

SARALAND BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**Saraland Board of Education
Financial Statements
September 30, 2020**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Members of the Board
Saraland Board of Education
Saraland, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saraland Board of Education, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Saraland Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saraland Board of Education, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13, budgetary comparison information on pages 50-51, schedule of proportionate share of the net pension liability and schedule of Board contributions on pages 53-54, schedule of proportionate share of net OPEB liability and schedule of contributions on pages 55-56, respectively, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saraland 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 January 6, 2021, on our consideration of Saraland 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 Saraland Board of Education's internal control over financial reporting and compliance.

Avizo Group, Inc.

Certified Public Accountants

January 6, 2021
Brewton, Alabama

**Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2020**

The Saraland Board of Education's (the "Board") discussion and analysis presents the overall financial position and operating results of the fiscal year that ended September 30, 2020. The Management's Discussion and Analysis (MD&A) reflects an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Financial Highlights

The Board's Net Position decreased by \$584,962 in FY 2020. The activities revenues overall were \$37,013,415 in FY 2020 and \$34,821,147 in FY 2019, resulting in an increase of \$2,192,268 or 6.30% over the prior year. The Board's continual rise of student enrollment has resulted in annual increases in state allocations for our system. Local ad valorem tax increased by 3.50%, and local sales tax increased by 7.40%. Refer to Table 2 for specific details of each category.

The General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$605,698. Overall, the Board's revenues and other financing sources exceeded expenditures and other financing uses by \$3,972,334 largely due to the proceeds of the Series 2020-B Capital Outlay Warrants being recorded in the current year.

Overview of the Financial Statement and Use of This Report

The following graphic is provided for your review and understanding of the financial statements and this report as a whole. This annual financial report consists of four parts:

- Independent Auditor's Report
- Required Supplementary Information (RSI), including the MD&A
- Basic Financial Statements (Governmental-Wide and Fund Financial Statements)
- Supplemental Information

**Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2020**

**Required Components of Annual Financial Report
Figure 1**

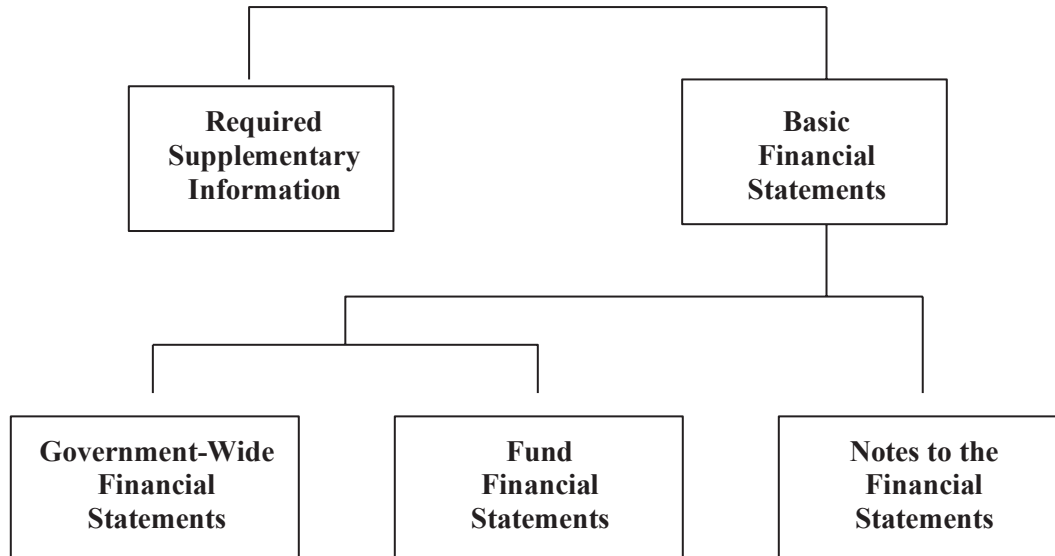


Figure 1 depicts the major features of the Board's financial statements. The focus of the financial statements is on the Board as a whole and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Board's accountability.

Government-Wide Financial Statements

The first two statements are government-wide financial statements, the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. The focus of the *Statement of Net Position* is designed to be similar to bottom line results for the Board and its activities.

The *Statement of Net Position* presents information on all of the Board's assets less liabilities which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the full accrual basis of accounting. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's most significant funds, not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. All of the funds of the Board can be classified into one category: governmental funds.

Governmental funds – Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements, the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances*, are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

Fiduciary Funds – The Board is the trustee, or fiduciary, for some of its booster and parent organization activity funds, which are under the control and administration of its schools. Fiduciary funds also include agency funds, such as accounts payable clearing and payroll clearing funds. All of the Board's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These funds are not available to the Board to finance its operations, and therefore not included in the government-wide financial statements. The Board is responsible for ensuring that the assets reported by these funds are used for their intended purposes.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and are an integral part of the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the General Fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

Financial Analysis of the Board as a Whole

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net position. The Board's total liabilities exceeded assets by \$21,748,680 at September 30, 2020.

- ◆ Of this figure, \$9,671,500 reflects the Board's Net Investment in Capital Assets. Since these capital assets represent investment in land, buildings, school buses, furniture and equipment, this portion of net position is not available for future spending or funding of operations.
- ◆ Restricted net position is reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use this net position for day-to-day operations. \$852,345 is restricted for education and \$4,590,862 is restricted for construction.
- ◆ The balance of unrestricted net position is \$(36,863,387).

The following table reflects a Summary of Net Position compared to the prior year. For more detailed information see the Statement of Net Position.

Table 1 Summary of Net Position September 30, 2020			
	FY 2020	FY 2019	Variance
<u>Assets</u>			
Current and Other Assets	\$ 14,771,430	\$ 10,468,729	41.10%
Capital Assets, Net of Depreciation	87,749,089	87,824,522	-0.09%
Total Assets	102,520,519	98,293,251	4.30%
Deferred Outflows of Resources	13,496,777	9,608,505	40.47%
<u>Liabilities</u>			
Current and Other Liabilities	3,221,245	3,044,042	5.82%
Long-Term Liabilities	120,158,056	120,483,055	-0.27%
Total Liabilities	123,379,301	123,527,097	-0.12%
Deferred Inflows of Resources	14,386,675	5,538,377	159.76%
<u>Net Position</u>			
Net Investment in Capital Assets	9,671,500	9,886,316	-2.17%
Restricted for:			
Education	852,345	1,200,801	-29.02%
Construction	4,590,862	787,157	483.22%
Unrestricted	(36,863,387)	(33,037,992)	-11.58%
Total Net Position	\$(21,748,680)	\$(21,163,718)	2.76%

Factors attributing to the significant variances in Current and Other Assets and Net Position Restricted for Construction resulted from proceeds from the Series 2020-B Capital Outlay Warrants being recorded in the current year. The significant variance in Net Position Restricted for Education resulted from a loss to our Child Nutrition Program (CNP). In CNP, we continued to pay wages and benefits for all employees and utilities during the school shutdowns, resultant from COVID-19, while receiving no program income to offset these expenditures. The significant variances in Deferred Outflows of Resources and Deferred Inflows of Resources are due to annual actuarial calculations related to GASB Statements No. 68 on pensions and No. 75 for OPEB.

The following table reflects the Changes in Net Position compared to the prior year. For more detailed information see the Statement of Activities.

Table 2 Changes in Net Position For the Year Ended September 30, 2020			
	FY 2020	FY 2019	Variance
<u>Revenues</u>			
Program Revenues:			
Charges for Services	\$ 2,445,685	\$ 3,287,235	-25.60%
Operating Grants and Contributions	22,433,456	20,093,112	11.65%
Capital Grants and Contributions	1,085,258	996,348	8.92%
General Revenues:			
Property Taxes for General Purposes	3,273,897	3,061,548	6.94%
Property Taxes for Specific Purposes	3,444,248	3,429,423	0.43%
Sales Tax	3,193,045	2,973,081	7.40%
Alcohol Beverage Tax	136,202	126,664	7.53%
Other Taxes	90,958	93,287	-2.50%
Grants and Contributions Not Restricted for Specific Programs	600	880	-31.82%
Investment Earnings	173,838	214,328	-18.89%
Miscellaneous	736,228	545,241	35.03%
Total Revenues	37,013,415	34,821,147	6.30%
<u>Expenditures</u>			
Governmental Activities:			
Instructional	\$18,236,744	\$16,981,671	7.39%
Instructional Support	5,896,632	5,564,986	5.96%
Operation and Maintenance	3,426,652	3,255,537	5.26%
Student Transportation	1,925,392	2,044,531	-5.83%
Food Service	1,599,726	1,887,217	-15.23%
General Administrative	2,417,675	1,872,894	29.09%
Interest and Fiscal Charges	3,729,639	3,185,187	17.09%
Other Expenses	365,917	451,326	-18.92%
Total Expenditures	37,598,377	35,243,349	6.68%
Changes in Net Position	(584,962)	(422,202)	-38.55%
Net Position - Beginning of Year	(21,163,718)	(20,741,516)	
Net Position - End of Year	<u>\$(21,748,680)</u>	<u>\$(21,163,718)</u>	

The significant variances reflected on Table 2 are described below:

Revenues

- ◆ Charges for Services – Decrease due to the reduction of collections for meals purchased in our cafeterias resultant to the school shutdowns related to COVID-19.
- ◆ Grants and Contributions Not Restricted for Specific Programs – Immaterial in value.
- ◆ Investment Earnings – Decrease due to the reduction in bond proceeds available for construction which were spent in fiscal year 2020. Interest earned on these funds were primarily recorded in the prior year.
- ◆ Miscellaneous – Increase due to a computer grant received through eMints and an increase in our Medicaid Reimbursement Program funds.

Expenditures

- ◆ General Administrative – Increase is primarily due to increased technology needs resultant from virtual learning related to COVID-19.

The recording of our proportionate share of the state's retirement pension plan as prescribed by GASB Statement No. 68 and our proportionate share of the state's other post-employment benefits as prescribed by GASB Statement No. 75 are major contributors towards the decrease in Net Position.

Net Cost of Services

Total cost of services was \$37,598,377. As shown in Table 3, the net cost of governmental activities was a negative \$11,633,978. This means that the local funds portion of revenue was used to fund the amount not covered from various program revenues.

Table 3
Net Cost of Services
For the Year Ended September 30, 2020

	FY 2020		FY 2019	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities:				
Instructional	\$ 18,236,744	\$ (2,832,162)	\$ 16,981,671	\$ (2,850,484)
Instructional Support	5,896,632	(1,329,388)	5,564,986	(1,214,947)
Operation and Maintenance	3,426,652	(1,814,279)	3,255,537	(2,122,865)
Student Transportation	1,925,392	(62,585)	2,044,531	(300,549)
Food Service	1,599,726	(335,517)	1,887,217	(172,260)
General Administrative	2,417,675	(1,477,787)	1,872,894	(951,925)
Interest and Fiscal Charges	3,729,639	(3,729,639)	3,185,187	(3,185,187)
Other Expenses	365,917	(52,621)	451,326	(68,437)
	<u>\$ 37,598,377</u>	<u>\$(11,633,978)</u>	<u>\$ 35,243,349</u>	<u>\$(10,866,654)</u>

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$11,250,344. Of the combined ending fund balances, \$5,807,137 of this amount constitutes unassigned fund balance of the school system that is available as of the end of the fiscal year for spending on future operations. The remaining combined fund balances are classified as nonspendable, restricted, and assigned for various purposes as constituted by GASB No. 54.

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board in providing educational services to students from kindergarten through 12th grade including pupil transportation.

Table 4 reflects a summary of General Fund Revenues for the most recent two-year period:

Table 4 General Fund Revenues For the Year Ended September 30, 2020			
	FY 2020	FY 2019	Variance
State	\$20,406,023	\$18,875,639	8.11%
Federal	62,779	54,471	15.25%
Local	7,132,324	6,694,163	6.55%
Other	449,609	353,347	27.24%
Total Revenues	\$28,050,735	\$25,977,620	7.98%

The significant increase in other revenues was due to a computer grant received through eMints and an increase in our Medicaid Reimbursement Program funds.

It should be noted that each school system is required to provide a minimum equivalent of ten mills of ad valorem tax to participate in the Foundation Program. The ten mill equivalent match for Saraland was \$1,531,170 in fiscal year 2020.

Table 5 reflects a summary of General Fund Expenditures for the most recent two-year period:

Table 5 General Fund Expenditures For the Year Ended September 30, 2020			
	FY 2020	FY 2019	Variance
Current:			
Instructional	\$14,508,350	\$13,578,210	6.85%
Instructional Support	4,646,366	4,330,194	7.30%
Operation and Maintenance	3,332,654	3,178,441	4.85%
Auxiliary Services:			
Student Transportation	1,660,038	1,678,152	-1.08%
General Administrative	1,766,842	1,495,888	18.11%
Other	217,981	208,066	4.77%
Capital Outlay	506,859	156,314	224.26%
Principal Retirement	85,406	-	100.00%
Interest and Fiscal Charges	573,690	-	100.00%
Other Debt Service	77,556	-	100.00%
Total Expenditures	\$27,375,742	\$24,625,265	11.17%

The significant increase in Capital Outlay is due to the purchase of the new Saraland City Schools Operations Facility. The significant increase in debt service expenditures is due to the costs associated with the early pay-off of older loans before maturity.

- ◆ **Special Revenue Fund** – The Special Revenue Fund accounts for all of the federal programs that flow through the State Department of Education which includes the Child Nutrition Program. In addition, this fund includes Public Local School source of funds. The beginning fund balance was \$1,200,801. Recognizing a deficiency of \$348,456 for the fiscal year, the ending fund balance for FY 2020 was \$852,345.
- ◆ **Capital Projects Fund** – The Capital Projects Fund accounts for all financial resources to be used for the acquisition or construction of major capital facilities. The beginning fund balance was \$787,157. Recognizing an excess of \$3,803,705 for the fiscal year, the ending fund balance for FY 2020 was \$4,590,862.

Overall, the Board's governmental funds reflected an excess of Revenues/Other Financing Sources over Expenditures/Other Financing Uses.

Budgetary Highlights

The FY 2020 Budget, adopted on September 5, 2019, was based on known sources at the time of adoption. The budget reflected only guaranteed revenues and necessary expenditures as some of the state-funded programs had not been authorized at this point. The Board complied with State Department of Education requirements for budget amendments. The Board submitted Amendment #1 on May 26, 2020, to make final budgetary adjustments to all funds and programs.

The comparisons of the General Fund and Special Revenue Fund original budgets to the final amended budgets are reflected in the required supplemental information in the report. The two budgets were amended to correct beginning fund balances and account for changes in state, federal and local sources.

Capital Assets and Debt Administration

- ♦ **Capital Assets** – As of September 30, 2020, the Board had \$87,749,089 invested in capital assets including land and land improvements, construction in progress, buildings and building improvements, equipment and furniture and vehicles costing \$5,000 or more. This amount is net of accumulated depreciation, as of September 30, 2020. (Additional information on the Board's Capital Assets is presented in the notes to the financial statements.)

Table 6 below reflects a summary of Capital Assets, Net of Depreciation for the most recent two-year period:

Table 6 Capital Assets, Net of Depreciation September 30, 2020			
	FY 2020	FY 2019	Variance
Land and Land Improvements	\$4,016,903	\$ 4,016,903	0.00%
Construction in Progress	62,427	4,137,574	-98.49%
Buildings	78,035,995	74,503,568	4.74%
Building Improvements	3,573,985	3,768,735	-5.17%
Equipment and Furniture	283,535	268,304	5.68%
Vehicles	1,776,244	1,129,438	57.27%
Total Capital Assets, Net of Depreciation	\$87,749,089	\$87,824,522	-0.09%

The significant variance in Construction in Progress is primarily due to the reclassification of assets after construction projects were completed in the current year. The significant variance in Vehicles is primarily due to the purchase of eight school buses in the current year.

- ◆ **Long-Term Debt** – As of September 30, 2020, the Board had \$120,158,056 in General Long-Term Debt outstanding. The Board made debt service payments as reflected on Table 7. (Additional information on the Board’s long-term debt is presented in the notes to the financial statements.)

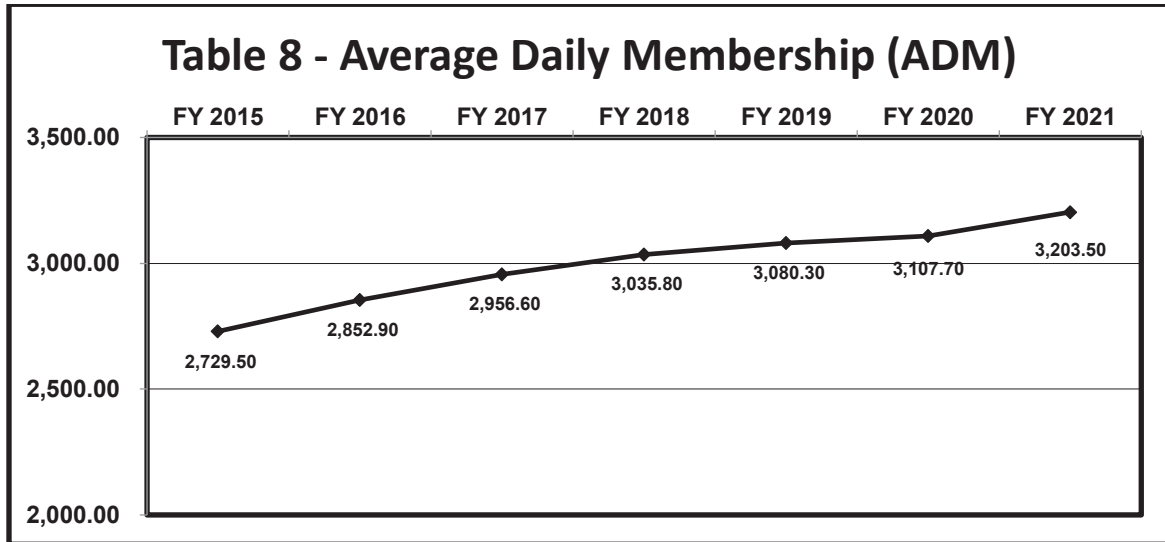
Table 7 Summary of Long-Term Debt September 30, 2020					
	Debt			Debt	Amounts Due within One Year
	Outstanding 10/1/2019	Issued/ Increased	Repaid/ Decreased	Outstanding 9/30/2020	
<u>Governmental Activities:</u>					
Capital Leases Payable	\$ 45,081,650	\$ 760,853	\$(13,399,169)	\$ 32,443,334	\$ 883,333
Bonds and Warrants Payable	34,789,988	43,129,775	(24,479,173)	53,440,590	160,871
Net Pension Liability	20,275,000	3,979,000		24,254,000	
Net OPEB Liability	20,336,417		(10,316,285)	10,020,132	
Governmental Activities Long-Term Debt	\$120,483,055	\$47,869,628	\$(48,194,627)	\$120,158,056	\$1,044,204

Economic Factors and Next Year’s Budget

The following are currently known Saraland economic factors considered going into the 2020-2021 fiscal year:

- ◆ A reduction of federal funds for the 2020-2021 fiscal year is foreseeable.
- ◆ The funding formula to appropriate state funds to each public school system requires the equivalent of ten mills of ad valorem tax to be provided locally to participate in the Foundation Program. The match will increase from \$1,531,170 in FY 2020 to \$1,630,880 for FY 2021. The match for FY 2021 is 8.40% of the total State Foundation Program funds earned by the system.
- ◆ Employee health insurance is provided through the Public Education Employees’ Health Insurance Program (PEEHIP). PEEHIP employer costs will remain at \$800 for FY 2021 per employee per month. In addition, the employer contribution to the Teachers’ Retirement System (TRS) for employees hired prior to January 1, 2013, will be 12.36% for FY 2021. Employer contribution for employees hired on or after January 1, 2013, will be 11.22% for FY 2021. The Board uses local funds to pay the salary-related benefits costs not paid by state and federal funds.
- ◆ State Funding for Alabama school systems is based on average daily membership (ADM) for the first 20 days after Labor Day of the preceding school year. For every year since inception, average daily membership for the school system has increased. This increase places an additional financial burden on the Board’s local funds. Funding for earned teacher units is based on prior year ADM, rather than current year ADM. In a growing system, funding for salaries and benefits will always be a year behind and will not catch up until enrollment levels off or starts to decline.

Table 8 summarizes ADM by year since FY 2015:



Financial Contact

The Board's financial statements are designed to present users (citizens, taxpayers, investors and creditors) with a general overview of the Board's finances and to demonstrate the Board's accountability for public funds received. If you have questions about the report or need additional financial information, contact Dr. Aaron Milner, Superintendent, 4010 Lil' Spartan Drive Saraland, Alabama 36571, or by calling (251) 375-5420.

14
Saraland Board of Education
Statement of Net Position
September 30, 2020

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 11,773,356
Investments	1,459,185
Receivables, Net	1,181,440
Inventories	56,343
Deferred Charges	299,841
Other Assets	1,265
Capital Assets:	
Nondepreciable	4,079,330
Depreciable, Net	83,669,759
Total Assets	102,520,519
Deferred Outflows of Resources	
Loss on Refunding of Debt	3,046,242
Employer Pension Contribution	1,877,460
Employer OPEB Contribution	479,358
Proportionate Share of Collective Deferred Outflows	
Related to Net Pension Liability	4,233,000
Related to Net OPEB Liability	3,860,717
Total Deferred Outflows of Resources	13,496,777
Liabilities	
Accounts Payable	782,587
Unearned Revenue	49,840
Salaries and Benefits Payable	2,139,122
Accrued Interest Payable	249,696
Long-Term Liabilities:	
Portion Due or Payable Within One Year	1,044,204
Portion Due or Payable After One Year	119,113,852
Total Liabilities	123,379,301
Deferred Inflows of Resources	
Proportionate Share of Collective Deferred Inflows	
Related to Net Pension Liability	804,000
Related to Net OPEB Liability	13,582,675
Total Deferred Inflows of Resources	14,386,675
Net Position	
Net Investment in Capital Assets	9,671,500
Restricted for:	
Education	852,345
Construction	4,590,862
Unrestricted	(36,863,387)
Total Net Position	\$ (21,748,680)

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

Saraland Board of Education
Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instructional	\$ 18,236,744	\$ 562,747	\$ 13,954,049	\$ 887,786	\$ (2,832,162)
Instructional Support	5,896,632	463,966	4,103,278	-	(1,329,388)
Operation and Maintenance	3,426,652	97,414	1,500,659	14,300	(1,814,279)
Student Transportation	1,925,392	47,097	1,632,538	183,172	(62,585)
Food Service	1,599,726	1,150,991	113,218	-	(335,517)
General Administrative	2,417,675	53,807	886,081	-	(1,477,787)
Interest and Fiscal Charges	3,729,639	-	-	-	(3,729,639)
Other Expenses	365,917	69,663	243,633	-	(52,621)
Total Governmental Activities	\$ 37,598,377	\$ 2,445,685	\$ 22,433,456	\$ 1,085,258	(11,633,978)

General revenues:

Taxes:

Property Taxes for General Purposes	3,273,897
Property Taxes for Specific Purposes	3,444,248
Sales Tax	3,193,045
Alcohol Beverage Tax	136,202
Other Taxes	90,958
Grants and Contributions Not Restricted for Specific Programs	600
Investment Earnings	173,838
Miscellaneous	736,228
Total General Revenues	11,049,016
Changes in Net Position	(584,962)
Net Position - Beginning of Year	(21,163,718)
Net Position - End of Year	\$ (21,748,680)

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

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Saraland Board of Education
Balance Sheet
Governmental Funds
September 30, 2020

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 6,484,673	\$ 485,224	\$ 4,553,760	\$ 249,698	\$ 11,773,355
Investments	1,459,185	-	-	-	1,459,185
Receivables, Net	380,469	762,635	38,335	-	1,181,439
Due from Other Funds	78,429	-	-	-	78,429
Inventories	-	56,343	-	-	56,343
Other Assets	1,265	-	-	-	1,265
Total Assets	\$ 8,404,021	\$ 1,304,202	\$ 4,592,095	\$ 249,698	\$ 14,550,016
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 531,817	\$ 249,536	\$ 1,233	\$ 249,696	\$ 1,032,282
Due to Other Funds	-	78,429	-	-	78,429
Unearned Revenues	-	49,840	-	-	49,840
Salaries and Benefits Payable	2,065,069	74,052	-	-	2,139,121
Total Liabilities	2,596,886	451,857	1,233	249,696	3,299,672
Fund Balances					
Nonspendable	-	56,343	-	-	56,343
Restricted for:					
Education	-	796,002	-	-	796,002
Construction	-	-	4,590,862	-	4,590,862
Unassigned	5,807,135	-	-	2	5,807,137
Total Fund Balances	5,807,135	852,345	4,590,862	2	11,250,344
Total Liabilities and Fund Balances	\$ 8,404,021	\$ 1,304,202	\$ 4,592,095	\$ 249,698	\$ 14,550,016

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

Saraland Board of Education
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities
September 30, 2020

Total Fund Balances - Governmental Funds	\$ 11,250,344
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	103,722,521
Accumulated Depreciation is	<u>(15,973,432)</u>
	87,749,089
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.	299,841
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.	3,046,242
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	5,306,460
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.	(9,242,600)
Current Portion of Long-Term Liabilities	(1,044,204)
Noncurrent Portion of Long-Term Liabilities	<u>(119,113,852)</u>
	<u>(120,158,056)</u>
Total Net Position - Governmental Activities	<u>\$ (21,748,680)</u>

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

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Saraland Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2020

	(11) - General Fund	(12) - Special Revenue Fund	(14) - Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
State	\$ 20,406,023	\$ -	\$ 1,082,914	\$ -	\$ 21,488,937
Federal	62,779	2,564,085	-	-	2,626,864
Local	7,132,324	1,803,669	3,447,590	676	12,384,259
Other	449,609	57,729	-	-	507,338
Total Revenues	28,050,735	4,425,483	4,530,504	676	37,007,398
Expenditures					
Current:					
Instructional	14,508,350	1,868,179	-	-	16,376,529
Instructional Support	4,646,366	1,057,768	-	-	5,704,134
Operation and Maintenance	3,332,654	15,592	25,324	-	3,373,570
Auxiliary Services:					
Student Transportation	1,660,038	43,104	-	-	1,703,142
Food Service	-	1,725,417	-	-	1,725,417
General Administrative	1,766,842	186,353	385,836	-	2,339,031
Other	217,981	147,345	-	-	365,326
Capital Outlay	506,859	-	1,510,695	-	2,017,554
Debt Service:					
Principal Retirement	85,406	-	13,624,960	50,000	13,760,366
Interest and Fiscal Charges	573,690	-	2,394,097	464,626	3,432,413
Debt Issuance Costs/Other Debt Service	77,556	-	251,663	-	329,219
Total Expenditures	27,375,742	5,043,758	18,192,575	514,626	51,126,701
Excess (Deficiency) of Revenues Over Expenditures	674,993	(618,275)	(13,662,071)	(513,950)	(14,119,303)
Other Financing Sources (Uses)					
Indirect Cost	194,507	-	-	-	194,507
Long-Term Debt Issued	-	-	43,995,853	-	43,995,853
Transfers In	-	269,819	-	425,337	695,156
Other Financing Sources	6,017	-	-	-	6,017
Transfers Out	(269,819)	-	(425,338)	-	(695,157)
Discounts on Long-term Debt Issued	-	-	(105,225)	-	(105,225)
Payments to Refunding Escrow Agent	-	-	(25,999,514)	-	(25,999,514)
Total Other Financing Sources (Uses)	(69,295)	269,819	17,465,776	425,337	18,091,637
Net Changes in Fund Balances	605,698	(348,456)	3,803,705	(88,613)	3,972,334
Fund Balances - Beginning of Year	5,201,437	1,200,801	787,157	88,615	7,278,010
Fund Balances - End of Year	\$ 5,807,135	\$ 852,345	\$ 4,590,862	\$ 2	\$ 11,250,344

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

Saraland 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, 2020

Net Changes in Fund Balances - Total Governmental Funds	\$ 3,972,334
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	\$ 2,017,554
Depreciation Expense	<u>(2,092,988)</u> (75,434)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the statement of net position.	(760,853)
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.	13,760,366
Discounts and issuance costs (prepaid insurance) on debt issuance are recorded as financing uses/expenditures in the governmental funds, but are deferred and amortized in the Statement of Activities.	267,786
Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	25,999,514
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.	(43,235,000)
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.	
Amortization of Bond Discounts, Loss on Refunding, and Issuance Costs (Prepaid Insurance)	139,962
Pension Expense, Current Year Increase/(Decrease)	1,546,454
OPEB Expense, Current Year Increase/(Decrease)	<u>(1,172,741)</u> (513,675)
Change in Net Position of Governmental Activities	<u>\$ (584,962)</u>

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

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Saraland Board of Education
Statement of Fiduciary Net Position
September 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	<u>\$ 172,028</u>
Total Assets	<u><u>\$ 172,028</u></u>
Liabilities	
Due to External Organizations	<u>\$ 172,028</u>
Total Liabilities	<u><u>\$ 172,028</u></u>

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The financial statements of the Saraland 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, as are the fiduciary fund financial statements. 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 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.

(continued)

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Debt Service Fund – Debt service funds are used to account for the payment of interest and principal on general long-term debt not accounted for in the proprietary funds. Debt service revenues are principally transfers from the General Fund.

Fiduciary Fund:

Agency Fund—This fund is used to report assets held by the Board in a purely custodial capacity. The Board collects these assets and transfers them to the proper individual, private organizations, or other governments.

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.

(continued)

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

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. 84 *Fiduciary Activities* was issued to improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting and how those activities would be reported. The requirements of GASB Statement No. 84 are effective for the fiscal year 2020. The adoption of GASB Statement No. 84 did not have any impact on the Board’s financial statements.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for the fiscal year 2020. The adoption of GASB Statement No. 89 did not have any impact on the Board's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, was issued to improve consistency of reporting government's majority interest in a legally separate organization and it improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for the fiscal year 2020. The adoption of GASB Statement No. 90 did not have any impact on the Board's financial statements.

Recently Issued Accounting Principles

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CASH AND INVESTMENTS

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

G. INVENTORIES

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

H. 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.

I. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

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

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

J. 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.

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

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. DEFERRED OUTFLOWS OF RESOURCES FROM DEBT REFUNDING

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

M. 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.

N. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through January 6, 2021, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2020.

NOTE 2 DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

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.

All personnel who are employed full-time on a 12-month basis are entitled to 15 days vacation leave per year. No more than 25 days can be carried over to the next year. Due to the intensity of summer work, the Superintendent may carry over days and must use all carry-over vacation according to the terms of his/her negotiated contract. Any vacation taken during the school year must be approved by the Superintendent.

Vacation days shall be earned by the month and accountable by the year, July 1 through June 30. One point two five (1.25) vacation days will be earned for each month employment up to 15 days, unless the employee is under a contract with specific terms for vacation.

All vacation days must be used prior to effective resignation date. The Board shall not make cash payments for unused vacation days, unless specified in a negotiated contract and approved by the Board. Because employees do not receive compensation for unused vacation leave at termination, no liability is recorded on the financial statements.

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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

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 \$125,443,063. Errors and omissions insurance is purchased from the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds and vehicle fleet. Settled claims in the past three years have not exceeded the amounts of commercial insurance coverage.

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.

NOTE 5 PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State of Alabama and the City of Saraland, Alabama, on behalf of the Board. Included in these items are payments from bond issue proceeds and payments on City bond issues for school purpose. These payments or services are reflected as revenues and expenditures on the Board's financial statements in the applicable funds for which they apply.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 6 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 7 INTERFUND TRANSACTIONS

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

Interfund Receivables and Payables

	<div style="text-align: center;"> <u>Interfund</u> <u>Receivables</u> General Fund </div>		
<u>Interfund Payables</u>			
Special Revenue Fund	\$	78,429	
Totals	\$	<u>78,429</u>	
	<div style="text-align: center;"> <u>Transfers Out</u> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> General Fund </div> <div style="text-align: center;"> Capital Projects Fund </div> <div style="text-align: center;"> Totals </div> </div> </div>		
<u>Transfers In</u>			
Special Revenue Fund	\$	269,819	\$ 269,819
Debt Service Fund		-	425,337
Totals	\$	<u>269,819</u>	<u>\$ 695,156</u>

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Saraland Board of Education
Notes to the Financial Statements
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NOTE 8 DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2019 was 12.41% of annual pay for Tier 1 members and 11.35% 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 \$1,877,460 for the fiscal year ended September 30, 2020.

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

At September 30, 2020, the System reported a liability of \$24,254,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the Board's proportion was 0.219352 percent, which was an increase of 0.015429 percent from its proportion measured as of September 30, 2018.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

For the year ended September 30, 2020, the Board recognized pension expense of \$1,546,454. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 359,000	\$ 804,000
Changes of assumptions	747,000	-
Net difference between projected and actual earnings on pension plan investments	845,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,282,000	-
Employer contributions subsequent to the measurement date	<u>1,877,460</u>	<u>-</u>
Total	<u>\$ 6,110,460</u>	<u>\$ 804,000</u>

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date was reported at \$1,877,460 and will be recognized as a reduction to the net pension liability in the year ended September 30, 2021. 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:

2021	\$ 808,000
2022	739,000
2023	989,000
2024	873,000
2025	<u>20,000</u>
	<u>\$ 3,429,000</u>

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes on September 2016, which became effective at the beginning of fiscal year 2016.

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

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

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

*Includes assumed rate of inflation of 2.50%

Discount Rate

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

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

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board's proportionate share of collective net pension liability	\$ 32,926,000	\$ 24,254,000	\$ 16,915,000

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditor's report dated June 17, 2020, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2019, along with supporting schedules is also available. The additional financial actuarial information is available at www.rsa-al.gov.

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

Benefits Provided

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

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

Contributions

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

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Saraland Board of Education
Notes to the Financial Statements
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NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

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

At September 30, 2020, the Saraland Board of Education reported a liability of \$10,020,132 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Saraland Board of Education's proportion of the net OPEB liability was based on a projection of the Saraland 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, 2019, the Saraland Board of Education's proportion was .265591 percent, which was an decrease of .018151 percent from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the System recognized OPEB expense of \$(1,172,741), with no special funding situations. At September 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 331,775	\$ 7,683,004
Changes of assumptions	479,022	4,150,398
Net difference between projected and actual earnings on OPEB plan investments	20,670	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,029,250	1,749,273
Employer contributions subsequent to the measurement date	479,358	-
Total	<u>\$ 4,340,075</u>	<u>\$ 13,582,675</u>

Deferred outflows of resources related to OPEB resulting from the Saraland Board of Education's contributions subsequent to measurement date was report as \$479,358 and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021.

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:	
2021	\$ (2,129,797)
2022	(2,129,797)
2023	(2,103,541)
2024	(1,375,431)
2025	(1,678,425)
Thereafter	(304,967)
	<u>\$ (9,721,958)</u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

Inflation	2.75%
Projected salary increases ¹	3.25%-5.00%
Long-term investment rate of return ²	7.25%
Municipal bond index rate at the measurement date	3.00%
Municipal bond index rate at the prior measurement date	4.18%
Project year for fiduciary net position (FNP) to be depleted	2055
Single equivalent interest rate the measurement date	5.50%
Single equivalent interest rate the prior measurement date	4.44%
Healthcare cost trend rate	
Pre-medicare eligible	6.75%
Medicare eligible	**
Ultimate trend rate	
Pre-medicare eligible	4.75 in 2026
Medicare eligible	4.75 in 2024

¹ Includes 3% wage inflation.

² Compounded annually, net of investment expense and includes inflation

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

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

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation, however updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optional claim costs, and updated participant assumptions were used in this report.

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

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

	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<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 at September 30, 2019 was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement rate was 4.44%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Saraland Board of Education's proportionate share of the net OPEB liability to changes in the healthcare cost trends rate.

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

	1% Decrease (5.75% decreasing to 3.75% for pre- Medicare, Known decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre- Medicare, Known decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.75% for pre- Medicare, Known decreasing to 5.75% for Medicare Eligible)
Board's proportionate share of collective net OPEB liability	\$ 8,034,343	\$ 10,020,132	\$ 12,521,143

The following table presents the Saraland Board of Education's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 5.50%, 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 4.50%	Current Rate 5.50%	1% Increase 6.50%
Board's proportionate share of collective net OPEB liability	\$ 12,111,652	\$ 10,020,132	\$ 8,312,050

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, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa-al.gov.

Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 10**CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Retirements/ reclassifications	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 4,016,903	\$ -	\$ -	\$ 4,016,903
Construction in Progress	4,137,574	636,737	4,711,884	62,427
Total Capital Assets, Not Being Depreciated	8,154,477	636,737	4,711,884	4,079,330
Capital Assets Being Depreciated:				
Buildings	85,197,060	5,111,982	-	90,309,042
Building Improvements	5,011,716	-	-	5,011,716
Equipment and Furniture	954,036	63,824	-	1,017,860
Vehicles	2,387,677	916,896	-	3,304,573
Total Capital Assets Being Depreciated	93,550,489	6,092,702	-	99,643,191
Less Accumulated Depreciation for:				
Buildings	10,693,492	1,579,555	-	12,273,047
Building Improvements	1,242,981	194,750	-	1,437,731
Equipment and Furniture	685,732	48,593	-	734,325
Vehicles	1,258,239	270,090	-	1,528,329
Total Accumulated Depreciation	13,880,444	2,092,988	-	15,973,432
Total Capital Assets Being Depreciated, Net	79,670,045	3,999,714	-	83,669,759
Total Governmental Activities Capital Assets, Net	\$ 87,824,522	\$ 4,636,451	\$ 4,711,884	\$ 87,749,089

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 10 CAPITAL ASSETS (continued)

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

Instructional	\$ 1,600,516
Instructional Support	80,083
Operation and Maintenance	50,157
Student Transportation	253,344
Food Service	88,928
General Administrative	19,960
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,092,988</u></u>

Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 11 LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Warrants Payable	\$ 35,541,197	\$ 43,235,000	\$24,511,197	\$ 54,265,000	\$ 195,000
Warrant Anticipation Notes					
Unamortized Discount	(751,209)	(105,225)	(32,024)	(824,410)	(34,129)
Total Bonds and Notes Payable	34,789,988	43,129,775	24,479,173	53,440,590	160,871
Other Liabilities:					
Capital Leases	45,081,650	760,853	13,399,169	32,443,334	883,333
Net Pension Liability	20,275,000	3,979,000	-	24,254,000	-
Net OPEB Liability	20,336,417	-	10,316,285	10,020,132	-
Total Other Liabilities	85,693,067	4,739,853	23,715,454	66,717,466	883,333
Governmental Activities Long-Term Liabilities	\$ 120,483,055	\$ 47,869,628	\$48,194,627	\$120,158,056	\$ 1,044,204

(continued)

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 11 LONG TERM LIABILITIES (CONTINUED)

Bonds and Warrants Payable at September 30, 2020, were comprised of the following:

Series 2015-A Warrants payable in annual installments of \$325,000 to \$410,000 maturing August 1, 2032, with interest at 2.50% to 4.00% payable on February 1 and August 1. \$ 3,270,000

Series 2016-A Warrants payable in annual installments of \$65,000 to \$560,000 maturing June 1, 2038, with interest at 1.75% to 3.25% payable on June 1 and December 1. 7,760,000

Series 2020-A Warrants payable in annual installments of \$145,000 to \$3,280,000 maturing June 1, 2044, with interest at 0.395% to 2.514% payable on June 1 and December 1. 38,565,000

Series 2020-B Warrants payable in annual installments of \$1,200,000 to \$3,470,000 maturing June 1, 2045, with interest at 2.125% payable on June 1 and December 1. 4,670,000

Total Bonds and Warrants Payable \$ 54,265,000

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 195,000	\$ 1,026,579
2022	565,000	1,246,261
2023	600,000	1,234,241
2024	1,130,000	1,223,974
2025	1,150,000	1,205,262
2026-2030	8,770,000	5,595,528
2031-2035	11,990,000	4,509,929
2036-2040	13,895,000	2,919,810
2041-2045	15,970,000	1,161,534
	<u>\$ 54,265,000</u>	<u>\$ 20,123,118</u>

(continued)

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 11 LONG TERM LIABILITIES (CONTINUED)

Capital Leases

The Board has entered into several lease agreements as lessee for financing the construction and renovation of school facilities and to purchase equipment. The leases qualify as capital leases for accounting purposes since there are bargain purchase elements at the end of the initial lease terms and the present value of the minimum lease payments are greater than 90 percent of asset purchase prices. Each asset has, therefore, been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets.

The capital assets acquired through capital lease obligations are as follows:

	Governmental Activities
Land	\$ 874,147
Buildings & building improvements, net of \$9,251,134 accumulated depreciation	59,164,680
Vehicles, net of \$712,612 accumulated depreciation	237,536
Total	<u>\$ 60,276,363</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2020, were as follows:

	Governmental Activities
Year ending September 30,	
2021	\$ 2,042,375
2022	2,381,999
2023	3,398,314
2024	3,374,438
2025	3,049,897
2026-2030	12,856,911
2031-2035	10,877,578
2036-2038	5,726,936
Total minimum lease payments	43,708,448
Less amount representing interest	<u>(11,265,114)</u>
Present value of minimum lease payments	<u>\$ 32,443,334</u>

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2020

NOTE 12 LINE OF CREDIT

The Board has a \$3,000,000 line of credit at an interest rate of 3.40% and maturing on October 1, 2035. There were no draws on the line of credit as of September 30, 2020.

NOTE 13 UNCERTANTIES WITH REGARD TO COVID-19

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

NOTE 14 NEW INDEBTEDNESS AND REFUNDING DEBT ISSUED BY THE BOARD

In August 2020, the Board issued the Taxable School Tax Warrants series 2020-A and 2020-B in the amount of \$38,565,000 and \$4,670,000, respectively. The proceeds from the 2020-A series were used for the partial refunding of series 2012, 2015-A and 2017. The partially refunded bonds decreased by \$4,635,000 for the 2012 series, \$24,150,000 for the 2015-A series, and \$6,830,000 for the 2017 series. The advance refunding met the requirements of a partial in-substance debt defeasance and the partial portions of the 2012, 2015-A and 2017 Taxable School Tax Warrants were removed from the Board’s Governmental Activities financial statements.

As a result of the advanced refunding and new debt issued in 2020, the Board’s total debt service and capital lease requirements increased by 6,085,487.

REQUIRED SUPPLEMENTARY INFORMATION

Saraland Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(11) – General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budget to GAAP	
	Original	Final			Differences Over (Under)	Actual Amounts GAAP Basis
Revenues						
State	\$ 19,087,873	\$ 19,534,049	\$ 20,406,023	\$ 871,974	\$ -	\$ 20,406,023
Federal	-	-	62,779	62,779	-	62,779
Local	6,402,600	6,402,600	7,132,324	729,724	-	7,132,324
Other	106,661	106,661	449,609	342,948	-	449,609
Total Revenues	25,597,134	26,043,310	28,050,735	2,007,425	-	28,050,735
Expenditures						
Current:						
Instructional	14,443,066	14,664,295	14,407,840	256,455	100,510	14,508,350
Instructional Support	4,678,451	4,823,525	4,630,015	193,510	16,351	4,646,366
Operation and Maintenance	3,012,414	3,090,730	3,331,410	(240,680)	1,244	3,332,654
Auxiliary Services:						
Student Transportation	1,627,414	1,627,414	1,650,240	(22,826)	9,798	1,660,038
General Administrative	1,556,972	1,558,529	1,763,021	(204,492)	3,821	1,766,842
Other	221,659	221,659	216,905	4,754	1,076	217,981
Capital Outlay						
Personal Property	110,000	110,000	-	110,000	-	-
Real Property	-	-	506,859	(506,859)	-	506,859
Debt Service:						
Principal Retirement	-	-	85,406	(85,406)	-	85,406
Interest and Fiscal Charges	-	-	573,690	(573,690)	-	573,690
Debt Issuance Costs/Other Debt Service	-	-	77,556	(77,556)	-	77,556
Total Expenditures	25,649,976	26,096,152	27,242,942	(1,146,790)	132,800	27,375,742
Excess (Deficiency) of Revenues Over Expenditures	(52,842)	(52,842)	807,793	860,635	(132,800)	674,993
Other Financing Sources (Uses):						
Indirect Cost	206,417	208,494	194,508	(13,986)	-	194,508
Other Financing Sources	-	-	6,018	6,018	-	6,018
Transfers Out	(150,000)	(150,000)	(269,819)	(119,819)	-	(269,819)
Total Other Financing Sources (Uses)	56,417	58,494	(69,293)	(127,787)	-	(69,293)
Net Change in Fund Balances	3,575	5,652	738,500	732,848	(132,800)	605,700
Fund Balances - Beginning of Year	6,300,000	7,133,705	7,133,705	-	(1,932,270)	5,201,435
Fund Balances - End of Year	6,303,575	7,139,357	7,872,205	732,848	(2,065,070)	5,807,135

See notes to required supplementary information

Saraland 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, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget--	Budget to GAAP	
	Original	Final			Differences Over (Under)	Actual Amounts GAAP Basis
Revenues						
State	\$ 1,988	\$ 1,988	\$ -	\$ (1,988)	\$ -	\$ -
Federal	2,033,446	2,072,395	2,564,085	491,690	-	2,564,085
Local	1,451,532	1,451,532	1,803,669	352,137	-	1,803,669
Other	20,800	20,800	57,729	36,929	-	57,729
Total Revenues	3,507,766	3,546,715	4,425,483	878,768	-	4,425,483
Expenditures						
Current:						
Instructional	894,507	909,297	1,868,179	(958,882)	-	1,868,179
Instructional Support	651,286	676,216	1,057,768	(381,552)	-	1,057,768
Operation and Maintenance	8,425	8,425	15,592	(7,167)	-	15,592
Auxiliary Services:						
Student Transportation	40,827	40,827	43,104	(2,277)	-	43,104
Food service	1,967,883	1,967,883	1,721,749	246,134	3,668	1,725,417
General Administrative	182,590	181,819	186,353	(4,534)	-	186,353
Other	157,054	157,054	147,345	9,709	-	147,345
Capital Outlay						
Personal Property	5,254	5,254	-	5,254	-	-
Total Expenditures	3,907,826	3,946,775	5,040,090	(1,093,315)	3,668	5,043,758
Excess (Deficiency) of Revenues Over Expenditures	(400,060)	(400,060)	(614,607)	(214,547)	(3,668)	(618,275)
Other Financing Sources (Uses):						
Transfers In	281,658	281,658	269,819	(11,839)	-	269,819
Transfers Out	(115,480)	(115,480)	-	115,480	-	-
Total Other Financing Sources (Uses)	166,178	166,178	269,819	103,641	-	269,819
Net Change in Fund Balances	(233,882)	(233,882)	(344,788)	(110,906)	(3,668)	(348,456)
Fund Balances - Beginning of Year	1,112,000	1,271,186	1,271,186	-	(70,385)	1,200,801
Fund Balances - End of Year	\$ 878,118	\$ 1,037,304	\$ 926,398	\$ (110,906)	\$ (74,053)	\$ 852,345

See notes to required supplementary information

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Saraland Board of Education
Notes to Required Supplementary Information
For the Year Ended September 30, 2020

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

Budgeted amounts are as originally adopted by the Board on September 27, 2019. Final budgeted amounts were adopted by the Board on May 26, 2020.

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

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

	<u>(11) - General Fund</u>	<u>(12) - Special Revenue Fund</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) available for expenditures shown as		
Total Expenditures on the budgetary comparison schedule	\$ 27,242,942	\$ 5,040,090
 Difference--budget to GAAP		
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are recorded as expenditures on the financial statements	<u>132,800</u>	<u>3,668</u>
 Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	<u><u>\$ 27,375,742</u></u>	<u><u>\$ 5,043,758</u></u>

Saraland Board of Education
Schedule of the Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan of Alabama
September 30, 2020

	2015	2016	2017	2018	2019	2020
Board's proportion of the net pension liability	0.174104%	0.182506%	0.188025%	0.195621%	0.203923%	0.219352%
Board's proportionate share of the net pension liability	\$15,817,000	\$19,101,000	\$20,356,000	\$19,227,000	\$20,275,000	\$24,254,000
Board's covered-employee payroll*	\$11,061,610	\$12,021,600	\$13,045,986	\$13,710,843	\$14,438,893	\$15,517,924
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.99%	158.89%	156.03%	140.23%	140.42%	156.30%
Plan fiduciary net position as a percentage of the total pension liability	71.01%	67.51%	67.93%	71.50%	72.29%	69.85%

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 2020, the measurement period is October 1, 2018-September 30, 2019.

**Saraland Board of Education
Schedule of Board Contributions
Teacher's Retirement Plan of Alabama
September 30, 2020**

	2015	2016	2017	2018	2019	2020
Contractually Required Contribution*	\$ 1,347,808	\$ 1,413,528	\$ 1,532,853	\$ 1,637,417	\$ 1,750,914	\$ 1,877,460
Contributions in relation to the contractually required contribution*	1,347,808	1,413,528	1,532,853	1,637,417	1,750,914	1,877,460
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee-payroll**	\$ 11,061,610	\$ 12,021,600	\$ 13,045,986	\$ 13,710,843	\$ 14,438,893	\$ 15,517,924
Contributions as a percentage of covered-employee payroll	12.18%	11.76%	11.75%	11.94%	12.13%	12.10%

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 2020, the measurement period is October 1, 2018-September 30, 2019.

Saraland 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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB liability	0.247440%	0.247440%	0.216331%
Board's proportionate share of the net OPEB liability	\$ 10,020,132	\$ 20,336,417	\$ 16,067,831
Board's covered-employee payroll	\$ 15,517,924	\$ 14,438,893	\$ 13,710,843
Board's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	64.57%	140.84%	117.19%
Plan fiduciary net position as a percentage of the total OPEB liability	28.14	14.81	15.37%

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 479,358	\$ 759,142	\$ 612,383
Contributions in relation to the contractually required contribution	<u>479,358</u>	<u>759,142</u>	<u>612,383</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee-payroll	\$ 15,517,924	\$ 14,438,893	\$ 13,710,843
Contributions as a percentage of covered- employee payroll	3.09%	5.26%	4.47%

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

**Saraland Board of Education
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30, 2020**

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

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

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

Recent Plan Changes

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

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

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

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2016 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	Projected Unit Credit
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.88%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

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
Saraland Board of Education
Saraland, 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 Saraland Board of Education as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Saraland Board of Education's basic financial statements, and have issued our report thereon dated January 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Saraland 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 Saraland Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Saraland Board of Education's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency and communicated it in writing to management and those charged with governance on January 6, 2021.

Segregation of Duties

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saraland 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

January 6, 2021
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
Saraland Board of Education
Saraland, Alabama

Report on Compliance for Each Major Federal Program

We have audited Saraland Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Saraland Board of Education's major federal programs for the year ended September 30, 2020. Saraland Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Saraland Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saraland Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Saraland 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, 2020.

Report on Internal Control over Compliance

Management of Saraland Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Saraland Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Saraland Board of Education's internal control over compliance.

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

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

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

Avizo Group, Inc.

Certified Public Accountants

January 6, 2021
Brewton, Alabama

Saraland Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Passed Through Alabama Department of Education:		
Child Nutrition Cluster:		
National School Breakfast Program--Cash Assistance	10.553	\$ 129,493
National School Lunch Program:		
Cash Assistance	10.555	470,781
Non-Cash Assistance	10.555	113,218
National School Lunch Program Sub-Total		<u>583,999</u>
Total U.S. Department of Agriculture		<u><u>713,492</u></u>
<u>U.S. Department of Education</u>		
Passed Through State Department of Education:		
Special Education Cluster:		
Special Education-Grants to States	84.027	504,869
Special Education-Preschool Grants	84.173	6,242
Title I Grants to Local Education Agencies (M)	84.010	436,151
Career and Technical Education Basic Grants to States	84.048A	34,716
Improving Teacher Quality State Grants	84.367	105,089
Total U.S. Department of Education		<u><u>1,087,067</u></u>
CARES Act		
Education stabilization fund	84.425D	217,336
Education stabilization fund	84.425C	70,025
Coronavirus Relief Fund	21.019	538,343
Total U.S. Department of Education		<u><u>825,704</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 2,626,263</u></u>

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

Saraland Board of Education
Note to the Schedule of Expenditures of Federal Awards
September 30, 2020

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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.

**Saraland Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020**

SECTION 1-SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of opinion issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u> </u> Yes <u> X </u> No
Significant deficiency(ies) identified?	<u> X </u> Yes <u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes <u> X </u> No

Federal Awards

Type of auditors' report issued on compliance of major programs:	<u>Unmodified</u>
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 Section 510(a) of OMB Circular A-133?	<u> </u> Yes <u> X </u> No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No
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SECTION 2-FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable

SECTION 3-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

See independent auditors' report.