

SATSUMA CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

**Satsuma City Board of Education
Financial Statements
September 30, 2024**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Satsuma City Board of Education as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Satsuma City Board of Education basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Satsuma City Board of Education, as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Satsuma City Board of Education, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34-35, schedule of proportionate share of the net pension liability, and schedule of Board contributions on pages 37-38, schedule of proportionate share of net OPEB liabilities and schedule of contributions on pages 39-40, respectively, to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 26, 2025, 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 26, 2025
Brewton, Alabama

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Satsuma City Board of Education
Statement of Net Position
September 30, 2024

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 15,983,029
Ad Valorem Property Taxes Receivable	3,819,613
Receivables, Net	565,122
Inventories	49,291
Capital Assets:	
Nondepreciable	5,108,870
Depreciable, Net	37,495,186
Total Assets	63,021,111
Deferred Outflows of Resources	
Employer Pension Contribution	1,135,473
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	3,710,000
Employer Other Postemployment Benefits (OPEB) Contribution	163,542
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability	2,817,633
Total Deferred Outflows of Resources	7,826,648
Liabilities	
Accounts Payable	1,879
Unearned Revenue	33,079
Salaries and Benefits Payable	1,807,164
Accrued Interest Payable	108,184
Long-Term Liabilities:	
Portion Due or Payable Within One Year	410,217
Portion Due or Payable After One Year	29,766,317
Total Liabilities	32,126,840
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	3,819,613
Proportionate Share of Collective Deferred Inflows	
Related to Net Pension Liability	235,000
Related to Net OPEB Liability	6,603,938
Total Deferred Inflows of Resources	10,658,551
Net Position	
Net Investment in Capital Assets	31,554,628
Restricted for:	
Education	1,189,005
Capital projects	11,266,044
Unrestricted	(15,947,309)
Total Net Position	\$ 28,062,368

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, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional	\$ 11,566,635	\$ 200,211	\$ 11,129,445	\$ 2,071,343	\$ 1,834,364
Instructional Support	4,282,048	636,833	2,788,168	-	(857,047)
Operation and Maintenance	3,030,401	100,277	1,191,519	484,538	(1,254,067)
Student Transportation	687,241	18,693	524,301	75,810	(68,437)
Food Service	1,147,192	848,015	102,112	-	(197,065)
General Administrative	1,555,547	126,323	291,632	-	(1,137,592)
Interest and Fiscal Charges	318,241	-	-	-	(318,241)
Other Expenses	461,395	15,393	354,844	-	(91,158)
Total Governmental Activities	\$ 23,048,700	\$ 1,945,745	\$ 16,382,021	\$ 2,631,691	(2,089,243)

General revenues:

Taxes:

Property Taxes for General Purposes	2,242,424
Property Taxes for Specific Purposes	1,275,627
Sales Tax	192,265
Alcohol Beverage Tax	51,504
Other Taxes	50,887
Grants and Contributions Not Restricted for Specific Programs	108,000
Investment Earnings	644,567
Miscellaneous	827,418
Total General Revenues	5,392,692
Changes in Net Position	3,303,449
Net Position - Beginning of Year	24,758,919
Net Position - End of Year	\$ 28,062,368

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

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Satsuma City Board of Education
Balance Sheet
Governmental Funds
September 30, 2024

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 3,821,049	\$ 911,933	\$ 11,250,047	\$ 15,983,029
Ad Valorem Property Taxes Receivable	1,909,807	-	1,909,806	3,819,613
Receivables, Net	239,438	309,687	15,997	565,122
Inventories	-	49,291	-	49,291
Total Assets	<u>\$ 5,970,294</u>	<u>\$ 1,270,911</u>	<u>\$ 13,175,850</u>	<u>\$ 20,417,055</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ 1,569	\$ 310	\$ -	\$ 1,879
Unearned Revenues	-	33,079	-	33,079
Salaries and Benefits Payable	1,758,647	48,517	-	1,807,164
Total Liabilities	<u>1,760,216</u>	<u>81,906</u>	<u>-</u>	<u>1,842,122</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	1,909,807	-	1,909,806	3,819,613
Total Deferred Inflows of Resources	<u>1,909,807</u>	<u>-</u>	<u>1,909,806</u>	<u>3,819,613</u>
Fund Balances				
Nonspendable	-	49,291	-	49,291
Restricted for:				
Capital projects	-	-	11,266,044	11,266,044
Unassigned	2,300,271	1,139,714	-	3,439,985
Total Fund Balances	<u>2,300,271</u>	<u>1,189,005</u>	<u>11,266,044</u>	<u>14,755,320</u>
Total Liabilities and Fund Balances	<u>\$ 5,970,294</u>	<u>\$ 1,270,911</u>	<u>\$ 13,175,850</u>	<u>\$ 20,417,055</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, 2024

Total Fund Balances - Governmental Funds		\$ 14,755,320
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	\$ 56,169,655	
Accumulated Depreciation is	<u>(13,565,599)</u>	42,604,056
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
		4,610,473
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		
		(3,622,763)
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	410,217	
Noncurrent Portion of Long-Term Liabilities	<u>29,766,317</u>	(30,176,534)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		
Accrued Interest Payable		<u>(108,184)</u>
Total Net Position - Governmental Activities		<u><u>\$ 28,062,368</u></u>

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

Satsuma City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2024

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Total Governmental Funds
Revenues				
State	\$ 11,873,482	\$ -	\$ 5,244,916	\$ 17,118,398
Federal	100	2,368,674	-	2,368,774
Local	3,438,978	1,673,251	1,509,549	6,621,778
Other	232,629	10,570	-	243,199
Total Revenues	<u>15,545,189</u>	<u>4,052,495</u>	<u>6,754,465</u>	<u>26,352,149</u>
Expenditures				
Current:				
Instructional	8,953,979	862,427	-	9,816,406
Instructional Support	2,611,159	1,533,938	-	4,145,097
Operation and Maintenance	1,930,585	198,156	871,126	2,999,867
Auxiliary Services:				
Student Transportation	515,719	76,923	-	592,642
Food Service	-	1,263,477	-	1,263,477
General Administrative	1,270,463	261,062	273	1,531,798
Other	315,166	125,765	-	440,931
Capital Outlay	154,794	50,689	4,524,340	4,729,823
Debt Service:				
Principal Retirement	-	-	388,333	388,333
Interest and Fiscal Charges	-	-	251,123	251,123
Debt Issuance Costs/Other Debt Service	-	-	185,373	185,373
Total Expenditures	<u>15,751,865</u>	<u>4,372,437</u>	<u>6,220,568</u>	<u>26,344,870</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(206,676)</u>	<u>(319,942)</u>	<u>533,897</u>	<u>7,279</u>
Other Financing Sources (Uses)				
Indirect Cost	226,266	-	-	226,266
Long-Term Debt Issued	-	-	7,500,000	7,500,000
Premiums on Long-Term Debt Issued	-	-	185,974	185,974
Transfers In	79,453	392,062	43,570	515,085
Transfers Out	(310,970)	(204,115)	-	(515,085)
Total Other Financing Sources (Uses)	<u>(5,251)</u>	<u>187,947</u>	<u>7,729,544</u>	<u>7,912,240</u>
Net Changes in Fund Balances	(211,927)	(131,995)	8,263,441	7,919,519
Fund Balances - Beginning of Year	2,512,198	1,321,000	3,002,603	6,835,801
Fund Balances - End of Year	<u>\$ 2,300,271</u>	<u>\$ 1,189,005</u>	<u>\$ 11,266,044</u>	<u>\$ 14,755,320</u>

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, 2024

Net Changes in Fund Balances - Total Governmental Funds		\$ 7,919,519
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.		
Capital Outlays	\$ 4,729,823	
Depreciation Expense	<u>(1,348,830)</u>	3,380,993
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.		388,333
Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.		(7,500,000)
Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities.		(185,974)
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)	84,602	
Amortization of Bond Discounts/Premiums/Gain or Loss on Refunding/Issuance Costs (Prepaid Insurance)	(202,858)	
Pension Expense, Current Year Increase/(Decrease)	1,775,093	
OPEB Expense, Current Year Increase/(Decrease)	<u>(957,415)</u>	<u>(699,422)</u>
Change in Net Position of Governmental Activities		<u>\$ 3,303,449</u>

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

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

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

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

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, 2024

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 and Adopted Accounting Principles

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62, was issued to define accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes, along with the accounting, reporting, and disclosures relating to these changes. The requirements of GASB Statement No. 100 are effective for the reporting periods beginning after June 15, 2023. The Board has evaluated the impact that this statement has on its financial statements and has determined the effect is immaterial.

GASB Statement No. 101, *Compensated Absence*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of GASB Statement No. 101 are effective for the reporting periods beginning after June 15, 2023. The Board has evaluated the impact that this statement has on its financial statements and has determined the effect is immaterial.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Principles

GASB Statement No. 102, *Certain Credit Risk Disclosures*, requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of GASB Statement No. 102 are effective for the reporting periods beginning after June 15, 2024. The Board is currently evaluating the impact this may have to the financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*, requires various improvements to Managements Discussion & Analysis, the definitions of both operating and nonoperating revenues and expenses, and various changes to the required presentation of unusual or infrequent items, the proprietary fund statements, component units, and budgetary comparisons. The requirements of GASB Statement No. 103 are effective for the reporting periods beginning after June 15, 2025. The Board is currently evaluating the impact this may have to the financial statements.

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.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- 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:

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.
- 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.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

M. 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 26, 2025, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2024.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

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.

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.

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 3 COMPENSATED ABSENCES (continued)

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.

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 \$95,436,472.

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, 2024

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.

There were no interfund receivables and payables at September 30, 2024.

At September 30, 2024, interfund transfers consisted of the following:

	Transfers Out			Totals
	General Fund	Special Revenue Fund	Capital Projects Fund	
<u>Transfers In</u>				
General Fund	\$ -	\$ 79,453	\$ -	\$ 79,453
Special Revenue Fund	310,970	124,662	(43,570)	392,062
Capital Projects Fund	-	-	43,570	43,570
Totals	<u>\$ 310,970</u>	<u>\$ 204,115</u>	<u>\$ -</u>	<u>\$ 515,085</u>

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.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

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.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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.

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.

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

Effective 10/1/2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.57% 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 \$1,135,473 for the fiscal year ended September 30, 2024.

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

At September 30, 2024, the System reported a liability of \$17,004,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. 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, 2023, the Board's proportion was 0.106555%, which was a increase of 0.002182% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Board recognized pension expense of \$1,775,093. At September 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,520,000	\$ 230,000
Changes of assumptions	478,000	-
Net difference between projected and actual earnings on pension plan investments	1,166,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	546,000	5,000
Employer contributions subsequent to the measurement date*	<u>1,135,473</u>	<u>-</u>
Total	<u>\$ 4,845,473</u>	<u>\$ 235,000</u>

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

*Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date was reported at \$1,135,473 and will be recognized as a reduction to the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2025	\$ 1,251,000
2026	796,000
2027	1,422,000
2028	6,000
2029	-
Thereafter	-
	\$ 3,475,000

Actuarial Assumptions

The total pension liability as of September 30, 2023 was determined by an actuarial valuation as of September 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return*	7.45%
Projected salary increases	3.25% -5.00%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, 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, 2021. The Board of Control accepted and approved these changes in September 2022 which became effective at the beginning of fiscal year 2022.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

Group	Membership Table	Set Forward (+)/ Set Back (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male:+2 Female:+2	Male: 108% ages <63, 96% ages >67; Phasing down 63-67 Female: 112% ages <69, 98% ages >74; Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male:+2 Female:None	None
Disabled Retirees	Teacher Disability	Male:+8 Female:+3	None

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:

	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 used to measure the total pension liability was 7.45%. 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.

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 7 DEFINED BENEFIT PENSION PLAN (continued)

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 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Board's proportionate share of collective net pension liability	\$ 22,214,000	\$ 17,004,000	\$ 12,622,000

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, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. 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)

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

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.

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 retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans).

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC 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 UHC 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 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.

Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

At September 30, 2024, the Satsuma City Board of Education reported a liability of \$2,123,106 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. 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, 2023, the Satsuma City Board of Education's proportion was 00.110455%, which was a decrease of 00.017191% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the System recognized OPEB expense of \$957,415 with no special funding situations. At September 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,514	\$ 3,350,198
Changes of assumptions	1,788,644	2,100,325
Net difference between projected and actual earnings on OPEB plan investments	72,521	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	914,954	1,153,415
Employer contributions subsequent to the measurement date*	163,542	-
Total	<u>\$ 2,981,175</u>	<u>\$ 6,603,938</u>

*Deferred outflows of resources related to OPEB resulting from the Satsuma City Board of Education's contributions subsequent to measurement date was report as \$163,542 and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2025.

Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

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:	
2025	\$ (1,218,441)
2026	(610,856)
2027	(582,033)
2028	(807,847)
2029	(531,276)
Thereafter	(35,852)
	<u>\$ (3,786,305)</u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases ¹	3.25% -5.00%
Long-term investment rate of return ²	7.00%
Municipal bond index rate at the measurement date	4.53%
Municipal bond index rate at the prior measurement date	4.40%
Year fiduciary net position (FNP) is projected to be depleted	N/A
Single equivalent interest rate the measurement date	7.00%
Single equivalent interest rate the prior measurement date	7.00%
Healthcare cost trend rate	
Initial trend rate	
Pre-medicare eligible	7.00%
Medicare eligible	**
Ultimate trend rate	
Pre-medicare eligible	4.50 in 2033
Medicare eligible	4.50 in 2033

¹ Includes 2.75% wage inflation.

² Compounded annually, net of investment expense and includes inflation

**Initial Medicare claims are set based on schedule increases through plan year 2025

Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+)/ Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male:+2 Female:+2	Male: 108% ages <63, 96% ages >67; Phasing down 63-67 Female: 112% ages <69, 98% ages >74; Phasing down 69-74
Disabled Retirees	Teacher Disability	Male:+8 Female:+3	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2021, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2022.

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, 2022 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 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:

**Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024**

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

	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	<u>100.00%</u>	

*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 was 7.00%. 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. Currently, the payments in 2023 and it is assumed that the 11.051% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$940 in fiscal year 2027 and then will increase at 2.50% starting in 2028. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. 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. Projected future benefit payments for all current plan members are projected through 2121.

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:

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (continued)

	1% Decrease (5.75% decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.50% for pre- Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.50% for pre- Medicare, Known decreasing to 5.50% for Medicare Eligible)
Board's proportionate share of collective net OPEB liability	\$ 1,609,291	\$ 2,123,106	\$ 2,746,980

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 7.00%, 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 6.00%	Current Rate 7.00%	1% Increase 8.00%
Board's Proportionate Share of the Collective Net Pension Liability	\$ 2,620,970	\$ 2,123,106	\$ 1,699,359

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, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 9 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 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	1,058,819	4,486,787	1,120,536	4,425,070
Total Capital Assets, Not Being Depreciated	<u>1,742,619</u>	<u>4,486,787</u>	<u>1,120,536</u>	<u>5,108,870</u>
Capital Assets Being Depreciated:				
Land Improvements - Exhaustible	3,277,239	-	-	3,277,239
Buildings	40,013,245	-	-	40,013,245
Building Improvements	4,542,519	1,120,536	-	5,663,055
Equipment and Furniture	751,623	243,037	-	994,660
Vehicles	1,112,586	-	-	1,112,586
Total Capital Assets Being Depreciated	<u>49,697,212</u>	<u>1,363,573</u>	<u>-</u>	<u>51,060,785</u>
Less Accumulated Depreciation for:				
Land Improvements - Exhaustible	1,367,971	163,862	-	1,531,833
Buildings	8,902,577	800,265	-	9,702,842
Building Improvements	955,653	203,087	-	1,158,740
Equipment and Furniture	390,656	80,682	-	471,338
Vehicles	599,912	100,934	-	700,846
Total Accumulated Depreciation	<u>12,216,769</u>	<u>1,348,830</u>	<u>-</u>	<u>13,565,599</u>
Total Capital Assets Being Depreciated, Net	<u>37,480,443</u>	<u>14,743</u>	<u>-</u>	<u>37,495,186</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 39,223,062</u>	<u>\$ 4,501,530</u>	<u>\$ 1,120,536</u>	<u>\$ 42,604,056</u>

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 9 CAPITAL ASSETS (continued)

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

Instructional	\$ 1,165,382
Instructional Support	8,370
Operation and Maintenance	37,105
Student Transportation	101,334
Food Service	19,306
General Administrative	16,776
Other Expenditures	557
Total Depreciation Expense - Governmental Activities	\$ 1,348,830

NOTE 10 LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Warrants Payable	\$ 3,813,333	\$ 7,500,000	\$ 388,333	\$ 10,925,000	\$ 393,333
Warrant Anticipation Notes					
Unamortized Premium	141,312	185,974	202,858	124,428	16,884
Total Bonds and Notes Payable	3,954,645	7,685,974	591,191	11,049,428	410,217
Other Liabilities:					
Net Pension Liability	16,220,000	784,000	-	17,004,000	-
Net OPEB Liability	2,224,165	-	101,059	2,123,106	-
Total Other Liabilities	18,444,165	784,000	101,059	19,127,106	-
Total Governmental Activities					
Long-Term Liabilities	\$ 22,398,810	\$ 8,469,974	\$ 692,250	\$ 30,176,534	\$ 410,217

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Satsuma City Board of Education
Notes to the Financial Statements
September 30, 2024

NOTE 10 LONG TERM LIABILITIES (continued)

Bonds and Warrants Payable at September 30, 2024, 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%.	\$ 600,000
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.	1,340,000
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.	1,485,000
School Tax Warrant, Series 2023 payable in annual installments of \$80,000 and increasing every year by \$5,000 starting on December 30, 2030 through 2049. Interest at 5.00% payable on June 1 and December 1 starting on June 1, 2024.	7,500,000
Total Bonds and Warrants Payable	\$ 10,925,000

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2025	\$ 393,333	\$ 246,039
2026	403,332	420,513
2027	408,332	411,238
2028	418,332	80,513
2029	436,671	389,638
2030-2034	1,620,000	1,757,375
2035-2049	7,245,000	2,799,763
	\$ 10,925,000	\$ 6,105,079

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, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Budget to GAAP</u>	<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>	<u>Differences Over (Under)</u>	<u>GAAP Basis</u>
Revenues						
State	\$ 11,574,236	\$ 11,566,794	\$ 11,873,482	\$ 306,688	\$ -	\$ 11,873,482
Federal	-	-	100	100	-	100
Local	3,005,990	3,005,990	3,438,978	432,988	-	3,438,978
Other	124,500	124,500	232,629	108,129	-	232,629
Total Revenues	14,704,726	14,697,284	15,545,189	847,905	-	15,545,189
Expenditures						
Current:						
Instructional	8,363,642	8,455,247	8,531,871	(76,624)	422,108	8,953,979
Instructional Support	2,340,148	2,137,245	2,579,901	(442,656)	31,258	2,611,159
Operation and Maintenance	1,587,072	1,587,072	1,906,911	(319,839)	23,674	1,930,585
Auxiliary Services:						
Student Transportation	466,300	466,300	505,220	(38,920)	10,499	515,719
General Administrative	1,214,871	1,215,534	1,268,519	(52,985)	1,947	1,270,466
Other	301,169	298,932	313,917	(14,985)	1,247	315,164
Personal Property	15,000	169,800	-	169,800	-	-
Real Property	-	-	154,794	(154,794)	-	154,794
Total Expenditures	14,288,202	14,330,130	15,261,133	(931,003)	490,733	15,751,866
Excess (Deficiency) of Revenues Over Expenditures	416,524	367,154	284,056	(83,098)	(490,733)	(206,677)
Other Financing Sources (Uses):						
Indirect Cost	233,112	212,976	226,266	13,290	-	226,266
Transfers In	-	-	79,453	79,453	-	79,453
Transfers Out	(96,970)	(96,970)	(310,970)	(214,000)	-	(310,970)
Total Other Financing Sources (Uses)	136,142	116,006	(5,251)	(121,257)	-	(5,251)
Net Change in Fund Balances	552,666	483,160	278,805	(204,355)	(490,733)	(211,928)
Fund Balances - Beginning of Year	3,460,773	3,755,650	3,755,650	-	(1,243,452)	2,512,198
Fund Balances - End of Year	\$ 4,013,439	\$ 4,238,810	\$ 4,034,455	\$ (204,355)	\$ (1,734,185)	\$ 2,300,270

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, 2024

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget--	Budget to GAAP	
	Original	Final			Differences Over (Under)	Actual Amounts GAAP Basis
Revenues						
Federal	\$ 1,871,572	\$ 2,219,052	\$ 2,368,674	\$ 149,622	\$ -	\$ 2,368,674
Local	1,166,661	1,166,661	1,673,251	506,590	-	1,673,251
Other	15,000	15,000	10,570	(4,430)	-	10,570
Total Revenues	3,053,233	3,400,713	4,052,495	651,782	-	4,052,495
Expenditures						
Current:						
Instructional	832,413	868,632	862,427	6,205	-	862,427
Instructional Support	859,897	1,132,585	1,533,938	(401,353)	-	1,533,938
Operation and Maintenance	189,903	221,067	198,156	22,911	-	198,156
Auxiliary Services:						
Student Transportation	59,745	84,815	76,923	7,892	-	76,923
Food service	909,537	909,537	1,245,889	(336,352)	17,588	1,263,477
General Administrative	287,238	265,602	261,062	4,540	-	261,062
Other	66,246	128,362	125,765	2,597	-	125,765
Capital Outlay						
Personal Property	82,179	81,179	-	81,179	-	-
Real Property	-	-	50,689	(50,689)	-	50,689
Total Expenditures	3,287,158	3,691,779	4,354,849	(663,070)	17,588	4,372,437
Excess (Deficiency) of Revenues						
Over Expenditures	(233,925)	(291,066)	(302,354)	(11,288)	(17,588)	(319,942)
Other Financing Sources (Uses):						
Transfers In	96,970	96,970	392,062	295,092	-	392,062
Transfers Out	-	-	(204,115)	(204,115)	-	(204,115)
Total Other Financing Sources (Uses)	96,970	96,970	187,947	90,977	-	187,947
Net Change in Fund Balances	(136,954)	(194,095)	(114,407)	79,689	(17,588)	(131,995)
Fund Balances - Beginning of Year	1,243,088	1,351,929	1,351,929	-	(30,929)	1,321,000
Fund Balances - End of Year	\$ 1,106,134	\$ 1,157,834	\$ 1,237,522	\$ 79,689	\$ (48,517)	\$ 1,189,005

Satsuma City Board of Education
Notes to Required Supplementary Information
For the Year Ended September 30, 2024

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 October 4, 2023. Final budgeted amounts were adopted by the Board on September 12, 2024.

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:

	(11) - General Fund	(12) - Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary bases) available for appropriation shown as Total Revenues on the budgetary comparison schedule	\$ 15,545,189	\$ 4,052,495
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	\$ 15,545,189	\$ 4,052,495
Uses/outflows of resources		
Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule	\$ 15,261,133	\$ 4,354,849
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	490,733	17,588
Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	\$ 15,751,866	\$ 4,372,437

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Board's proportion of the net pension liability	0.086810%	0.088729%	0.088729%	0.094639%	0.092362%	0.100455%	0.103803%	0.104373%	0.106555%
Board's proportionate share of the net pension liability	\$ 9,019,000	\$ 9,399,000	\$ 8,721,000	\$ 9,410,000	\$ 10,212,000	\$ 12,426,000	\$ 9,779,000	\$ 16,200,000	\$ 17,004,000
Board's covered-employee payroll*	\$ 5,563,112	\$ 5,919,812	\$ 6,373,140	\$ 6,646,723	\$ 7,186,507	\$ 7,602,478	\$ 8,116,644	\$ 8,843,847	\$ 9,325,886
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162.12%	158.77%	136.84%	141.57%	142.10%	163.45%	120.48%	183.18%	182.33%
Plan fiduciary net position as a percentage of the total pension liability	67.51%	67.93%	71.50%	72.29%	69.85%	67.72%	76.44%	62.21%	63.57%

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 2024, the measurement period is October 1, 2022-September 30, 2023.

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Satsuma City Board of Education
Schedule of Board Contributions
Teacher's Retirement Plan of Alabama
For the Fiscal Year Ended September 30,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractually Required Contribution*	\$ 652,347	\$ 694,885	\$ 761,988	\$ 802,956	\$ 865,789	\$ 908,057	\$ 973,707	\$ 1,075,566	\$ 1,135,473
Contributions in relation to the contractually required contribution*	<u>652,347</u>	<u>694,885</u>	<u>761,988</u>	<u>802,956</u>	<u>865,789</u>	<u>908,057</u>	<u>973,707</u>	<u>1,075,566</u>	<u>1,135,473</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee-payroll**	\$ 5,563,112	\$ 5,919,812	\$ 6,373,140	\$ 6,646,723	\$ 7,186,507	\$ 7,602,478	\$ 8,116,644	\$ 8,843,847	\$ 9,325,886
Contributions as a percentage of covered-employee payroll	11.73%	11.74%	11.96%	12.08%	12.05%	11.94%	12.00%	12.16%	12.18%

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 2024, the measurement period is October 1, 2022-September 30, 2023.

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

	2024	2023	2022	2021	2020	2019
Board's proportion of the net OPEB liability	0.110455%	0.127646%	0.114836%	0.111160%	0.120038%	0.114330%
Board's proportionate share of the net OPEB liability	\$ 2,123,106	\$ 2,224,165	\$ 5,933,362	\$ 7,214,129	\$ 4,528,755	\$ 9,396,470
Board's covered-employee payroll	\$ 9,325,886	\$ 8,843,847	\$ 8,116,644	\$ 7,602,478	\$ 7,186,507	\$ 6,646,723
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	22.77%	25.15%	73.10%	94.89%	63.02%	141.37%
Plan fiduciary net position as a percentage of the total OPEB liability	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 163,542	\$ 176,914	\$ 241,996	\$ 200,980	\$ 219,495	\$ 342,692
Contributions in relation to the contractually required contribution	<u>163,542</u>	<u>176,914</u>	<u>241,996</u>	<u>200,980</u>	<u>219,495</u>	<u>342,692</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee-payroll	\$ 9,325,886	\$ 8,843,847	\$ 8,116,644	\$ 7,602,478	\$ 7,186,507	\$ 6,646,723
Contributions as a percentage of covered-employee payroll	1.75%	2.00%	2.98%	2.64%	3.05%	5.16%

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

Satsuma City Board of Education
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30, 2024

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

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

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

Recent Plan Changes

The 9/30/2022 valuation reflects the impact of Act 2022-222.

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, 2020 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:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	21 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible*	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00% , including inflation

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

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, 2024, 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 26, 2025.

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 or significant deficiencies may exist that were not identified.

Report on 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 26, 2025
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

Opinion on Each Major Federal Program

We have audited the Satsuma City Board of Education's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Satsuma City Board of Education's major federal programs for the year ended September 30, 2024. The 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.

In our opinion, the 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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Satsuma City Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Satsuma City Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Satsuma City Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Satsuma City Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Satsuma City Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of 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 26, 2025
Brewton, Alabama

**Satsuma City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024**

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 Lunch Program:		
Cash Assistance (M)	10.555	\$ 386,315
Non-Cash Assistance (M)	10.555	60,991
National School Lunch Program Sub-Total		<u>447,306</u>
National School Breakfast Program--Cash Assistance (M)	10.553	88,645
Child Nutrition Cluster Total		<u>535,951</u>
Total U.S. Department of Agriculture		<u><u>535,951</u></u>
<u>U.S. Department of Education</u>		
Passed Through Alabama Department of Education:		
Special Education Cluster:		
Special Education-Grants to States	84.027	504,483
Special Education-Preschool Grants	84.173	5,894
Special Education Cluster Total		<u>510,377</u>
ARPA - ESSER-III	84.425U	594,689
ARPA - ESSER III - ALSDE Reservation	84.425U	145,383
Total CFDA 84.425U		<u>740,072</u>
Title I Grants to Local Education Agencies-Title I, Part A	84.010	184,385
Title I Grants to Local Education Agencies-Title I, Part A Carryover	84.010	41,199
Total CFDA 84.10		<u>225,584</u>
Career/Technical Model Program	84.048A	3,652
Total CFDA 84.048A		<u>3,652</u>
Student Support and Academic Enrichment Program	84.424	19,442
Improving Teacher Quality State Grants	84.367	56,885
Total U.S. Department of Education		<u><u>1,556,012</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 2,091,963</u></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, 2024

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, 2024. 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, 2024**

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> </u> Yes	<u> X </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>
10.555	National School Lunch Program-Cash Assistance
10.555	National School Lunch Program-Non-Cash Assistance
10.553	National School Breakfast Program-Cash Assistance

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

Auditee qualified as low-risk auditee? X Yes No

SECTION 2-FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable

SECTION 3-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.