

SATSUMA CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

**Satsuma City Board of Education
Financial Statements
September 30, 2021**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Members of the Board
Satsuma City Board of Education
Satsuma, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Satsuma City Board of Education, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Satsuma City Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Satsuma City Board of Education, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 36-37, schedule of proportionate share of the net pension liability and schedule of Board contributions on pages 39-40, schedule of proportionate share of net OPEB liability and schedule of contributions on pages 41-42, respectively, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Satsuma City Board of Education's basic financial statements. The Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 June 2, 2022, on our consideration of Satsuma City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Satsuma City Board of Education's internal control over financial reporting and compliance.

Avizo Group, Inc.

Certified Public Accountants

June 2, 2022
Brewton, Alabama

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Satsuma City Board of Education
Statement of Net Position
September 30, 2021

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 6,226,714
Ad Valorem Property Taxes Receivable	2,530,358
Receivables, Net	586,457
Inventories	26,733
Capital Assets:	
Nondepreciable	1,252,537
Depreciable, Net	38,221,048
Total Assets	48,843,847
Deferred Outflows of Resources	
Employer Pension Contribution	908,057
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	2,651,000
Employer Other Postemployment Benefits (OPEB) Contribution	200,980
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability	3,378,707
Total Deferred Outflows of Resources	7,138,744
Liabilities	
Accounts Payable	242,961
Unearned Revenue	18,324
Salaries and Benefits Payable	1,198,438
Accrued Interest Payable	20,367
Long-Term Liabilities:	
Portion Due or Payable Within One Year	423,643
Portion Due or Payable After One Year	23,999,992
Total Liabilities	25,903,725
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	2,530,358
Proportionate Share of Collective Deferred Inflows	
Related to Net Pension Liability	359,000
Related to Net OPEB Liability	4,588,174
Total Deferred Inflows of Resources	7,477,532
Net Position	
Net Investment in Capital Assets	34,690,079
Restricted for:	
Education	938,548
Capital projects	2,290,128
Unrestricted	(15,317,421)
Total Net Position	\$ 22,601,334

The accompanying notes are an integral part of these financial statements.

Satsuma City Board of Education
Statement of Activities
For the Year Ended September 30, 2021

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Instructional	\$ 10,269,443	\$ 276,118	\$ 7,993,257	\$ 101,448	\$ (1,898,620)
Instructional Support	2,868,379	590,826	1,835,578	-	(441,975)
Operation and Maintenance	2,179,294	133,948	1,677,695	361,128	(6,523)
Student Transportation	605,617	16,954	504,639	46,433	(37,591)
Food Service	712,183	633,663	49,846	-	(28,674)
General Administrative	1,226,571	276,627	219,912	-	(730,032)
Interest and Fiscal Charges	113,569	-	-	-	(113,569)
Other Expenses	274,736	21,218	196,532	-	(56,986)
Total Governmental Activities	\$ 18,249,792	\$ 1,949,354	\$ 12,477,459	\$ 509,009	(3,313,970)

General revenues:

Taxes:

Property Taxes for General Purposes	1,917,136
Property Taxes for Specific Purposes	1,124,078
Sales Tax	193,664
Alcohol Beverage Tax	73,389
Other Taxes	47,302
Grants and Contributions Not Restricted for Specific Programs	108,000
Investment Earnings	26,762
Miscellaneous	716,240
Total General Revenues	4,206,571
Changes in Net Position	892,601
Net Position - Beginning of Year	21,708,733
Net Position - End of Year	\$ 22,601,334

The accompanying notes are an integral part of these financial statements.

**Satsuma City Board of Education
Balance Sheet
Governmental Funds
September 30, 2021**

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 3,116,002	\$ 832,434	\$ 2,278,278	\$ 6,226,714
Ad Valorem Property Taxes Receivable	1,604,529	-	925,829	2,530,358
Receivables, Net	174,255	400,352	11,850	586,457
Due from Other Funds	173,062	59,609	-	232,671
Inventories	-	26,732	-	26,732
Total Assets	<u>\$ 5,067,848</u>	<u>\$ 1,319,127</u>	<u>\$ 3,215,957</u>	<u>\$ 9,602,932</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ 74,531	\$ 168,430	\$ -	\$ 242,961
Due to Other Funds	72,159	160,512	-	232,671
Unearned Revenues	-	18,324	-	18,324
Salaries and Benefits Payable	1,165,124	33,313	-	1,198,437
Total Liabilities	<u>1,311,814</u>	<u>380,579</u>	<u>-</u>	<u>1,692,393</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	1,604,529	-	925,829	2,530,358
Total Deferred Inflows of Resources	<u>1,604,529</u>	<u>-</u>	<u>925,829</u>	<u>2,530,358</u>
Fund Balances				
Nonspendable	-	26,732	-	26,732
Restricted for:				
Capital projects	-	-	2,290,128	2,290,128
Education	-	911,816	-	911,816
Unassigned	2,151,505	-	-	2,151,505
Total Fund Balances	<u>2,151,505</u>	<u>938,548</u>	<u>2,290,128</u>	<u>5,380,181</u>
Total Liabilities and Fund Balances	<u>\$ 5,067,848</u>	<u>\$ 1,319,127</u>	<u>\$ 3,215,957</u>	<u>\$ 9,602,932</u>

The accompanying notes are an integral part of these financial statements.

Satsuma City Board of Education
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities
September 30, 2021

Total Fund Balances - Governmental Funds \$ 5,380,181

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The Cost of Capital Assets is	\$ 49,164,284
Accumulated Depreciation is	<u>(9,690,699)</u>
	39,473,585

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 3,200,057

Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds. (1,008,487)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Current Portion of Long-Term Liabilities	423,643
Noncurrent Portion of Long-Term Liabilities	<u>23,999,992</u>
	(24,423,635)

Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.

Accrued Interest Payable	<u>(20,367)</u>
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Total Net Position - Governmental Activities	<u>\$ 22,601,334</u>
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The accompanying notes are an integral part of these financial statements.

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Satsuma City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2021

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Total Governmental Funds
Revenues				
State	\$ 10,486,121	\$ -	\$ 943,208	\$ 11,429,329
Federal	-	2,142,078	-	2,142,078
Local	2,919,381	1,083,315	1,124,078	5,126,774
Other	102,827	4,088	-	106,915
Total Revenues	13,508,329	3,229,481	2,067,286	18,805,096
Expenditures				
Current:				
Instructional	7,910,094	1,021,945	-	8,932,039
Instructional Support	1,743,065	1,062,454	-	2,805,519
Operation and Maintenance	1,508,190	149,328	498,797	2,156,315
Auxiliary Services:				
Student Transportation	470,172	45,046	-	515,218
Food Service	-	762,357	-	762,357
General Administrative	1,043,369	160,184	1,428	1,204,981
Other	242,862	23,278	-	266,140
Capital Outlay	-	-	1,205,700	1,205,700
Debt Service:				
Principal Retirement	-	-	441,883	441,883
Interest and Fiscal Charges	-	-	128,332	128,332
Debt Issuance Costs/Other Debt Service	-	-	3,300	3,300
Total Expenditures	12,917,752	3,224,592	2,279,440	18,421,784
Excess (Deficiency) of Revenues				
Over Expenditures	590,577	4,889	(212,154)	383,312
Other Financing Sources (Uses)				
Indirect Cost	76,913	-	-	76,913
Transfers In	2,342	229,604	94,576	326,522
Other Financing Sources	7,342	-	329,956	337,298
Transfers Out	(317,002)	(9,520)	-	(326,522)
Total Other Financing Sources (Uses)	(230,405)	220,084	424,532	414,211
Net Changes in Fund Balances				
	360,172	224,973	212,378	797,523
Fund Balances - Beginning of Year	1,791,333	713,575	2,077,750	4,582,658
Fund Balances - End of Year	\$ 2,151,505	\$ 938,548	\$ 2,290,128	\$ 5,380,181

The accompanying notes are an integral part of these financial statements.

Satsuma City Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2021

Net Changes in Fund Balances - Total Governmental Funds		\$ 797,523
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.	\$ 1,205,700	
Capital Outlays	(1,214,081)	
Depreciation Expense	(8,381)	
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	441,883	
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.		
Accrued Interest Payable, Current Year Increase/(Decrease)	(1,177)	
Amortization of Bond Discounts/Premiums/Gain or Loss on Refunding/Issuance Costs (Prepaid Insurance)	(16,884)	
Pension Expense, Current Year Increase/(Decrease)	637,732	
OPEB Expense, Current Year Increase/(Decrease)	(281,247)	
Change in Net Position of Governmental Activities	\$ 892,601	

The accompanying notes are an integral part of these financial statements.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Satsuma City Board of Education (the "Board"), a component unit of the City of Satsuma, Alabama have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 Board's accounting policies are described below.

A. REPORTING ENTITY

The financial statements of the Satsuma City Board of Education (the Board) have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

For financial reporting purposes and in conformance with the criteria set forth by GASB Statement No. 61, the Board includes those funds, account groups, agencies, boards, commissions and authorities for which the Board has the ability to exercise its oversight responsibility and provides financial and managerial assistance.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE AND FUND LEVEL

Government-wide

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from grants entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Level

The government fund level financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are

(continued)

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

The accounts of the Board are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into broad fund categories as follows:

Governmental Funds:

General Fund—The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Board which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Special Revenue Fund—Special revenue funds are operating funds for which the use of revenues is restricted or designated by outside sources.

Capital Project Fund—Capital project funds are used to account for the financial resources used to construct or acquire major capital items.

C. CAPITAL ASSETS

The accounting treatment over capital assets depends on whether the assets are used by fund level or government-wide reporting.

In government-wide reporting, all capital assets are reported as capital assets for governmental-type activities. The Board has established a minimum capitalization threshold of \$5,000 for personal property and \$50,000 for real property. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds. Depreciation is not provided at the fund level.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at acquisition value on the date donated.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (government-wide level). Depreciation has been provided over the estimated useful lives using the straight-line rates as follows:

Buildings	25-50 years
Vehicles and equipment	5-20 years

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is when they become both “measurable” and “available” to finance expenditures of the current period. Ad valorem and other taxes collected by an intermediary are considered “measurable” when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures, generally, are recorded at the time liabilities are incurred. Revenues susceptible to accrual are: property taxes and federal financial assistance programs, which are measurable and available to finance expenditures of the current period.

E. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued Accounting Principles

GASB Statement No. 87 *Leases* was issued to improve the consistency of accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB Statement No. 87 are effective for the fiscal year 2022. The Board is currently evaluating the impact that this statement may have on its financial statements.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement 92, Omnibus 2020, was issued as guidance addressing various accounting and financial reporting issues identified during the implementation and application of GASB Statement No. 87, Leases, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, GASB Statement No. 84, Fiduciary Activities, and the measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition. The various requirements of GASB Statement No. 92 are effective as early as fiscal year 2022. The Board is currently evaluating the impact that this statement may have on its consolidated financial statements.

GASB Statement 93, Replacement of Interbank Offered Rate, was issued as result of global reference rate reform, in which LIBOR is expected to cease to exist, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The requirements of GASB Statement No. 93 are effective for the fiscal year 2022. The Board is currently evaluating the impact that this statement may have on its consolidated financial statements.

GASB Statement 96, Subscription-Based Information Technology Arrangements, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability, (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) note disclosures regarding a SBITA. The requirements of GASB Statement No. 96 are effective for the fiscal year 2023. The Board is currently evaluating the impact that this statement may have on its consolidated financial statements.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments. The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

G. INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of food products purchased to be sold in the cafeteria facilities. The costs of governmental fund inventories are recorded as expenditures when purchased, except commodities donated by the federal government, which are expensed when consumed.

H. RECEIVABLES

Millage rates for property taxes are levied by the City of Satsuma. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the City of Satsuma. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as a deferred inflow of resources.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

The Board adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which superseded GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government*. Equity is classified as net position and displayed in three components:

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Net investment in capital assets—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.
- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position—The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Fund balance is classified into one of the following five components:

- Nonspendable fund balance—Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance—Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the Board's own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance—Consists of fund balances that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Assigned fund balance—Consists of fund balances that are intended to be used by the school system for specific purposes. The Board authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- Unassigned fund balance—All other fund balances that do not meet the definition of “restricted, committed or assigned fund balances.” This portion of the total fund balance in the general fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classification could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

K. ENCUMBRANCES

Encumbrances represent commitments related to underperformed contracts for goods or services. Encumbrances accounting—under which purchase orders, contracts and other commitments for the expenditure or resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

L. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES RELATED TO PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Deferred inflows and outflows relating to pensions and OPEB are derived from the difference between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on plan investments, and changes in proportion. These outflows or inflows are amortized to pension expense over a closed five-year period. Contributions to the pension and OPEB plans from the employer subsequent to the measurement date of net pension liability and net OPEB liability and before the end of the reporting period are reported as a deferred outflow of resources and is amortized over a twelve month period. This contribution is included as an increase in the respective plan fiduciary net position in the subsequent fiscal year.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. DEFERRED OUTFLOWS OF RESOURCES FROM DEBT REFUNDING

In the Government-wide statements, the difference between the reacquisition price (new debt) and the carrying value of the old debt on refunded debt transactions is recorded as a deferred outflow of resources and amortized over the shorter of the remaining life of the old debt or the life of the new debt.

N. PENSIONS

The Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

O. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through June 2, 2022, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2021.

NOTE 2 DEPOSITS AND INVESTMENTS

Interest Rate Risk

The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes authorize the Board's investments. The Board is authorized to invest in U.S. Government obligations and its agencies or instrumentalities. The Board has no investment policy that further limits investment choices.

Custodial Credit Risk

The Board is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledged collateral coverage for all governments and agencies in the state and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as "public funds" will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 3 COMPENSATED ABSENCES

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of liabilities as the benefits are earned by the employees if both of these conditions are met:

- 1) The employees' right to receive compensation is attributable to services already rendered.
- 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Professional and support personnel are provided 2 days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused; unreimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements

Employees are allowed 2 weeks of vacation per year with pay. Because unused vacation leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 4 RISK MANAGEMENT

Rather than finance various risks through self-insurance, the Board has elected to carry traditional insurance coverage.

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Board has insurance for its building and contents through an insurance company. The insurance company provides coverage up to \$74,902,509.

Errors and omissions insurance and vehicle liability insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. The Board purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage. Also, there have been no significant reductions in insurance coverage from the prior year.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), a public entity risk pool, administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the Alabama Legislature based on the amounts necessary to fund coverage. The Board contributes the specified monthly amount to the PEEHIF for each employee.

The State Board of Adjustments is a state agency with which people can file against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Employees may, however, file claims for job-related injuries with the State Board of Adjustments. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 5 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

NOTE 6 INTERFUND TRANSACTIONS

During the course of normal operations, the Board has numerous transactions between funds to provide services, construct assets, etc. These transactions are generally reflected as operating transfers or receivables and liabilities. Transactions reimbursing a fund for expenditures are recorded as expenditures in the disbursing fund and as revenues in the receiving fund. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers. The Board typically used transfers to fund ongoing operating subsidies and to recoup certain expenditures paid on-behalf of the local schools.

Interfund Receivables and Payables

	Interfund Receivables		
	General Fund	Special Revenue Fund	Totals
<u>Interfund Payables</u>			
General Fund	\$ -	\$ 59,609	\$ 59,609
Special Revenue Fund	173,062	-	173,062
Capital Projects Fund			
Totals	\$ 173,062	\$ 59,609	\$ 232,671
<u>Transfers Out</u>			
	General Fund	Special Revenue Fund	Totals
<u>Transfers In</u>			
General Fund	\$ -	\$ 2,342	\$ 2,342
Special Revenue Fund	229,604	-	229,604
Capital Projects Fund	87,398	7,178	94,576
Totals	\$ 317,002	\$ 9,520	\$ 326,522

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 7 DEFINED BENEFIT PENSION PLAN

Plan Description

The Board contributes to the Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan for the various state-supported educational agencies and institutions. The TRS was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers and firefighters are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$908,057 for the fiscal year ended September 30, 2021.

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

At September 30, 2021, the System reported a liability of \$12,426,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the Board's proportion was 0.100455 percent, which was an increase of 0.008093 percent from its proportion measured as of September 30, 2019.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

For the year ended September 30, 2021, the Board recognized pension expense of \$637,732. At September 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 615,000	\$ 216,000
Changes of assumptions	129,000	-
Net difference between projected and actual earnings on pension plan investments	923,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	984,000	143,000
Employer contributions subsequent to the measurement date	908,057	-
 Total	 \$ 3,559,057	 \$ 359,000

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date was reported at \$908,057 and will be recognized as a reduction to the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2022	\$ 560,000
2023	708,000
2024	627,000
2025	397,000
2026	-
	\$ 2,292,000

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability as of September 30, 2020 was determined by an actuarial valuation as of September 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return*	7.70%
Projected salary increases	3.25%-5.0%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2019, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes on September 2016, which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

	Target Allocation	Long-Term Expected Rate of Return
	17.00%	4.40%
Fixed Income	32.00%	8.00%
U.S. Large Stocks	9.00%	10.00%
U.S. Mid Stocks	4.00%	11.00%
U.S. Small Stocks	12.00%	9.50%
International Developed Market Stocks	3.00%	11.00%
International Emerging Market Stocks	10.00%	10.10%
Alternatives	10.00%	7.50%
Real Estate	3.00%	1.50%
Cash	100.00%	
Total		

*Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected 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 benefit payments to determine the total pension liability.

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

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board's proportionate share of collective net pension liability	\$ 16,579,000	\$ 12,426,000	\$ 8,912,000

(continued)

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov>.

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

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

At September 30, 2021, the Satsuma City Board of Education reported a liability of \$7,214,129 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Satsuma City Board of Education's proportion of the net OPEB liability was based on a projection of the Satsuma City Board of Education's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the Satsuma City Board of Education's proportion was .111160 percent, which was a decrease of .008878 percent from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the System recognized OPEB expense of \$(281,331), with no special funding situations. At September 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 182,945	\$ 2,593,652
Changes of assumptions	2,519,839	1,339,598
Net difference between projected and actual earnings on OPEB plan investments	-	304
Changes in proportion and differences between Employer contributions and proportionate share of contributions	675,923	654,620
Employer contributions subsequent to the measurement date	200,980	-
 Total	 \$ 3,579,687	 \$ 4,588,174

Deferred outflows of resources related to OPEB resulting from the Satsuma City Board of Education's contributions subsequent to measurement date was report as \$200,980 and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

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

Year ended September 30:	
2022	\$ (451,829)
2023	(440,840)
2024	(290,197)
2025	(410,929)
2026	201,085
Thereafter	183,243
	\$ (1,209,467)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

Inflation	2.75%
Projected salary increases ¹	3.25%-5.00%
Long-term investment rate of return ²	7.25%
Municipal bond index rate at the measurement date	2.25%
Municipal bond index rate at the prior measurement date	3.00%
Project year for fiduciary net position (FNP) to be depleted	2040
Single equivalent interest rate the measurement date	3.05%
Single equivalent interest rate the prior measurement date	5.50%
Healthcare cost trend rate	
Pre-medicare eligible	6.75%
Medicare eligible	**
Ultimate trend rate	
Pre-medicare eligible	4.75 in 2027
Medicare eligible	4.75 in 2024

¹ Includes 3% wage inflation.

² Compounded annually, net of investment expense and includes inflation

**Initial Medicare claims are set based on schedule increases through plan year 2022

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2019 valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent

(continued)

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021**

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and 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 long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2020 was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement rate was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020 and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Satsuma City Board of Education’s proportionate share of the net OPEB liability to changes in the healthcare cost trends rate.

The following table presents the Satsuma City Board of Education’s proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% decreasing to 3.75% for pre- Medicare, Known decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre- Medicare, Known decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.75% for pre- Medicare, Known decreasing to 5.75% for Medicare Eligible)
Board's proportionate share of collective net OPEB liability	\$ 5,702,793	\$ 7,214,129	\$ 9,181,376

The following table presents the Satsuma City Board of Education’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.05%	Current Rate 3.05%	1% Increase 4.05%
Board's proportionate share of collective net OPEB liability	\$ 8,848,504	\$ 7,214,129	\$ 5,916,082

OPEB plan fiduciary net position

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at www.rsa-al.gov.

Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 9 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Retirements/ reclassifications	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 683,800	\$ -	\$ -	\$ 683,800
Construction in Progress	-	568,737	-	568,737
Total Capital Assets, Not Being Depreciated	683,800	568,737	-	1,252,537
Capital Assets Being Depreciated:				
Land Improvements - Exhaustible Buildings	3,277,239	-	-	3,277,239
Building Improvements	39,410,640	-	-	39,410,640
Equipment and Furniture	3,267,494	381,772	-	3,649,266
Vehicles	537,215	56,793	-	594,008
	782,196	198,398	-	980,594
Total Capital Assets Being Depreciated	47,274,784	636,963	-	47,911,747
Less Accumulated Depreciation for:				
Land Improvements - Exhaustible Buildings	876,385	163,862	-	1,040,247
Building Improvements	6,519,860	788,213	-	7,308,073
Equipment and Furniture	520,342	129,519	-	649,861
Vehicles	238,241	43,080	-	281,321
	321,790	89,407	-	411,197
Total Accumulated Depreciation	8,476,618	1,214,081	-	9,690,699
Total Capital Assets Being Depreciated, Net	38,798,166	(577,118)	-	38,221,048
Total Governmental Activities Capital Assets, Net	\$ 39,481,966	\$ (8,381)	\$ -	\$ 39,473,585

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 9 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions/programs as follows:

Instructional	\$ 1,077,467
Instructional Support	1,201
Operation and Maintenance	23,489
Student Transportation	88,321
Food Service	10,197
General Administrative	12,848
Other Expenditures	<u>558</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,214,081</u></u>

Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 10 LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Warrants Payable	\$ 4,938,333	\$ -	\$ 363,333	\$ 4,575,000	\$ 373,334
Warrant Anticipation Notes	191,966	-	16,885	175,081	16,884
Unamortized Premium	5,130,299	-	380,218	4,750,081	390,218
Total Bonds and Notes Payable					
Other Liabilities:					
Capital Leases	111,975	-	78,550	33,425	33,425
Net Pension Liability	10,212,000	2,214,000	-	12,426,000	-
Net OPEB Liability	4,528,755	2,685,374	-	7,214,129	-
Total Other Liabilities	14,852,730	4,899,374	78,550	19,673,554	33,425.00
Governmental Activities Long-Term Liabilities	\$ 19,983,029	\$ 4,899,374	\$ 458,768	\$ 24,423,635	\$ 423,643

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 10 LONG TERM LIABILITIES (CONTINUED)

Bonds and Warrants Payable at September 30, 2021, were comprised of the following:

School Tax Warrant, Series 2014 payable dated April 14, 2014, original debt obligation of \$2,000,000, non-interest bearing, payable in quarterly installments of \$33,333 from June 15, 2014 through March 15, 2029. The Board imputes interest on this interest free loan at 2.00%.	\$ 1,000,000
School Tax Warrant, Series 2015 payable in annual installments of \$165,000 to \$250,000 from February 1, 2016 through February 1, 2030, with interest at 2.00% to 3.50% payable on February 1 and August 1.	1,925,000
School Tax Warrant, Series 2016 payable in annual installments of \$28,470 to \$244,800 from August 1, 2016 through February 1, 2034, with interest at 2.00% to 4.00% payable on February 1 and August 1.	1,650,000
Total Bonds and Warrants Payable	\$ 4,575,000

Annual debt service requirements to maturity for general obligation bonds and warrants are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2022	\$ 373,334	\$ 119,538
2023	388,332	112,663
2024	388,332	105,563
2025	393,332	98,131
2026	403,332	89,788
2027-2031	1,933,338	286,488
2032-2036	695,000	42,300
	\$ 4,575,000	\$ 854,471

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2021

NOTE 10 LONG TERM LIABILITIES (CONTINUED)

Capital Leases

The Board entered into a capital lease agreement with Regions Equipment Finance Corporation for the purchase of HVAC controls (retrofit and technical support) in the amount of \$375,000. The lease bears interest at 2.98% and requires annual payments of \$80,819 until maturity in 2022. The Board expects to use the General Fund to make future payments on the lease. In the event of a default, the lender may declare all payments to the current original term or renewal due immediately or repossess the equipment. The remaining payments due are:

Year ending September 30,	
2022	\$ 33,674
Total minimum lease payments	<u>33,674</u>
Less amount representing interest	<u>(249)</u>
Present value of minimum lease payments	<u><u>\$ 33,425</u></u>

NOTE 11 UNCERTANTIES WITH REGARD TO COVID-19

On January 30, 2020, the World Health Organization declared the COVID-19 (Coronavirus) outbreak a “Public Health Emergency of International Concern”. On March 11, 2020, it was declared it to be a pandemic. The spread of the virus has begun to cause business disruption. Actions taken to mitigate the spread include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. While it is unknown how long these conditions will last and what complete financial effect this will have on the Board, the Board has taken action to mitigate this risk and does not expect a significant decline in revenue.

REQUIRED SUPPLEMENTARY INFORMATION

Satsuma City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(11) – General Fund
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budget to GAAP Differences	
	Original	Final			Over (Under)	GAAP Basis
Revenues						
State	\$ 9,919,311	\$ 10,469,318	\$10,486,121	\$ 16,803	\$ -	\$ 10,486,121
Local	2,246,857	2,623,014	2,919,381	296,367	-	2,919,381
Other	75,000	81,000	102,827	21,827	-	102,827
Total Revenues	12,241,168	13,173,332	13,508,329	334,997	-	13,508,329
Expenditures						
Current:						
Instructional	7,454,288	7,850,699	7,680,635	170,064	229,459	7,910,094
Instructional Support	1,546,434	1,629,807	1,728,964	(99,157)	14,101	1,743,065
Operation and Maintenance	1,759,896	1,788,705	1,504,004	284,701	4,186	1,508,190
Auxiliary Services:						
Student Transportation	433,481	549,319	470,069	79,250	103	470,172
General Administrative	800,127	835,627	1,042,161	(206,534)	1,208	1,043,369
Other	12,611	235,379	239,464	(4,085)	3,398	242,862
Capital Outlay	-	4,610	-	4,610	-	-
Total Expenditures	12,006,837	12,894,146	12,665,297	228,849	252,455	12,917,752
Excess (Deficiency) of Revenues Over Expenditures	234,331	279,186	843,032	563,846	(252,455)	590,577
Other Financing Sources (Uses):						
Indirect Cost	64,718	115,952	76,913	(39,039)	-	76,913
Other Financing Sources	-	-	7,342	7,342	-	7,342
Transfers In	34,319	34,319	2,342	(31,977)	-	2,342
Transfers Out	(168,888)	(168,888)	(317,002)	(148,114)	-	(317,002)
Total Other Financing Sources (Uses)	(69,851)	(18,617)	(230,405)	(211,788)	-	(230,405)
Net Change in Fund Balances	164,480	260,569	612,627	352,058	(252,455)	360,172
Fund Balances - Beginning of Year	2,347,109	2,681,764	26,817,645	24,135,881	(890,432)	1,791,333
Fund Balances - End of Year	\$ 2,511,589	\$ 2,942,333	\$27,430,272	\$ 24,487,939	\$ (1,142,887)	\$ 2,151,505

See notes to required supplementary information

Satsuma City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(12) – Special Revenue Fund
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget--	Budget to GAAP	
	Original	Final			Over (Under)	Actual Amounts GAAP Basis
Revenues						
Federal	\$ 1,779,968	\$ 2,518,134	\$ 2,142,078	\$ (376,056)	-	\$ 2,142,078
Local	1,061,796	1,062,105	1,083,315	21,210	-	1,083,315
Other	12,825	12,825	4,088	(8,737)	-	4,088
Total Revenues	2,854,589	3,593,064	3,229,481	(363,583)	-	3,229,481
Expenditures						
Current:						
Instructional	1,096,403	1,402,400	1,021,945	380,455	-	1,021,945
Instructional Support	895,720	1,116,749	1,062,454	54,295	-	1,062,454
Operation and Maintenance	25,098	144,772	149,328	(4,556)	-	149,328
Auxiliary Services:						
Student Transportation	59,403	59,403	45,046	14,357	-	45,046
Food service	668,145	668,860	757,419	(88,559)	4,938	762,357
General Administrative	152,228	203,462	160,184	43,278	-	160,184
Other	25,915	27,101	23,278	3,823	-	23,278
Total Expenditures	2,922,912	3,622,747	3,219,654	403,093	4,938	3,224,592
Excess (Deficiency) of Revenues Over Expenditures	(68,323)	(29,683)	9,827	39,510	(4,938)	4,889
Other Financing Sources (Uses):						
Transfers In	228,959	228,959	229,604	645	-	229,604
Transfers Out	(94,390)	(94,390)	(9,520)	84,870	-	(9,520)
Total Other Financing Sources (Uses)	134,569	134,569	220,084	85,515	-	220,084
Net Change in Fund Balances	66,246	104,886	229,911	125,025	(4,938)	224,973
Fund Balances - Beginning of Year	796,297	741,958	741,950	(8)	(28,375)	713,575
Fund Balances - End of Year	\$ 862,543	\$ 846,844	\$ 971,861	\$ 125,017	\$ (33,313)	\$ 938,548

See notes to required supplementary information

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Satsuma City Board of Education
Notes to Required Supplementary Information
For the Year Ended September 30, 2021

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

On or before October 1 of each year, the Board is required to prepare and submit to the state superintendent of education the annual budget to be adopted by the Board. Neither the superintendent of education nor the Board can approve any budget for operations of the school system for a fiscal year which shows expenditures in excess of income estimated to be available plus any balances on hand. The superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

Budgeted amounts are as originally adopted by the Board on September 8, 2020. Final budgeted amounts were adopted by the Board on January 12, 2021.

Except for the following items in Note 2, the Board budgets on the modified accrual basis of accounting. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital project funds.

NOTE 2 EXPLANATION OF DIFFERENCE BETWEEN ACTUAL AMOUNTS ON BUDGETARY BASIS AND ACTUAL AMOUNTS GAAP BASIS:

	<u>(11) - General Fund</u>	<u>(12) - Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary bases) available for appropriation shown as Total Revenues on the budgetary comparison schedule	\$ 13,508,329	\$ 3,229,481
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	<u>\$ 13,508,329</u>	<u>\$ 3,229,481</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule	\$ 12,752,695	\$ 3,219,654
Difference--budget to GAAP		
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are recorded as expenditures on the financial statements	<u>252,455</u>	<u>4,938</u>
Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	<u>\$ 13,005,150</u>	<u>\$ 3,224,592</u>

Satsuma City Board of Education
Schedule of the Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan of Alabama
September 30, 2021

	2015	2016	2017	2018	2019	2020	2021
Board's proportion of the net pension liability	0.087614%	0.086810%	0.088729%	0.088729%	0.094639%	0.092362%	0.100455%
Board's proportionate share of the net pension liability	\$ 7,959,000	\$ 9,019,000	\$ 9,399,000	\$ 8,721,000	\$ 9,410,000	\$ 10,212,000	\$ 12,426,000
Board's covered-employee payroll*	\$ 5,470,807	\$ 5,563,112	\$ 5,919,812	\$ 6,373,140	\$ 6,646,723	\$ 7,186,507	\$ 7,602,478
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.72%	162.12%	158.77%	136.84%	141.57%	142.10%	163.45%
Plan fiduciary net position as a percentage of the total pension liability	71.01%	67.51%	67.93%	71.50%	72.29%	69.85%	67.72%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2021, the measurement period is October 1, 2019-September 30, 2020.

**Satsuma City Board of Education
Schedule of Board Contributions
Teacher's Retirement Plan of Alabama
September 30, 2021**

	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contribution*	\$ 615,112	\$ 652,347	\$ 694,885	\$ 761,988	\$ 802,956	\$ 865,789	\$ 908,057
Contributions in relation to the contractually required contribution*	615,112	652,347	694,885	761,988	802,956	865,789	908,057
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee-payroll**	\$ 5,470,807	\$ 5,563,112	\$ 5,919,812	\$ 6,373,140	\$ 6,646,723	\$ 7,186,507	\$ 7,602,478
Contributions as a percentage of covered-employee payroll	11.24%	11.73%	11.74%	11.96%	12.08%	12.05%	11.94%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*Amount of employer contributions equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. This does not include amounts paid for Pre-retirement Death Benefit, Term Life Insurance or Administrative Expenses. It does include the amounts paid for the Employer's portion of the Normal Cost and Accrued Liability

**Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2021, the measurement period is October 1, 2019-September 30, 2020.

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Satsuma City Board of Education
Schedule of Proportionate Share of Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30

	2021	2020	2019	2018
Board's proportion of the net OPEB liability	0.111160%	0.120038%	0.114330%	0.106140%
Board's proportionate share of the net OPEB liability	\$ 7,214,129	\$ 4,528,755	\$ 9,396,470	\$ 7,883,770
Board's covered-employee payroll	\$ 7,602,478	\$ 7,186,507	\$ 6,646,723	\$ 6,449,246
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	94.89%	63.02%	141.37%	122.24%
Plan fiduciary net position as a percentage of the total OPEB liability	19.80%	28.14%	14.81%	15.37%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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Satsuma City Board of Education
Schedule of Contributions
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 200,980	\$ 219,495	\$ 342,692	\$ 283,733
Contributions in relation to the contractually required contribution	<u>200,980</u>	<u>219,495</u>	<u>342,692</u>	<u>283,733</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee-payroll	\$ 16,230,757	\$ 7,186,507	\$ 6,646,723	\$ 6,449,246
Contributions as a percentage of covered- employee payroll	1.24%	3.05%	5.16%	4.40%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
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Satsuma City Board of Education
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30, 2021

NOTE 1***Changes in actuarial assumptions***

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflected actual experience.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2017 three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Satsuma City Board of Education
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30, 2021

NOTE 1 (continued)

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible*	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

*Initial Medicare claims are set based on scheduled increases through plan year 2019.

COMPLIANCE SECTION



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

Members of the Board
Satsuma City Board of Education
Satsuma, Alabama

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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Satsuma City Board of Education as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Satsuma City Board of Education's basic financial statements, and have issued our report thereon dated June 2, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Satsuma City Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Satsuma City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Satsuma City Board of Education's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency and communicated it in writing to management and those charged with governance on June 2, 2022.

Segregation of Duties

Our study and evaluation disclosed that because of the limited size of your accounting staff, your organization has limited segregation of duties. A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to completion. While we recognize that your organization is not large enough to permit an adequate segregation of duties in all respects, it is important that you be aware of this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Satsuma City Board of Education'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Avizo Group, Inc.

Certified Public Accountants

June 2, 2022
Brewton, Alabama



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board
Satsuma City Board of Education
Satsuma, Alabama

Report on Compliance for Each Major Federal Program

We have audited Satsuma City Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Satsuma City Board of Education's major federal programs for the year ended September 30, 2021. Satsuma City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Satsuma City Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Satsuma City Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Satsuma City Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Satsuma City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of Satsuma City Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Satsuma City Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Satsuma City Board of Education's 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 program 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 program 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 program 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Avizo Group, Inc.

Certified Public Accountants

June 2, 2022
Brewton, Alabama

**Satsuma City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Passed Through Alabama Department of Education:		
Child Nutrition Cluster:		
National School Breakfast Program--Cash Assistance	10.553	\$ 97,596
State Administrative Expenses for Child Nutrition	10.561	2,424
National School Lunch Program:		
Cash Assistance	10.555	513,537
Non-Cash Assistance	10.555	23,653
National School Lunch Program Sub-Total		<u>537,190</u>
Total U.S. Department of Agriculture		<u>637,210</u>
<u>U.S. Department of Education</u>		
Passed Through Alabama Department of Education:		
Special Education Cluster:		
Special Education-Grants to States	84.027	446,415
Special Education-Preschool Grants	84.173	7,813
Title I Grants to Local Education Agencies (M)	84.010	218,235
Career and Technical Education Basic Grants to States	84.048A	8,360
Student Support and Academic Enrichment Program	84.424	17,992
Improving Teacher Quality State Grants	84.367	29,070
Elementary and Secondary School Emergency Relief Fund (M)	84.425D	608,495
Governor's Emergency Education Relief Fund (M)	84.425C	39,046
Total U.S. Department of Education		<u>1,375,426</u>
<u>U.S. Department of Treasury</u>		
Passed Through Alabama Department of Education:		
Coronavirus Relief Fund	21.019	109,072
Total U.S. Department of Treasury		<u>109,072</u>
<u>U.S. Department of Defence</u>		
Direct Programs:		
ROTC Language and Cultural Training Grants	12.357	31,155
Total U.S. Department of Defence		<u>31,155</u>
Total Expenditures of Federal Awards		<u>\$ 2,152,863</u>

(M) = Major Program

See independent auditors' report and note to the Schedule of Expenditures of Federal Awards.

Satsuma City Board of Education
Note to the Schedule of Expenditures of Federal Awards
September 30, 2021

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of Satsuma City Board of Education under the programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented 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 Board, it is not intended to and does not present the financial position or changes in net position of Satsuma City Board of Education.

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented based on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related liability is incurred.

Indirect Cost Rate

The Board has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance

**Satsuma City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021**

SECTION 1-SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of opinion issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> X </u> Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Type of auditors' report issued on compliance of major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported
Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516(a) of the <i>Uniform Guidance</i> ?	<u> </u> Yes	<u> X </u> No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425C	Governor's Emergency Education Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

SECTION 2-FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable

SECTION 3-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

See independent auditors' report.