	1,851
Debt Service:				
Principal	212,246	205,640	205,640	0
Interest	11,254	21,056	21,056	0
<i>Total Expenditures</i>	<u>23,407,068</u>	<u>24,805,815</u>	<u>24,590,919</u>	<u>214,896</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	92,932	1,458,419	1,579,684	121,265
Other Financing Sources (Uses)				
Transfers Out	<u>(166,747)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(73,815)	1,208,419	1,329,684	121,265
<i>Fund Balance Beginning of Year</i>	6,686,164	6,686,164	6,686,164	0
Prior Year Encumbrances Appropriated	<u>55,815</u>	<u>55,815</u>	<u>55,815</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,668,164</u>	<u>\$7,950,398</u>	<u>\$8,071,663</u>	<u>\$121,265</u>

See accompanying notes to the basic financial statements

Salem City School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2025

	<u>Private Purpose Trust</u>
	<u>Memorial</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$935
Liabilities	<u>0</u>
Net Position	
Restricted for Scholarships	<u>\$935</u>

See accompanying notes to the basic financial statements

Salem City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2025

	Private Purpose Trust
	Memorial
Additions	\$0
Deductions	0
<i>Change in Fiduciary Net Position</i>	0
<i>Net Position Beginning of Year</i>	935
<i>Net Position End of Year</i>	\$935

See accompanying notes to the basic financial statements

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1 - Description of the School District and Reporting Entity

Salem City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's four instructional/support facilities staffed by 146 certified employees and 78 classified employees who provide services to 1,905 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Non-public Schools – With the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with two jointly governed organizations, one related organization, one insurance rating pool and one risk sharing pool. These organizations are the Area Cooperative Computerized Education Service System, the Columbiana County Career and Technical Center, the Salem Public Library, the Stark County Schools Council Workers' Compensation Group Rating Program and the Stark County Schools Council of Governments Health Benefit Plan. These organizations are presented in Notes 12, 13 and 14 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. In reporting its financial activities, the School District uses two categories of funds: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Classroom Facilities Fund To account for grants and interest that are restricted for contracts entered into by the School District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose. The bond retirement debt service fund is presented on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds as a formerly major fund as it no longer meets the quantitative threshold to be a major fund. Other than the beginning fund balance, no amounts are presented in the column as this fund's 2025 activity is presented in the other governmental funds column. Information for the beginning balance is presented to reflect the movement from major to nonmajor. The adjusted balance beginning of year includes a “-“ to indicate this amount is included with the nonmajor fund.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The School District has a private purpose trust fund which accounts for various college scholarships for students.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds and custodial funds.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement presented for fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 17 and 18.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2025, but which were levied to finance fiscal year 2026 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 17 and 18.)

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2025, the School District invested in commercial paper, STAR Ohio, negotiable certificates of deposit, U.S. treasury notes, treasury obligations, federal farm credit bank notes, federal home loan mortgage corporation notes, and federal home loan bank notes.

Investments, except for commercial paper and STAR Ohio, are reported at fair value which is based on quoted market prices. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2025, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2025 amounted to \$444,484, which includes \$28,996 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Salem City School District
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For the Fiscal Year Ended June 30, 2025

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of donated and purchased food held for resale.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund includes unclaimed monies legally required to be maintained until the end of a five-year holding period.

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets (except for intangible right to use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation/amortization is computed using the straight-line method over the following useful lives:

Description	Governmental Activities
	Estimated Lives
Land Improvements	20 years
Building and Improvements	25 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	6 - 10 years
Intangible Right to Use - Equipment	2 - 3 years

The School District is reporting intangible right to use assets related to lease assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Leases Payable

The School District serves as a lessee in three noncancellable leases. At the commencement of a lease, the School District 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 initially measured as the initial 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 its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Compensated Absences

For the School District, compensated absences includes leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The School District does not offer noncash settlements. The School District uses a first-in first-out flow assumption for compensated absences.

Liabilities should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates and is allowed to be carried over to subsequent years, and the leave is more likely than not to be used for time off or otherwise paid in cash. For the School District, this leave includes sick and vacation time. However, the School District also has certain compensated absences that are dependent upon the occurrence of a sporadic events that affects a relatively small proportion of employees. A liability for these types of leave is recognized when the leave commences. For the School District this type of leave includes bereavement leave, military leave, personal leave, on-the-job injury leave, and court leave. Holiday leave taken on a specific date, not at the discretion of the employee is recognized as a liability when used. The liability for compensated absences includes salary-related payments, where applicable.

Liabilities for compensated absences are recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability (asset) should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Salem City School District
Notes to the Basic Financial Statements
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Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” Interfund balances are eliminated in the statement of net position.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. Nonspendable fund balance in the general fund includes unclaimed monies legally required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for adult education, rotary, administration, insurance and to cover a gap between fiscal year 2026’s estimated revenue and appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District 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.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Unearned Revenue

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because the amounts have not yet been earned. The School District recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Restricted net position for unclaimed monies represents amounts required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants. Restricted net position for OPEB plans represents the corresponding restricted asset amounts held in trust by the OPEB plans for future benefits. Net position restricted for other purposes include resources restricted for auxiliary services and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Scholarship Allowances and Student Aid

The School District has administrative involvement in the Pell grant program and the Federal Direct Student Loan program both of which are reported as part of the general fund on a perspective difference.

Scholarship allowances represent the difference between the stated charge for goods and services provided by the adult education fund, which is included in the general fund as a perspective difference, and the amount that is paid by the student or third parties making payments on behalf of the student. Pell grants are considered to be pass through-grants and scholarship allowances. Tuition and fees revenue is reported net of these allowances on the statement of revenues, expenses, and changes in net position. For fiscal year 2025, scholarship allowance included \$204,227 in Pell grant awarded to students.

Amounts received through the Direct Student Loan program are not considered pass-through grants and are reported as a liability until the amounts are recognized as tuition and fees revenue. During fiscal year 2025, \$294,688 was received and distributed to students through the Federal Direct Student Loan program.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Data

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Salem City School District
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For the Fiscal Year Ended June 30, 2025

Fund Balances	General	Classroom Facilities	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepaid Items	\$21,825	\$0	\$0	\$21,825
Unclaimed Monies	7,325	0	0	7,325
<i>Total Nonspendable</i>	29,150	0	0	29,150
<i>Restricted for</i>				
Food Service Operations	0	0	1,348,345	1,348,345
Endowments	0	0	325	325
Classroom Facilities Maintenance	0	0	370,069	370,069
Student Activities	0	0	135,155	135,155
Athletics	0	0	61,703	61,703
Auxiliary Services	0	0	29,333	29,333
Data Communication	0	0	231	231
Student Programs	0	0	19,168	19,168
Debt Service Payments	0	0	627,705	627,705
Capital Improvements	0	22,854,046	5,713,115	28,567,161
<i>Total Restricted</i>	0	22,854,046	8,305,149	31,159,195
<i>Committed to</i>				
Legal Services	7,000	0	0	7,000
<i>Assigned to</i>				
Adult Education	730,706	0	0	730,706
Rotary	292,478	0	0	292,478
Administration	27,825	0	0	27,825
Insurance	517,420	0	0	517,420
Fiscal Year 2026 Operations	1,018,000	0	0	1,018,000
Purchases on Order:				
Instruction	686,873	0	0	686,873
Support Services	79,232	0	0	79,232
Extracurricular Activities	9	0	0	9
<i>Total Assigned</i>	3,352,543	0	0	3,352,543
<i>Unassigned (Deficit)</i>	5,067,528	0	(456,277)	4,611,251
<i>Total Fund Balances</i>	\$8,456,221	\$22,854,046	\$7,848,872	\$39,159,139

Note 4 – Accountability

At June 30, 2025, the following funds have deficit balances:

Other Governmental Funds:

Title VI-B	\$87,175
Title III	14,911
Title I	334,411
Title IV-A	19,780

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Budgetary revenues and expenditures of the adult education, financial aid activity, rotary, public school support, self-insurance and termination benefits funds are classified to general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the general fund's GAAP basis statement to the budgetary basis statement:

Net Change in Fund Balance	
	General
GAAP Basis	\$1,986,062
Net Adjustment for Revenue Accruals	130,018
Perspective Difference:	
Adult Education	(225,974)
Financial Aid Activity	(2,489)
Rotary	(17,787)
Public School Support	14,010
Self-Insurance	(61,321)
Termination Benefits	58,067
Net Adjustment for Expenditure Accruals	236,964
Encumbrances	(787,866)
Budget Basis	<u>\$1,329,684</u>

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time, if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

As of June 30, 2025, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Amortized Cost				
Commercial Paper	\$9,456,460	Less than one year	A-1	27.67%
Net Asset Value (NAV) per share:				
STAR Ohio	9,794,371	Average 30.4 Days	AAAm	N/A
Fair Value - Level One Inputs:				
First American Government Obligation	4,783,777	Less than one year	AAAm	14.00%
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	2,726,339	Less than one year	N/A	7.98%
US Treasury Notes	1,927,358	Less than one year	AA+	
US Treasury Notes	903,902	Less than two years	AA+	
Total US Treasury Notes	<u>2,831,260</u>			8.28%
Federal Farm Credit Bank Notes	501,454	Less than two years	AA+	N/A
Federal Home Loan Mortgage Corporation Notes	599,770	Less than two years	AA+	
Federal Home Loan Mortgage Corporation Notes	<u>720,031</u>	Less than one year	AA+	
Total Federal Home Loan Mortgage Association Notes	<u>1,319,801</u>			N/A
Federal Home Loan Bank Notes	<u>2,764,455</u>	Less than one year	AA+	8.09%
Total	<u><u>\$34,177,917</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2025. The First American

Salem City School District
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For the Fiscal Year Ended June 30, 2025

government obligation is measured at fair value and are valued using quoted market prices (Level 1 inputs). The School District's remaining investments are measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization, the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization and that the commercial paper be rated in the highest category at the time of purchase by at least two nationally recognized statistical rating organizations. The negotiable certificates of deposits are not rated. The School District has no investment policy that addresses credit risk beyond the requirements in State statutes.

Concentration of Credit Risk This type of risk is defined by the Governmental Accounting Standards Board as having investments of five percent or more in the securities of a single issuer. The School District's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations.

Note 7 – Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2025 represent the collection of calendar year 2023 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed values as of January 1, 2024, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2025 represent the collection of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien on December 31, 2023, were levied after April 1, 2024, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Columbiana County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2025, are available to finance fiscal year 2025 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2025 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2025, was \$449,882 in the general fund, \$81,876 in the bond retirement debt service fund and \$45,527 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2024, was \$748,388 in the general fund, \$107,289 in the bond retirement debt service fund and \$69,874 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2025 taxes were collected are:

	2024 Second Half Collections		2025 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$374,952,060	91.59%	\$377,481,810	91.02%
Public Utility Personal	34,416,930	8.41	37,233,430	8.98
Total	<u>\$409,368,990</u>	<u>100.00%</u>	<u>\$414,715,240</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$51.67		\$51.55	

Note 8 - Receivables

Receivables at June 30, 2025, consisted of taxes, intergovernmental grants and tuition and fees. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Title I	\$408,279
CAFS Medicaid Reimbursement	240,122
Foundation Adjustments	127,528
Title IV-A	29,046
Miscellaneous State Grants	24,171
Title III	14,911
Federal School Breakfast/Lunch Subsidy	<u>7,908</u>
Total	<u>\$851,965</u>

Salem City School District
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In February of 2024, the School District signed an agreement with the Ohio Facilities Construction Commission to build a new elementary school. Under this agreement, the State share is \$37,882,328 and the local share is \$19,515,138. This receivable will not be collected within one year. \$36,520,769 is the outstanding balance of the State share portion.

Note 9 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2025, the School District contracted with Leonard Insurance Services for the following insurance coverage:

Type of Coverage	Coverage Amount
Building and Contents - Replacement Cost (\$5,000 deductible)	\$102,283,628
Equipment Breakdown (\$5,000 deductible)	250,000
Crime Insurance/Employee Dishonesty (\$5,000/10,000 deductible)	500,000/1,000,000
Commercial Auto	1,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$500 deductible on Comp and Collision)	1,000,000
General Liability	2,000,000
Commercial Umbrella Liability	10,000,000
Inland Marine (\$500 deductible)	Varies by Property Type
Miscellaneous Property Floater Coverage (\$500 deductible)	10,000-50,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

Employee Health Benefits

The School District has contracted with the Stark County Schools Council of Governments to provide employee medical/surgical, dental, and prescription drug benefits. The Stark County Schools Council of Governments is a shared risk pool comprised of Stark County school districts. Rates are set through an annual calculation process. The Salem City School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. The School District's Board of Education pays a portion of the monthly premium. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an existing district subsequent to the settlement of all expenses and claims. If the School District were to withdraw from the consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments.

Worker's Compensation

For fiscal year 2025, the School District participated in the Stark County Schools Council Workers' Compensation Group Rating Program (GRP), an insurance rating pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the program. The participating school districts pay experience or rate based premiums to the Bureau of Workers' Compensation (BWC). The total premium for the entire group is the standard premium of the group. Participation in the program is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services for the program.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
<i>Nondepreciable Capital Assets</i>				
Land	\$722,839	\$0	\$0	\$722,839
Construction in Progress	1,563,069	3,348,917	(3,128,542)	1,783,444
<i>Total Nondepreciable Capital Assets</i>	2,285,908	3,348,917	(3,128,542)	2,506,283
<i>Depreciable Capital Assets</i>				
<i>Tangible Assets</i>				
Land Improvements	2,822,535	0	0	2,822,535
Buildings and Improvements	18,602,603	2,966,367	0	21,568,970
Furniture and Fixtures	3,709,924	445,618	(46,400)	4,109,142
Vehicles	2,090,849	135,489	(35,977)	2,190,361
<i>Total Tangible Assets</i>	27,225,911	3,547,474	(82,377)	30,691,008
<i>Intangible Right to Use</i>				
<i>Lease Assets</i>				
Intangible Right to Use - Equipment	73,407	235,718	(73,407)	235,718
<i>Total Depreciable Capital Assets</i>	27,299,318	3,783,192	(155,784)	30,926,726
<i>Less Accumulated Depreciation/Amortization</i>				
<i>Depreciation</i>				
Land Improvements	(2,135,809)	(142,403)	0	(2,278,212)
Buildings and Improvements	(15,326,391)	(357,141)	0	(15,683,532)
Furniture and Fixtures	(2,575,878)	(234,394)	27,840	(2,782,432)
Vehicles	(1,593,313)	(116,582)	35,977	(1,673,918)
<i>Total Depreciation</i>	(21,631,391)	(850,520)	63,817	(22,418,094)
<i>Intangible Right to Use</i>				
<i>Lease Assets</i>				
Intangible Right to Use - Equipment	(61,801)	(74,319)	73,407	(62,713)
<i>Total Accumulated Depreciation/Amortization</i>	(21,693,192)	(924,839)	137,224	(22,480,807)
<i>Total Depreciable Capital Assets, Net</i>	5,606,126	2,858,353	(18,560)	8,445,919
<i>Governmental Activities Capital Assets, Net</i>	\$7,892,034	\$6,207,270	(\$3,147,102)	\$10,952,202

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

* Depreciation/amortization expense was charged to governmental functions as follows:

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
Instruction			
Regular	\$362,030	\$0	\$362,030
Special	14,939	0	14,939
Vocational	11,125	0	11,125
Support Services			
Pupils	7,078	0	7,078
Instructional Staff	3,673	0	3,673
Administration	18,015	74,319	92,334
Business	430	0	430
Operation and Maintenance of Plant	64,051	0	64,051
Pupil Transportation	94,019	0	94,019
Central	3,357	0	3,357
Operation of Food Service	26,635	0	26,635
Extracurricular Activities	245,168	0	245,168
Total Depreciation/Amortization Expense	<u>\$850,520</u>	<u>\$74,319</u>	<u>\$924,839</u>

Note 11 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
Series 2010 Energy Conservation Bonds	5.10%	\$1,740,000	2026
Series 2010 Energy Conservation Notes	4.00	356,000	2025
2024 School Facilities Construction Bonds	5.00	22,500,000	2060

Changes in long-term obligations of the School District during fiscal year 2025 were as follows:

	<u>Principal Outstanding July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2025</u>	<u>Amount Due in One Year</u>
General Obligation Debt					
Energy Conservation Debt					
Energy Conservation Bonds	\$230,000	\$0	(\$115,000)	\$115,000	\$115,000
Energy Conservation Notes	33,000	0	(33,000)	0	0
Total Energy Conservation Debt	<u>263,000</u>	<u>0</u>	<u>(148,000)</u>	<u>115,000</u>	<u>115,000</u>
2024 School Facilities Construction Bonds					
Serial Bonds	11,560,000	0	(500,000)	11,060,000	400,000
Term Bonds	10,940,000	0	0	10,940,000	0
Premium on Bonds	1,307,122	0	(35,812)	1,271,310	0
Total 2024 School Facilities Construction	<u>23,807,122</u>	<u>0</u>	<u>(535,812)</u>	<u>23,271,310</u>	<u>400,000</u>
Total General Obligation Debt	<u>\$24,070,122</u>	<u>\$0</u>	<u>(\$683,812)</u>	<u>\$23,386,310</u>	<u>\$515,000</u>

Salem City School District
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For the Fiscal Year Ended June 30, 2025

	Principal Outstanding July 1, 2024	Additions	Deductions	Principal Outstanding June 30, 2025	Amount Due in One Year
Other Long-term Obligations					
Net Pension Liability:					
STRS	\$16,152,610	\$0	(\$1,422,715)	\$14,729,895	\$0
SERS	3,409,779	0	(312,479)	3,097,300	0
<i>Total Net Pension Liability</i>	19,562,389	0	(1,735,194)	17,827,195	0
Net OPEB Liability:					
SERS	1,041,840	0	(416,880)	624,960	0
Leases Payable	1,121	235,718	(59,611)	177,228	68,631
Special Termination Benefits	42,339	146,778	(42,339)	146,778	82,335
Compensated Absences	5,544,989	0	(420,824)	5,124,165	960,362
<i>Total Other Long-term Obligations</i>	26,192,678	382,496	(2,674,848)	23,900,326	1,111,328
<i>Total Long-Term Liabilities</i>	<u>\$50,262,800</u>	<u>\$382,496</u>	<u>(\$3,358,660)</u>	<u>\$47,286,636</u>	<u>\$1,626,328</u>

Increases and decreases to compensated absences are presented net on the above table. Leases and special termination benefits will be paid out of the general fund. There are no repayment schedules for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: the general fund and the food service, adult education, title VI-B, title I and miscellaneous federal grants special revenue funds. See Notes 17 and 18 for additional information related to the net pension/OPEB liabilities.

On October 27, 2010, the School District issued \$1,740,000 in energy conservation improvement bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the School District's buildings. These bonds bear an annual interest rate of 5.1 percent and are scheduled to mature in fiscal year 2026. Payments of principal and interest relating to these liabilities are recorded as expenditures in the general fund.

On August 24, 2011, the School District issued \$356,000 in energy conservation improvement notes. The proceeds of these notes were used for building improvements intended to increase the energy efficiency of the School Districts buildings. These notes bear an annual interest rate of 4.0 percent and matured in fiscal year 2025. Payments of principal and interest relating to these liabilities are recorded as expenditures in the general fund.

On March 7, 2024, the School District issued \$22,500,000 in school facilities construction bonds, which included serial and term bonds in the amounts of \$11,560,000 and \$10,940,000, respectively. The bonds were issued at a premium of \$1,319,059. The school facilities construction bonds were issued for the purpose of building new school facility within the Salem City School District. The bonds were issued for a thirty-seven year period with final maturity at November 1, 2060. The bonds will be retired from the bond retirement debt service fund. The 2024 School Facilities Construction Bonds has \$21,988,148 in unspent proceeds.

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The term bonds mature on November 1, 2040, 2044, 2049, 2054, and 2060 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption as follows:

Year	Issue				
	\$955,000	\$1,285,000	\$2,100,000	\$2,635,000	\$3,965,000
2040	\$695,000	\$0	\$0	\$0	\$0
2044	0	930,000	0	0	0
2049	0	0	1,635,000	0	0
2054	0	0	0	2,065,000	0
2060	0	0	0	0	3,235,000
Total mandatory sinking fund payment:	695,000	930,000	1,635,000	2,065,000	3,235,000
Amount due at stated maturity	260,000	355,000	465,000	570,000	730,000
Total	<u>\$955,000</u>	<u>\$1,285,000</u>	<u>\$2,100,000</u>	<u>\$2,635,000</u>	<u>\$3,965,000</u>
<i>Stated Maturity</i>	11/1/2040	11/1/2044	11/1/2049	11/1/2054	11/1/2060

The overall debt margin of the School District as of June 30, 2025, was \$15,952,077 with an unvoted debt margin of \$414,715. The remaining Energy Conservation Improvement Bonds principal of \$115,000 and interest of \$2,933 will be retired in fiscal year 2026. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2025, are as follows.

Fiscal Year Ending June 30	2024 School Facilities Construction Bonds				
	Serial		Term		Total
	Principal	Interest	Principal	Interest	
2026	\$400,000	\$523,000	\$0	\$473,206	\$1,396,206
2027	100,000	510,500	0	473,206	1,083,706
2028	1,000,000	493,000	0	473,206	1,966,206
2029	1,000,000	453,000	0	473,206	1,926,206
2030	1,000,000	403,000	0	473,206	1,876,206
2031-2035	5,300,000	1,242,500	0	2,366,030	8,908,530
2036-2040	2,260,000	113,000	695,000	2,315,406	5,383,406
2041-2045	0	0	1,545,000	2,010,657	3,555,657
2046-2050	0	0	2,100,000	1,605,432	3,705,432
2051-2055	0	0	2,635,000	1,123,166	3,758,166
2056-2060	0	0	3,235,000	510,107	3,745,107
2061	0	0	730,000	15,513	745,513
Total	<u>\$11,060,000</u>	<u>\$3,738,000</u>	<u>\$10,940,000</u>	<u>\$12,312,341</u>	<u>\$38,050,341</u>

The School District has outstanding agreements to lease copiers and a postage machine. The future lease payments were discounted based on the interest rate implicit in the leases. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

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For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$68,631	\$8,946	\$77,577
2027	72,937	4,640	77,577
2028	28,692	925	29,617
2029	5,337	299	5,636
2030	1,631	23	1,654
Total	\$177,228	\$14,833	\$192,061

Note 12 - Jointly Governed Organizations

Area Cooperative Computerized Education Service System (ACCESS) The Area Cooperative Computerized Educational Service System (ACCESS) is a jointly governed organization among 26 school districts and 2 educational service centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge dependent upon the software package utilized for the fiscal year. Salem City School District paid \$110,205 to ACCESS during fiscal year 2025. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Board. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting Brian Stidham, Treasurer, Access Council of Governments, 493 Bev Road, Unit 1, Boardman, Ohio 44514.

Columbiana County Career and Technical Center The Columbiana County Career and Technical Center (the “Center”) is a distinct political subdivision of the State of Ohio. The Center is operated under the direction of a Board, consisting of one representative from each of the eight participating school districts’ elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. For fiscal year 2025, the School District did not make any contribution to the Center. To obtain financial information, write to the Columbiana County Career and Technical Center, Office of the Treasurer, at 9364 State Route 45, Lisbon, Ohio 44432.

Note 13 – Related Organization

Salem Public Library The Salem Public Library (the “Library”) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Salem City School District did not make any payments to the Library during fiscal year 2025. Financial information can be obtained from the Salem Public Library, Mr. Bradley Stephens, Fiscal Officer, at 821 East State Street, Salem, Ohio 44460.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 14 – Public Entity Pools

Insurance Rating Pool

Stark County Schools Council Workers' Compensation Group Rating Program The School District participates in the Stark County Schools Council Group Rating Program, an insurance rating pool. The governing body is comprised of the superintendents and representatives who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the School District by the group with other members of the group. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on the percentage created by comparing its payroll to the total payroll of the group.

Shared Risk Pool

Stark County Schools Council of Governments (the "Consortium") Health Benefit Plan The School District participates in the Stark County Schools Council of Governments Health Benefit Plan. This is a shared risk pool comprised of Stark County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Note 15 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2025.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The final adjustments were not material and are not reflected in the accompanying financial statements.

Litigation

The School District is not party to legal proceedings.

Salem City School District
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Note 16 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service and hours worked. Teachers and most administrators do not earn vacation. Accumulated unused vacation is paid to classified employees and administrators upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 340 days for classified employees and 340 days for certified employees with 10-24 years of service. Upon retirement, payment is made for thirty percent of accrued, but unused sick leave credit.

Life Insurance Benefits

The School District provides life and accidental death and dismemberment insurance to most employees through the Stark County Schools Council of Governments Health Benefits Program. Coverage in the amount of \$50,000 is provided to all applicable employees.

Special Termination Benefits

A one-time retirement bonus of thirty-five percent of annual salary is offered to employees in the year in which the employee becomes eligible for retirement including the applicable pick-up, but excluding any overtime or supplemental contracts. The bonus is available to employees who become first-time eligible for retirement or reach thirty years of service under SERS or STRS guidelines and retire effective at the end of the school year in which they qualify. If individuals choose not to retire when first eligible with less than thirty years of service in accordance with the State retirement systems' guidelines, he/she would not become eligible again until reaching thirty years of SERS or STRS service. The retirement bonus consists of two payments that are to be made in equal amounts in January of each of the following two calendar years. Three employees eligible in fiscal year 2023 took advantage of the retirement bonus. Three employees eligible in fiscal year 2024 took advantage of the retirement bonus. Seven employees eligible in fiscal year 2025 took advantage of the retirement bonus. As of June 30, 2025 the special termination benefits payable was \$146,778.

Note 17 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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The net pension/OPEB liability (asset) represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 18 for the required OPEB disclosures.

School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$374,143 for fiscal year 2025. Of this amount \$19,713 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2025, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,526,359 for fiscal year 2025. Of this amount \$212,823 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.06054620%	0.07655228%	
Prior Measurement Date	0.06170970%	0.07500653%	
Change in Proportionate Share	<u>-0.00116350%</u>	<u>0.00154575%</u>	
Proportionate Share of the Net			
Pension Liability	\$3,097,300	\$14,729,895	\$17,827,195
Pension Expense	\$177,724	\$457,589	\$635,313

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$118,253	\$927,598	\$1,045,851
Changes of assumptions	27,708	678,834	706,542
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	202,951	202,951
School District contributions subsequent to the measurement date	374,143	1,526,359	1,900,502
Total Deferred Outflows of Resources	\$520,104	\$3,335,742	\$3,855,846
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$8,066	\$8,066
Changes of assumptions	0	510,968	510,968
Net difference between projected and actual earnings on pension plan investments	193,735	1,266,471	1,460,206
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	97,001	816,285	913,286
Total Deferred Inflows of Resources	\$290,736	\$2,601,790	\$2,892,526

\$1,900,502 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2026	(\$198,194)	(\$1,175,802)	(\$1,373,996)
2027	153,285	1,176,070	1,329,355
2028	(42,898)	(549,797)	(592,695)
2029	(56,968)	(242,878)	(299,846)
Total	(\$144,775)	(\$792,407)	(\$937,182)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2024, are presented below:

Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2024:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$4,738,439	\$3,097,300	\$1,715,548

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation are presented below:

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocation should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$23,761,903	\$14,729,895	\$7,090,369

Note 18 – Defined Benefit OPEB Plans

See Note 17 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2025, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater

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than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, the School District's surcharge obligation was \$44,538.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$44,538 for fiscal year 2025. Of this amount \$44,538 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.06136100%	0.07655228%	
Prior Measurement Date	0.06323970%	0.07500653%	
Change in Proportionate Share	-0.00187870%	0.00154575%	
Proportionate Share of the:			
Net OPEB Liability	\$624,960	\$0	\$624,960
Net OPEB (Asset)	\$0	(\$1,452,050)	(\$1,452,050)
OPEB Expense	(\$120,607)	(\$305,852)	(\$426,459)

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At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$63,123	\$63,123
Changes of assumptions	268,232	178,728	446,960
Net difference between projected and actual earnings on OPEB plan investments	3,052	0	3,052
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	20,985	24,644	45,629
School District contributions subsequent to the measurement date	<u>44,538</u>	<u>0</u>	<u>44,538</u>
Total Deferred Outflows of Resources	<u><u>\$336,807</u></u>	<u><u>\$266,495</u></u>	<u><u>\$603,302</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$673,868	\$156,481	\$830,349
Changes of assumptions	287,083	654,866	941,949
Net difference between projected and actual earnings on OPEB plan investments	0	62,347	62,347
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>220,954</u>	<u>9,927</u>	<u>230,881</u>
Total Deferred Inflows of Resources	<u><u>\$1,181,905</u></u>	<u><u>\$883,621</u></u>	<u><u>\$2,065,526</u></u>

\$44,538 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2026	(\$214,355)	(\$216,791)	(\$431,146)
2027	(151,729)	(95,950)	(247,679)
2028	(120,721)	(123,073)	(243,794)
2029	(109,750)	(114,135)	(223,885)
2030	(108,831)	(91,975)	(200,806)
Thereafter	<u>(184,250)</u>	<u>24,798</u>	<u>(159,452)</u>
Total	<u><u>(\$889,636)</u></u>	<u><u>(\$617,126)</u></u>	<u><u>(\$1,506,762)</u></u>

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

	<u>June 30, 2024</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate,	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 17.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023, and the June 30, 2024, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
School District's proportionate share of the net OPEB liability	\$833,360	\$624,960	\$459,356

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$422,449	\$624,960	\$891,142

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented below:

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Inflation	2.5 percent	2.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 17.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB (asset)	(\$1,180,613)	(\$1,452,050)	(\$1,688,260)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB (asset)	(\$1,704,216)	(\$1,452,050)	(\$1,148,789)

Note 19 – Interfund Transactions

Interfund Transfers

During fiscal year 2025, the general fund transferred \$100,000 to the permanent improvement capital projects fund to provide financial support for future projects.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Interfund Balances

Interfund balances at June 30, 2025, consisted of the following:

Interfund Payable	Interfund Receivable General
<i>Other Governmental Funds:</i>	
Miscellaneous State Grants	\$19,088
Title III	13,231
Title I	292,729
Title IV-A	18,286
Total	<u>\$343,334</u>

The interfund receivables and payables are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants are received and the advances can be repaid. These loans are expected to be repaid within the next fiscal year.

Note 20 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvements
Set Aside Balance as of June 30, 2024	\$0
Current Year Set-aside Requirement	473,370
Current Year Offsets	(714,604)
Qualifying Disbursements	(213,608)
Total	<u>(\$454,842)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set Aside Balance as of June 30, 2025	<u>\$0</u>

Although the School District had current year offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 21 - Significant Commitments

Contractual Commitments

At June 30, 2025, the School District had the following contract balances for one construction project:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid to Date</u>	<u>Remaining Amount</u>
Elementary School Design	<u>\$4,115,219</u>	<u>\$1,283,162</u>	<u>\$2,832,057</u>

The amount of \$500,282 in contracts payable for governmental activities have been capitalized. The remaining commitment amounts were encumbered at fiscal year end.

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds	
General	\$787,866
Classroom Facilities	2,700,998
Other Governmental Funds	<u>796,608</u>
<i>Total Governmental Funds</i>	<u>\$4,285,472</u>

Note 22 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2025, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines

Note 23 – Accounting Changes

Changes within the Financial Reporting Entity

For fiscal year 2025, the bond retirement debt service fund presentation was adjusted from major to nonmajor due to no longer meeting the quantitative threshold for a major fund. This change is separately displayed in the financial statements.

Change in Accounting Principles

For fiscal year 2025, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

Salem City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs such an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. For the School District, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absence related expense decreased beginning net position. This change in accounting principle is separately displayed by reporting unit in the accompanying financial statements.

GASB 102 will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 requirements apply only to note disclosure and do not have any effect on beginning net position/fund balance. The School District evaluated their concentrations and constraints but did not have any events that required disclosure.

Reclassification in the Financial Statements

Beginning in fiscal year 2025, the School District changed their reporting for their financial aid activity related to the adult education fund which is reported in the general fund as a perspective difference on the accompanying financial statements. The financial aid activity (which includes Pell grants and federal direct student loans) was previously reported in the federal loans special revenue fund. To promote better understandability and comparability, this activity will now be reported as part of the general fund as a perspective difference. This change within the financial reporting entity did not have any effect on beginning fund balance/net position as the financial aid special revenue fund did not report any beginning fund balance.

Prior to fiscal year 2025, the entity-wide financial statements reported adult instruction expenses of \$187,038 for Pell grants awarded rather than reporting these amounts as scholarship allowances.

Prior to fiscal year 2025, the fund financial statements and the entity-wide financial statements reported intergovernmental revenue and adult instruction expenses of \$301,864 for Federal Direct Student Loan amounts received and awarded to students rather than reporting these amounts as part of a liability.

Note 24 – Tax Abatements

The School District's property taxes were reduced by \$66,168 for fiscal year 2025 under the community redevelopment agreements entered into by the City of Salem.

Note 25 – Subsequent Events

The School District placed a 10-year renewal of the 3.27 mill emergency levy on the November 4, 2025 ballot. The levy is to generate \$1,300,000 each year. As of the date of this report, the levy was approved by the voters.

Effective August 8, 2025, the School District transferred the operations of the Hannah E. Mullins School of Practical Nursing to the Mahoning County Career and Technical Center.

Required Supplementary Information

Salem City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
School District's Proportion of the Net Pension Liability	0.06054620%	0.06170970%	0.06371150%	0.06657480%
School District's Proportionate Share of the Net Pension Liability	\$3,097,300	\$3,409,779	\$3,446,014	\$2,456,418
School District's Covered Payroll	\$2,532,093	\$2,439,950	\$2,393,986	\$2,304,214
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	122.32%	139.75%	143.94%	106.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.52%	76.06%	75.82%	82.86%

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
0.06391890%	0.06561930%	0.06947870%	0.06817470%	0.06866130%	0.06499390%
\$4,227,731	\$3,926,118	\$3,979,174	\$4,073,287	\$5,025,372	\$3,708,616
\$2,246,793	\$2,234,526	\$2,295,793	\$2,224,221	\$2,132,364	\$1,956,654
188.17%	175.70%	173.32%	183.13%	235.67%	189.54%
68.55%	70.85%	71.36%	69.50%	62.98%	69.16%

Salem City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1)

	2025	2024	2023	2022
School District's Proportion of the Net OPEB Liability	0.06136100%	0.06323970%	0.06500950%	0.06845350%
School District's Proportionate Share of the Net OPEB Liability	\$624,960	\$1,041,840	\$912,740	\$1,295,539
School District's Covered Payroll	\$2,532,093	\$2,439,950	\$2,393,986	\$2,304,214
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	24.68%	42.70%	38.13%	56.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.50%	30.02%	30.34%	24.08%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.06636820%	0.06720300%	0.07012220%	0.06873910%	0.06909650%
\$1,442,398	\$1,690,014	\$1,945,380	\$1,844,777	\$1,969,506
\$2,246,793	\$2,234,526	\$2,295,793	\$2,224,221	\$2,132,364
64.20%	75.63%	84.74%	82.94%	92.36%
18.17%	15.57%	13.57%	12.46%	11.49%

Salem City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
School District's Proportion of the Net Pension Liability	0.07655228%	0.07500653%	0.08005963%	0.08045225%
School District's Proportionate Share of the Net Pension Liability	\$14,729,895	\$16,152,610	\$17,797,356	\$10,286,543
School District's Covered Payroll	\$10,701,650	\$10,239,607	\$10,356,171	\$9,985,671
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	137.64%	157.75%	171.85%	103.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.50%	80.00%	78.90%	87.80%

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
0.08288863%	0.08377735%	0.08033813%	0.07942471%	0.07814997%	0.08135251%
\$20,056,099	\$18,526,858	\$17,664,551	\$18,867,511	\$26,159,150	\$22,483,454
\$9,913,057	\$9,907,350	\$9,291,893	\$8,894,257	\$8,304,579	\$8,487,771
202.32%	187.00%	190.11%	212.13%	315.00%	264.89%
75.50%	77.40%	77.30%	75.30%	66.80%	72.10%

Salem City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability
State Teachers Retirement System of Ohio
Last Nine Fiscal Years (1)

	2025	2024	2023	2022
School District's Proportion of the Net OPEB Asset/Liability	0.07655228%	0.07500653%	0.08005963%	0.08045225%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,452,050)	(\$1,458,773)	(\$2,073,012)	(\$1,696,270)
School District's Covered Payroll	\$10,701,650	\$10,239,607	\$10,356,171	\$9,985,671
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-13.57%	-14.25%	-20.02%	-16.99%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	158.00%	168.50%	230.70%	174.70%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.08288863%	0.08377735%	0.08033813%	0.07942471%	0.07814997%
(\$1,456,766)	(\$1,387,553)	(\$1,290,953)	\$3,098,859	\$4,179,481
\$9,913,057	\$9,907,350	\$9,291,893	\$8,894,257	\$8,304,579
-14.70%	-14.01%	-13.89%	34.84%	50.33%
182.10%	174.70%	176.00%	47.10%	37.30%

Salem City School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
Net Pension Liability				
Contractually Required Contribution	\$374,143	\$354,493	\$341,593	\$335,158
Contributions in Relation to the Contractually Required Contribution	<u>(374,143)</u>	<u>(354,493)</u>	<u>(341,593)</u>	<u>(335,158)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,672,450	\$2,532,093	\$2,439,950	\$2,393,986
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$44,538	\$42,182	\$44,828	\$41,759
Contributions in Relation to the Contractually Required Contribution	<u>(44,538)</u>	<u>(42,182)</u>	<u>(44,828)</u>	<u>(41,759)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.67%</u>	<u>1.67%</u>	<u>1.84%</u>	<u>1.74%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.67%</u>	<u>15.67%</u>	<u>15.84%</u>	<u>15.74%</u>

(1) The School District's covered payroll is the same for Pension and OPEB

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
\$322,590	\$314,551	\$301,661	\$309,932	\$311,391	\$298,531
(322,590)	(314,551)	(301,661)	(309,932)	(311,391)	(298,531)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,304,214	\$2,246,793	\$2,234,526	\$2,295,793	\$2,224,221	\$2,132,364
14.00%	14.00%	13.50%	13.50%	14.00%	14.00%
\$43,080	\$42,824	\$51,986	\$47,746	\$35,418	\$32,886
(43,080)	(42,824)	(51,986)	(47,746)	(35,418)	(32,886)
\$0	\$0	\$0	\$0	\$0	\$0
1.87%	1.91%	2.33%	2.08%	1.59%	1.54%
15.87%	15.91%	15.83%	15.58%	15.59%	15.54%

Salem City School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2025	2024	2023	2022
Net Pension Liability				
Contractually Required Contribution	\$1,526,359	\$1,498,231	\$1,433,545	\$1,449,864
Contributions in Relation to the Contractually Required Contribution	<u>(1,526,359)</u>	<u>(1,498,231)</u>	<u>(1,433,545)</u>	<u>(1,449,864)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$10,902,564	\$10,701,650	\$10,239,607	\$10,356,171
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability (1)				

(1) Although the covered payroll for the net OPEB liability is the same as the net pension liability, there were no OPEB related required contributions for 2016-2025, STRS did not allocate any employer contributions to postemployment health care; therefore, there is no required supplementary information to present related to the statutorily established employer contribution requirements for the net OPEB liability.

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016
\$1,397,994	\$1,387,828	\$1,387,029	\$1,300,865	\$1,245,196	\$1,162,641
(1,397,994)	(1,387,828)	(1,387,029)	(1,300,865)	(1,245,196)	(1,162,641)
\$0	\$0	\$0	\$0	\$0	\$0
\$9,985,671	\$9,913,057	\$9,907,350	\$9,291,893	\$8,894,257	\$8,304,579
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Salem City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Net Pension Liability

Changes in Benefit Terms/Assumptions – SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used. For 2021, the cost-of-living adjustment was reduced from 2.5 percent to 2 percent. For 2023 and 2024, the cost-of-living adjustment was increased from 2 percent to 2.5 percent.

Amounts reported beginning in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	Fiscal Years 2025-2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

Salem City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

	<u>Fiscal Years 2025-2022</u>	<u>Fiscal Years 2021-2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	Varies by Service from 2.5 percent to 8.5 percent	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	See Below	See Below	See Below
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring after August 1, 2013, or later, COLA commences on fifth anniversary of retirement date.

Investment rate of return:

Beginning with Fiscal Year 2022	7.00 percent, net of investment expenses, including inflation
Fiscal Years 2018 through 2021	7.45 percent, net of investment expenses, including inflation
Fiscal Year 2017 and prior	7.75 percent, net of investment expenses, including inflation

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Salem City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Changes in Benefit Term – STRS

For 2024 and 2025, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

Net OPEB Liability

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2025-2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2025	3.93 percent
Fiscal year 2024	3.86 percent
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2025	4.88 percent
Fiscal year 2024	4.27 percent
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Salem City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

Salem City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

For fiscal year 2025, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2025. The larger Medicare trends for Years 2027 and 2028 reflect the assumed impact of the expiration of current Medicare Advantage contract on December 31, 2028.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

FEDERAL GRANTOR Passed Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through Ohio Department of Education and Workforce</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	006		234,049
National School Lunch Program	10.555	006		729,833
National School Lunch Program -Commodities	10.555	006		66,364
Total Child Nutrition Cluster				<u>1,030,246</u>
Total U.S. Department of Agriculture				<u>1,030,246</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed through Ohio Department of Education and Workforce</i>				
Title I Grants to Local Educational Agencies	84.010	572-9025		429,831
Title I Grants to Local Educational Agencies	84.010	572-9024		137,923
Expanding Opportunities for Each Child Non-Competitive	84.010A	572-9225		20,055
Title I Non-Competitive, Supplemental School Improvement	84.010A	536-9025		193,929
Total Title I Grants to Local Educational Agencies				<u>781,738</u>
Improving Teacher Quality -State Grants	84.367	590-9024		27,894
Improving Teacher Quality -State Grants	84.367	590-9025		69,153
Total Improving Teacher Quality -State Grants				<u>97,047</u>
Student Support & Academic Enrichment	84.424	584-9024		3,575
Student Support & Academic Enrichment	84.424	584-9025		62,198
Total Student Support & Academic Enrichment				<u>65,773</u>
COVID-19 ARP Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	507-9024		2,014,828
COVID-19 ARP Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	507-9223		3,083
COVID-19 Higher Education Emergency Relief Fund (HEERF) Institutional Aid	84.425F	508-9012		82,479
COVID-19 Higher Education Emergency Relief Fund (HEERF) Institutional Aid	84.425F	508-9021		288,877
Total Elementary and Secondary School Emergency Relief (ESSER) Fund				<u>2,389,267</u>
Special Education Cluster				
Special Education -Grants to States (IDEA, Part B)	84.027	516-9025		520,813
Special Education -Preschool Grants	84.173	587-9022	8,671	8,671
COVID-19 American Rescue Plan Funds	84.027	516-9222		31
Total Special Education Cluster			<u>8,671</u>	<u>529,515</u>
English Language Acquisition State Grants -Title III, Part A	84.365A	551-9019		15,525
English Language Acquisition State Grants -Title III, Part A	84.365A	551-9025		4,567
Total English Language Acquisition State Grants -Title III, Part A				<u>20,092</u>
Direct Programs				
Student Financial Aid Cluster:				
Federal Pell Grant Program	84.063	022		205,844
Federal Direct Student Loans	84.268	022		291,752
Total Student Financial Aid Cluster				<u>497,596</u>
Total U.S. Department of Education			<u>8,671</u>	<u>4,381,028</u>
U.S. DEPARTMENT OF TREASURY				
<i>Passed through Ohio Department of Education and Workforce</i>				
COVID-19 Ohio K-12 School Safety Grant	21.027	599-9400		37,511
Ohio K-12 School Safety Grant				37,511
Total U.S. Department of Treasury				<u>37,511</u>
Total Expenditures of Federal Awards			<u>\$8,671</u>	<u>\$5,448,785</u>

The accompanying notes are an integral part of this schedule.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Salem City School District (the District) under programs of the federal government for the year ended June 30, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a pass-through entity, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE F – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE G – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODEW's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2025 to 2026 programs:

Program Title	AL Number	Amount Transferred
Title I	84.010	\$ 182,037
Improving Teacher Quality State Grants	84.367	115,179
English Language Acquisition State Grants	84.365	13,611

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

To the Board of Education:

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salem City School District, Columbiana County, Ohio (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 19, 2026, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 19, 2026



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

To the Board of Education:

Report on Compliance for the Major Federal Programs

Opinion on Each Major Federal Program

We have audited Salem City School District's, Columbiana County, Ohio (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Salem City School District's major federal programs for the year ended June 30, 2025. Salem City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Salem City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2025.

Basis for Opinions on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal programs. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

KEITH FABER
Ohio Auditor of State

A handwritten signature in black ink, reading "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 19, 2026

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**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2025**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, AL #84.010 Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2025-001

Cash Reconciliation Process Errors

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Education and/or other administrator are responsible for reviewing the reconciliations and related support.

We noted the following issues related to the bank reconciliation process:

- Although Bank to Book reconciliations were prepared for each month of fiscal year 2025, the bank reconciliation process was not reviewed and completed in a timely manner, resulting in significant delays in compiling the District's annual report and filing in the Hinkle System for review under audit
- The year-end fund balance of \$40,167,973 could not be reconciled to the year-end bank balance of \$40,161,928 resulting in \$6,045 that could not be identified as a reconciling item
- Reconciliation included 30 state dated checks totaling \$8,368 which were included on the June, 2025 reconciliation
- Reconciliation included a total of \$4,316 for non-sufficient funds check (NSF) identified by the District in a prior audit period that had not been corrected as of June 30, 2025
- During testing of nonpayroll vouchers, we noted 1 check totaling \$970 that cleared under a different check number than the number in the accounting system
- Payroll withholdings payments were not timely remitted totaling \$9,400 for 457 plans due to failure of preparing timely bank reconciliations
- The Athletic and Administration Petty Cash Accounts had a balance of \$6,000 on the year-end reconciliation and did not agree to the bank confirmation amount of \$11,508
- Bank reconciliations were not provided to the Board for review and approval

Failure to reconcile monthly increases the possibility that the District will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of timely, accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected as continuous unreconciled amounts could result in Findings for Recovery. In addition, the Board of Education should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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Interim
Superintendent

Michael Douglas
Treasurer

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Director of
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David Guy
Principal

Salem City Schools

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2025

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2025-001	1) All bank accounts and fund balances will be reconciled monthly by the Treasurer no later than the 15th of the following month. Any differences between bank and book balances will be investigated, documented, and corrected immediately.	July 15, 2026 and Monthly	Michael Douglas, Treasurer
	2) Completed monthly reconciliations, including supporting documentation, will be presented to the Board of Education for review and approval each month. Board approval will be documented in meeting minutes.	Monthly	Michael Douglas, Treasurer
	3) All NSF checks and unresolved reconciling items from prior years will be reviewed and corrected. Adjustments will be posted to accounting records with proper documentation.	6/30/2026	Michael Douglas, Treasurer Treasurers Office
	4) Petty cash balances will be counted, reconciled, and documented monthly. Differences between recorded balances and actual balances will be resolved immediately	Monthly	Michael Douglas, Treasurer Treasurers Office
	5) A calendar of due dates for payroll withholdings and deductions will be maintained. Payments will be reviewed weekly to ensure timely remittance.	6/30/2026	Michael Douglas, Treasurer Payroll Clerk

OHIO AUDITOR OF STATE KEITH FABER



SALEM CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 6/25/2026

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov