

SARALAND BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

**Saraland Board of Education
Financial Statements
September 30, 2023**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Members of the Board
Saraland Board of Education
Saraland, Alabama

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Saraland Board of Education as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Saraland Board of Education basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Saraland Board of Education, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13, budgetary comparison information on pages 47-48, schedule of proportionate share of the net pension liability and schedule of Board contributions on pages 50-51, schedule of proportionate share of net OPEB liability and schedule of contributions on pages 52-53, respectively, to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 December 5, 2023, 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

December 5, 2023
Brewton, Alabama

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**Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023**

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, 2023. 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 increased by \$2,058,383 in FY 2023. The activities revenues overall were \$47,998,739 in FY 2023 and \$44,719,073 in FY 2022, resulting in an increase of \$3,279,666 or 7.33% 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 10.05%, and local sales tax increased by 9.70%. 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 \$775,633. Overall, the Board's expenditures and other financing uses exceeded revenue and other financing sources by \$816,849 largely due to the proceeds of the Series 2021-B Capital Outlay Warrants being recorded in a prior year and expended in subsequent years.

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, 2023**

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

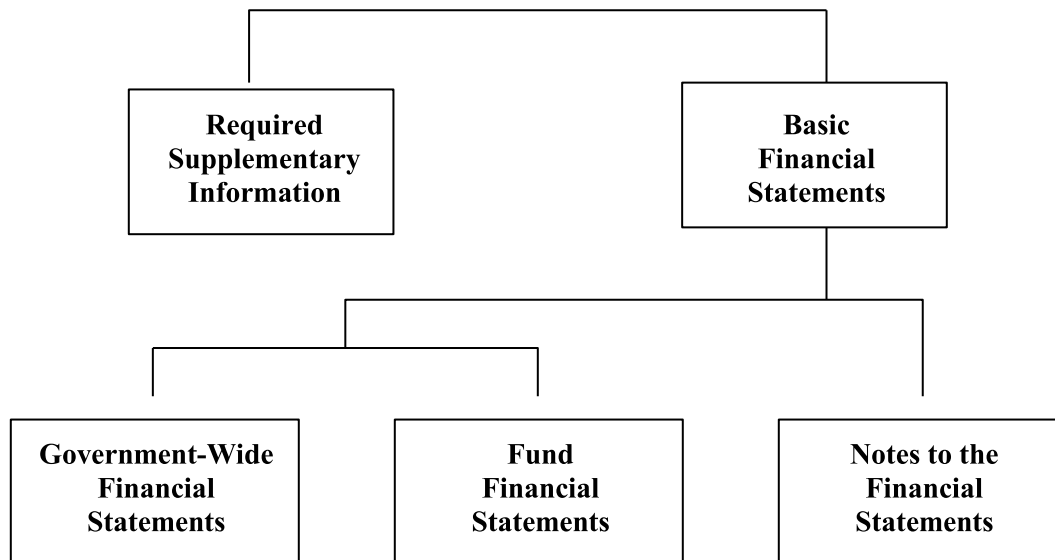


Figure 1 depicts the major features of the Board's financial statements. The focus of the financial statements is on the Board as a whole and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year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

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**Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023**

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.

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Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023

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 \$21,075,452 at September 30, 2023.

- ◆ Of this figure, \$5,334,554 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. \$1,686,588 is restricted for education and \$3,946,827 is restricted for construction.
- ◆ The balance of unrestricted net position is \$(32,043,421).

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, 2023			
	FY 2023	FY 2022	Variance
<u>Assets</u>			
Current and Other Assets	\$ 16,175,802	\$ 16,961,781	-4.63%
Capital Assets, Net of Depreciation	96,304,138	95,579,546	0.76%
Total Assets	112,479,940	112,541,327	-0.05%
Deferred Outflows of Resources	24,733,339	17,471,391	41.56%
<u>Liabilities</u>			
Current and Other Liabilities	4,319,887	4,267,427	1.23%
Long-Term Liabilities	135,261,880	130,897,186	3.33%
Total Liabilities	139,581,767	135,164,613	3.27%
Deferred Inflows of Resources	18,706,964	17,981,940	4.03%
<u>Net Position</u>			
Net Investment in Capital Assets	5,334,554	7,592,218	-29.74%
Restricted for:			
Education	1,686,588	1,780,209	-5.26%
Construction	3,946,827	5,456,652	-27.67%
Unrestricted	(32,043,421)	(37,962,914)	15.59%
Total Net Position	\$(21,075,452)	\$(23,133,835)	8.90%

**Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023**

Factors attributing to the significant variances in Net Investment in Capital Assets and Net Position Restricted for Construction resulted from proceeds from the Series 2021-B Capital Outlay Warrants being recorded in a prior year and expended in subsequent years. The significant variances in 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, 2023			
	FY 2023	FY 2022	Variance
<u>Revenues</u>			
Program Revenues:			
Charges for Services	\$ 4,431,786	\$ 4,044,829	9.57%
Operating Grants and Contributions	28,033,799	25,874,298	8.35%
Capital Grants and Contributions	1,297,264	2,374,669	-45.37%
General Revenues:			
Property Taxes for General Purposes	4,078,735	3,706,960	10.03%
Property Taxes for Specific Purposes	4,299,832	3,906,373	10.07%
Sales Tax	4,094,055	3,732,022	9.70%
Alcohol Beverage Tax	133,020	132,969	0.04%
Other Taxes	100,491	99,770	0.72%
Grants and Contributions Not Restricted for Specific Programs	320	7,675	-95.83%
Investment Earnings	497,059	141,466	251.36%
Gain on Disposition of Capital Assets	-	-	0.00%
Miscellaneous	1,032,378	698,042	47.90%
Total Revenues	<u>47,998,739</u>	<u>44,719,073</u>	<u>7.33%</u>
<u>Expenditures</u>			
Governmental Activities:			
Instructional	\$22,257,752	\$21,179,427	5.09%
Instructional Support	7,800,697	6,537,776	19.32%
Operation and Maintenance	5,554,175	6,228,207	-10.82%
Student Transportation	2,402,632	2,255,735	6.51%
Food Service	2,198,591	2,014,287	9.15%
General Administrative	2,769,100	2,369,406	16.87%
Interest and Fiscal Charges	2,420,027	2,587,279	-6.46%
Other Expenses	537,382	468,789	14.63%
Total Expenditures	<u>45,940,356</u>	<u>43,640,906</u>	<u>5.27%</u>
Changes in Net Position	2,058,383	1,078,167	90.92%
Net Position - Beginning of Year	(23,133,835)	(24,212,002)	
Net Position - End of Year	<u><u>\$(21,075,452)</u></u>	<u><u>\$(23,133,835)</u></u>	

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Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023

The significant variances reflected on Table 2 are described below:

Revenues

- ◆ Capital Grants and Contributions – Decrease due to proceeds received from the State of Alabama Series 2021 Public Schools and College Authority (PSCA) Bond Issue in the prior year.
- ◆ Grants and Contributions Not Restricted for Specific Programs – Immaterial in value.
- ◆ Investment Earnings – Increase due to the interest earned from the bond proceeds available for construction and changes in interest rates to our general operating account.
- ◆ Miscellaneous – Increase due to the recognition of insurance loss proceeds received for an insurance claim at Saraland Early Education Center.

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 increase in Net Position.

Net Cost of Services

Total cost of services was \$45,940,356. As shown in Table 3, the net cost of governmental activities was a negative \$12,177,507. 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, 2023

	FY 2023		FY 2022	
	<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	\$22,257,752	\$ (1,689,542)	\$21,179,427	\$ (382,118)
Instructional Support	7,800,697	(1,983,286)	6,537,776	(1,183,693)
Operation and				
Maintenance	5,554,175	(4,179,947)	6,228,207	(5,887,872)
Student Transportation	2,402,632	(400,495)	2,255,735	(432,517)
Food Service	2,198,591	(45,473)	2,014,287	286,136
General Administrative	2,769,100	(1,420,038)	2,369,406	(1,144,513)
Interest and Fiscal Charges	2,420,027	(2,420,027)	2,587,279	(2,587,279)
Other Expenses	537,382	(38,699)	468,789	(15,254)
	<u>\$45,940,356</u>	<u>\$(12,177,507)</u>	<u>\$43,640,906</u>	<u>\$(11,347,110)</u>

**Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023**

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 \$11,517,525. Of the combined ending fund balances, \$5,884,110 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, 2023			
	FY 2023	FY 2022	Variance
State	\$24,851,511	\$22,129,904	12.30%
Federal	96,053	66,416	44.62%
Local	9,045,763	8,133,749	11.21%
Other	584,357	507,053	15.25%
Total Revenues	\$34,577,684	\$30,837,122	12.13%

The significant increase in federal revenues was due to the implementation of the JROTC Program at Saraland High School.

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 \$1,736,370 in fiscal year 2023.

**Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023**

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, 2023			
	FY 2023	FY 2022	Variance
Current:			
Instructional	\$18,109,337	\$17,316,851	4.58%
Instructional Support	5,483,242	4,878,717	12.39%
Operation and Maintenance	4,637,299	4,507,562	2.88%
Auxiliary Services:			
Student Transportation	2,158,607	2,012,954	7.24%
General Administrative	2,412,585	2,166,454	11.36%
Other	203,461	158,532	28.34%
Capital Outlay	988,374	757,100	30.55%
Principal Retirement	-	-	0.00%
			-
Interest and Fiscal Charges	-	13,750	100.00%
Other Debt Service	-	-	0.00%
Total Expenditures	\$33,992,905	\$31,811,920	6.86%

The significant variance in Other Expenses is primarily due to the increase in preschool expenditures. The significant variance in Capital Outlay is due to construction costs being expended with State of Alabama Advancement and Technology funds. The significant variance in Interest and Fiscal Charges is due to no debt service payments being paid from the General Fund.

- ◆ **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 \$1,780,209. Recognizing a deficiency of \$93,621 for the fiscal year, the ending fund balance for FY 2023 was \$1,686,588.
- ◆ **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 \$5,456,652. Recognizing a deficiency of \$1,509,825 for the fiscal year, the ending fund balance for FY 2023 was \$3,946,827.

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

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Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023

Budgetary Highlights

The FY 2023 Budget, adopted on September 9, 2022, 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 April 6, 2023, 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, 2023, the Board had \$96,304,138 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, 2023. (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, 2023			
	FY 2023	FY 2022	Variance
Land and Land Improvements	\$ 5,531,676	\$ 5,531,676	0.00%
Construction in Progress	1,794,653	6,056,994	-70.37%
Land Improvements - Exhaustible	1,402,914	1,348,825	4.01%
Buildings	81,915,081	76,548,973	7.01%
Building Improvements	3,972,860	4,215,225	-5.75%
Equipment and Furniture	321,916	273,767	17.59%
Vehicles	1,365,038	1,604,086	-14.90%
Total Capital Assets, Net of Depreciation	\$96,304,138	\$95,579,546	0.76%

The significant variances in construction in progress are due to the completion of construction projects taking place in the current year.

**Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023**

- ◆ **Long-Term Debt** – As of September 30, 2023, the Board had \$135,261,880 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, 2023**

	Debt			Debt	Amounts Due within One Year
	Outstanding 10/1/2022	Issued/ Increased	Repaid/ Decreased	Outstanding 9/30/2023	
<u>Governmental Activities:</u>					
Capital Leases Payable	\$ 20,470,000	\$ -	\$ -	\$ 20,470,000	\$ -
Bonds and Warrants Payable	76,710,024	-	(2,613,508)	74,096,516	2,633,508
Net Pension Liability	21,013,000	14,899,000	-	35,912,000	-
Net OPEB Liability	12,704,161	-	(7,920,797)	4,783,364	-
Governmental Activities Long-Term Debt	\$130,897,185	\$14,899,000	\$(10,534,305)	\$135,261,880	\$2,633,508

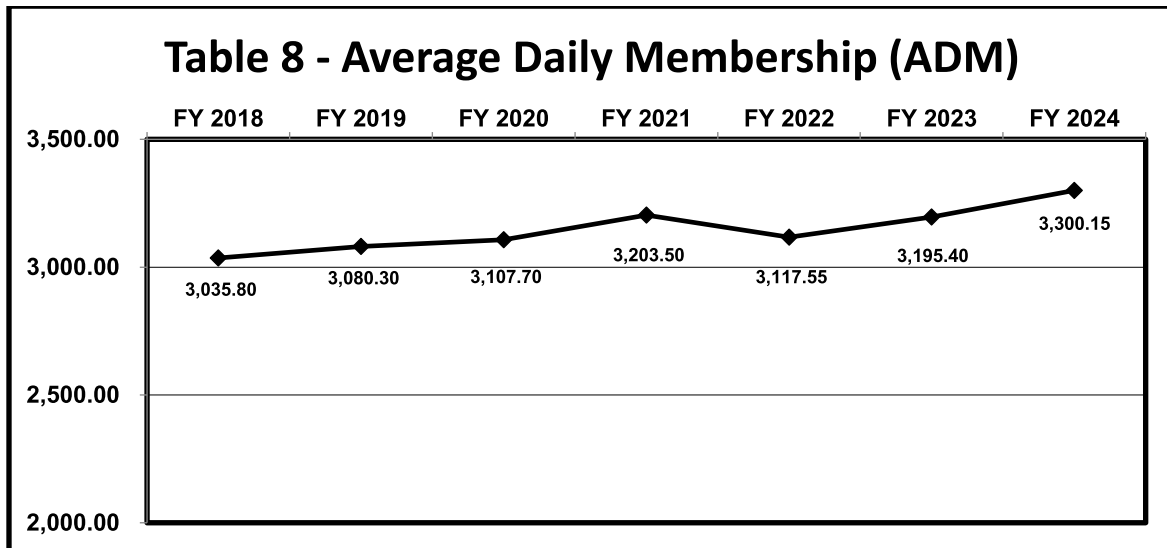
Economic Factors and Next Year's Budget

The following are currently known Saraland economic factors considered going into the 2023-2024 fiscal year:

- ◆ Federal stimulus funds are available for one more fiscal year.
- ◆ 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 \$1,736,370 in FY 2023 to \$1,783,730 for FY 2024. The match for FY 2024 is 7.51% 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 2024 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 12.59% for FY 2024. Employer contribution for employees hired on or after January 1, 2013, will be 11.57% for FY 2024. 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.

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Saraland Board of Education
Management Discussion and Analysis
For The Year Ended September 30, 2023

Table 8 summarizes ADM by year since FY 2018:



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, 2023

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 13,207,731
Investments	1,480,327
Receivables, Net	1,023,941
Inventories	105,394
Deferred Charges	338,391
Other Assets	20,018
Capital Assets:	
Nondepreciable	7,326,329
Depreciable, Net	88,977,809
Total Assets	112,479,940
Deferred Outflows of Resources	
Loss on Refunding of Debt	3,258,542
Employer Pension Contribution	2,376,305
Employer OPEB Contribution	384,498
Proportionate Share of Collective Deferred Outflows	
Related to Net Pension Liability	11,002,000
Related to Net OPEB Liability	7,711,994
Total Deferred Outflows of Resources	24,733,339
Liabilities	
Accounts Payable	718,566
Unearned Revenue	71,268
Salaries and Benefits Payable	2,999,307
Accrued Interest Payable	530,746
Long-Term Liabilities:	
Portion Due or Payable Within One Year	2,633,508
Portion Due or Payable After One Year	132,628,372
Total Liabilities	139,581,767
Deferred Inflows of Resources	
Proportionate Share of Collective Deferred Inflows	
Related to Net Pension Liability	922,000
Related to Net OPEB Liability	17,784,964
Total Deferred Inflows of Resources	18,706,964
Net Position	
Net Investment in Capital Assets	5,334,554
Restricted for:	
Education	1,686,588
Construction	3,946,827
Unrestricted	(32,043,421)
Total Net Position	\$ (21,075,452)

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

Saraland Board of Education
Statement of Activities
For the Year Ended September 30, 2023

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	\$ 22,257,752	\$ 825,927	\$ 18,701,242	\$ 1,041,041	\$ (1,689,542)
Instructional Support	7,800,697	1,076,044	4,741,367	-	(1,983,286)
Operation and Maintenance	5,554,175	222,212	1,123,223	28,793	(4,179,947)
Student Transportation	2,402,632	179,575	1,595,132	227,430	(400,495)
Food Service	2,198,591	1,909,598	243,520	-	(45,473)
General Administrative	2,769,100	67,826	1,281,236	-	(1,420,038)
Interest and Fiscal Charges	2,420,027	-	-	-	(2,420,027)
Other Expenses	537,382	150,604	348,079	-	(38,699)
Total Governmental Activities	\$ 45,940,356	\$ 4,431,786	\$ 28,033,799	\$ 1,297,264	\$ (12,177,507)
General revenues:					
Taxes:					
Property Taxes for General Purposes					4,078,735
Property Taxes for Specific Purposes					4,299,832
Sales Tax					4,094,055
Alcohol Beverage Tax					133,020
Other Taxes					100,491
Grants and Contributions Not Restricted for Specific Programs					320
Investment Earnings					497,059
Miscellaneous					1,032,378
Total General Revenues					14,235,890
Changes in Net Position					2,058,383
Net Position - Beginning of Year					(23,133,835)
Net Position - End of Year					\$ (21,075,452)

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, 2023

	(11) - General Fund	(12) - Special Revenue Fund	(13) - Debt Service Fund	(14) - Capital Projects Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 6,340,822	\$ 1,617,573	\$ 1,353,760	\$ 3,895,576	\$ 13,207,731
Investments	1,480,327	-	-	-	1,480,327
Receivables, Net	597,746	362,259	-	63,936	1,023,941
Due from Other Funds	142,866	-	-	-	142,866
Inventories	-	105,394	-	-	105,394
Other Assets	-	20,018	-	-	20,018
Total Assets	\$ 8,561,761	\$ 2,105,244	\$ 1,353,760	\$ 3,959,512	\$ 15,980,277
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 596,377	\$ 109,503	\$ 530,746	\$ 12,685	\$ 1,249,311
Due to Other Funds	-	142,866	-	-	142,866
Unearned Revenues	-	71,268	-	-	71,268
Salaries and Benefits Payable	2,904,288	95,019	-	-	2,999,307
Total Liabilities	3,500,665	418,656	530,746	12,685	4,462,752
Fund Balances					
Nonspendable	-	105,394	-	-	105,394
Restricted for:					
Education	-	1,581,194	-	-	1,581,194
Construction	-	-	-	3,946,827	3,946,827
Unassigned	5,061,096	-	823,014	-	5,884,110
Total Fund Balances	5,061,096	1,686,588	823,014	3,946,827	11,517,525
Total Liabilities and Fund Balances	\$ 8,561,761	\$ 2,105,244	\$ 1,353,760	\$ 3,959,512	\$ 15,980,277

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, 2023

Total Fund Balances - Governmental Funds	\$ 11,517,525
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.	
To Cost of Capital Assets is	\$ 119,052,043
Accumulated Depreciation is	<u>(22,747,905)</u>
	96,304,138
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred on the statement of net position.	338,391
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.	3,258,542
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	12,456,304
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.	(9,688,472)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Current Portion of Long-Term Debt	(2,633,508)
Noncurrent Portion of Long-Term Debt	<u>(132,628,372)</u>
	(135,261,880)
Total Net Position - Governmental Activities	<u>\$ (21,075,452)</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, 2023

	(11) - General Fund	(12) - Special Revenue Fund	(13) - Debt Service Fund	(14) - Capital Projects Fund	Total Governmental Funds
Revenues					
State	\$ 24,851,511	\$ -	\$ -	\$ 1,294,823	\$ 26,146,334
Federal	96,053	4,285,999	-	-	4,382,052
Local	9,045,763	3,020,512	71,432	4,505,940	16,643,647
Other	584,357	31,848	-	-	616,205
Total Revenues	34,577,684	7,338,359	71,432	5,800,763	47,788,238
Expenditures					
Current:					
Instructional	18,109,337	2,106,756	-	30,640	20,246,733
Instructional Support	5,483,242	2,097,730	-	-	7,580,972
Operation and Maintenance	4,637,299	262,503	-	597,049	5,496,851
Auxiliary Services:					
Student Transportation	2,158,607	104,399	-	-	2,263,006
Food Service	-	2,369,797	-	-	2,369,797
General Administrative	2,412,585	250,621	-	-	2,663,206
Other	203,461	335,709	-	-	539,170
Capital Outlay	988,374	118,858	-	1,985,510	3,092,742
Debt Service:					
Principal Retirement	-	-	2,430,000	-	2,430,000
Interest and Fiscal Charges	-	-	1,613,760	700,347	2,314,107
Debt Issuance Costs/Other Debt Service	-	-	-	13,750	13,750
Total Expenditures	33,992,905	7,646,373	4,043,760	3,327,296	49,010,334
Excess (Deficiency) of Revenues Over Expenditures	584,779	(308,014)	(3,972,328)	2,473,467	(1,222,096)
Other Financing Sources (Uses)					
Indirect Cost	194,745	-	-	-	194,745
Transfers In	-	214,393	3,983,292	-	4,197,685
Other Financing Sources	210,502	-	-	-	210,502
Transfers Out	(214,393)	-	-	(3,983,292)	(4,197,685)
Total Other Financing Sources (Uses)	190,854	214,393	3,983,292	(3,983,292)	405,247
Net Changes in Fund Balances	775,633	(93,621)	10,964	(1,509,825)	(816,849)
Fund Balances - Beginning of Year	4,285,463	1,780,209	812,050	5,456,652	12,334,374
Fund Balances - End of Year	\$ 5,061,096	\$ 1,686,588	\$ 823,014	\$ 3,946,827	\$ 11,517,525

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, 2023

Net Changes in Fund Balances - Total Governmental Funds	\$	(816,849)
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	\$ 3,092,742	
Depreciation Expense	<u>(2,368,150)</u>	724,592
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.		
		2,430,000
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)	113,759	
Pension Expense, Current Year Increase/(Decrease)	2,796,646	
OPEB Expense, Current Year Increase/(Decrease)	<u>(2,631,045)</u>	(279,360)
Change in Net Position of Governmental Activities	\$	<u><u>2,058,383</u></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, 2023

	Agency Funds
	<hr/>
Assets	
Cash and Cash Equivalents	\$ 243,723
	<hr/>
Total Assets	\$ 243,723
	<hr/> <hr/>
Liabilities	
Due to External Organizations	\$ 243,723
	<hr/>
Total Liabilities	\$ 243,723
	<hr/> <hr/>

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

21
Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

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 financing 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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Principles

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

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

F. CASH AND INVESTMENTS

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

G. INVENTORIES

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

H. 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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- 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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted fund balance—Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the Board’s own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance—Consists of fund balances that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- Assigned fund balance—Consists of fund balances that are intended to be used by the school system for specific purposes. The Board authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- Unassigned fund balance—All other fund balances that do not meet the definition of “restricted, committed or assigned fund balances.” This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 December 5, 2023, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2023.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 2 DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

NOTE 3 COMPENSATED ABSENCES

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

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

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

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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 3 COMPENSATED ABSENCES (continued)

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.

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 \$157,210,154. 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.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

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.

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

	Interfund Receivables		
	<u>General Fund</u>		
<u>Interfund Payables</u>			
Special Revenue Fund	\$	142,866	
Totals	\$	<u>142,866</u>	
	Transfers Out		
	General	Capital Projects	
	Fund	Fund	Totals
<u>Transfers In</u>			
Special Revenue Fund	\$	214,393	\$ 214,393
Debt Service Fund		-	
Totals	\$	<u>214,393</u>	<u>3,983,292</u>
	\$	3,983,292	\$ 4,197,685

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Saraland Board of Education
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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 formula method. 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 up to 80% of their average final compensation.

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2022 was 12.43% of annual pay for Tier 1 members and 11.32% 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 \$2,376,305 for the fiscal year ended September 30, 2023.

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

At September 30, 2023, the Board reported a liability of \$35,912,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the Board's proportion was 0.231081 percent, which was an increase of 0.008018 percent from its proportion measured as of September 30, 2021.

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

For the year ended September 30, 2023, the Board recognized pension expense of \$2,796,646. At September 30, 2023, 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	\$ 789,000	\$ 871,000
Changes of assumptions	1,630,000	-
Net difference between projected and actual earnings on pension plan investments	7,206,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,377,000	51,000
Employer contributions subsequent to the measurement date	<u>2,376,305</u>	<u>-</u>
Total	<u><u>\$ 13,378,305</u></u>	<u><u>\$ 922,000</u></u>

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date was reported at \$2,376,305 and will be recognized as a reduction to the net pension liability in the year ended September 30, 2024. 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:

2024	\$ 3,146,000
2025	2,263,000
2026	1,642,000
2027	3,029,000
2028	<u>-</u>
	<u><u>\$ 10,080,000</u></u>

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability as of September 30, 2022 was determined by an actuarial valuation as of September 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, 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, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

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

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

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	2.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Board's proportionate share of collective net pension liability	\$ 46,468,000	\$ 35,912,000	\$ 27,020,000

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

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 Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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, 2023

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, eyeglasses, and contact lens prescriptions.

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

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

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

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

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, 2023, the Saraland Board of Education reported a liability of \$4,783,364 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the Saraland Board of Education's proportion was .27451965 percent, which was an increase of .02863965 percent from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Board recognized OPEB expense of \$(2,631,045), with no special funding situations. At September 30, 2023, the Board 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, 2023

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 219,384	\$ 9,671,569
Changes of assumptions	3,879,962	6,962,474
Net difference between projected and actual earnings on OPEB plan investments	601,553	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,011,095	1,150,921
Employer contributions subsequent to the measurement date	384,498	-
	<u>\$ 8,096,492</u>	<u>\$ 17,784,964</u>
Total	<u>\$ 8,096,492</u>	<u>\$ 17,784,964</u>

Deferred outflows of resources related to OPEB resulting from the Saraland Board of Education's contributions subsequent to measurement date was report as \$384,498 and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

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:	
2024	\$ (2,351,063)
2025	(2,657,155)
2026	(1,219,688)
2027	(1,147,246)
2028	(1,681,087)
Thereafter	(1,016,731)
	<u>\$ (10,072,970)</u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, 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
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NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

Inflation	2.50%
Projected salary increases ¹	3.25%-5.00
Long-term investment rate of return ²	7.00%
Municipal bond index rate at the measurement date	4.40%
Municipal bond index rate at the prior measurement date	2.29%
Year fiduciary net position (FNP)	N/A
Single equivalent interest rate the measurement date	7.00%
Single equivalent interest rate the prior measurement date	3.97%
Healthcare cost trend rate	
Pre-medicare eligible	6.50%
Medicare eligible	**
Ultimate trend rate	
Pre-medicare eligible	4.50% in 2031
Medicare eligible	4.50% in 2027

¹ Includes 2.75% wage inflation.

² Compounded annually, net of investment expense and includes inflation

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

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

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021. 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, 2021 valuation.

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 3.97%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (continued)

University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

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 (5.50% decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre- Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre- Medicare, Known decreasing to 5.50% for Medicare Eligible)
Board's proportionate share of collective net OPEB liability	\$ 3,627,235	\$ 4,783,364	\$ 6,201,248

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 7.00%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Board's proportionate share of collective net OPEB liability	\$ 5,913,923	\$ 4,783,364	\$ 3,834,293

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 10**CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Retirements/ reclassifications	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 5,531,676	\$ -	\$ -	\$ 5,531,676
Construction in Progress	6,056,994	2,083,653	6,345,994	1,794,653
Total Capital Assets, Not Being Depreciated	11,588,670	2,083,653	6,345,994	7,326,329
Capital Assets Being Depreciated:				
Land Improvements - Exhaustible	1,379,872	118,858	-	1,498,730
Buildings	92,089,167	7,087,501	-	99,176,668
Building Improvements	6,069,830	-	-	6,069,830
Equipment and Furniture	1,068,047	81,708	-	1,149,755
Vehicles	3,763,715	67,016	-	3,830,731
Total Capital Assets Being Depreciated	104,370,631	7,355,083	-	111,725,714
Less Accumulated Depreciation for:				
Land Improvements - Exhaustible	31,047	64,769	-	95,816
Buildings	15,540,194	1,721,393	-	17,261,587
Building Improvements	1,854,605	242,365	-	2,096,970
Equipment and Furniture	794,280	33,559	-	827,839
Vehicles	2,159,629	306,064	-	2,465,693
Total Accumulated Depreciation	20,379,755	2,368,150	-	22,747,905
Total Capital Assets Being Depreciated, Net	83,990,876	4,986,933	-	88,977,809
Total Governmental Activities Capital Assets, Net	\$ 95,579,546	\$ 7,070,586	\$ 6,345,994	\$ 96,304,138

Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 10 CAPITAL ASSETS (continued)

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

Instructional	\$ 1,852,770
Instructional Support	77,475
Operation and Maintenance	54,464
Student Transportation	278,482
Food Service	89,293
General Administrative	15,666
Total Depreciation Expense - Governmental Activities	<u>\$ 2,368,150</u>

NOTE 11 LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Warrants Payable	\$ 73,210,000	\$ -	\$ 2,430,000	\$ 70,780,000	\$ 2,450,000
Warrant Anticipation Notes					
Unamortized Discount	(140,612)	-	(7,171)	(133,441)	(7,171)
Unamortized Premium	3,640,636	-	190,679	3,449,957	190,679
Total Bonds and Notes Payable	<u>76,710,024</u>	<u>-</u>	<u>2,613,508</u>	<u>74,096,516</u>	<u>2,633,508</u>
Other Liabilities:					
Financing Leases	20,470,000	-	-	20,470,000	-
Net Pension Liability	21,013,000	14,899,000	-	35,912,000	-
Net OPEB Liability	12,704,161	-	7,920,797	4,783,364	-
Total Other Liabilities	<u>54,187,161</u>	<u>14,899,000</u>	<u>7,920,797</u>	<u>61,165,364</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 130,897,185</u>	<u>\$ 14,899,000</u>	<u>\$ 10,534,305</u>	<u>\$ 135,261,880</u>	<u>\$ 2,633,508</u>

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 11 LONG TERM LIABILITIES (CONTINUED)

Bonds and Warrants Payable at September 30, 2023, were comprised of the following:

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.	\$ 6,960,000
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.	38,005,000
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
Series 2021-A Warrants payable in semi-annual installments of \$1,165,000 to \$2,540,000 maturing June 1, 2030, with interest at 0.44% to 1.90% payable on June 1 and December 1.	12,160,000
Series 2021-B Warrants payable in semi-annual installments of \$160,000 to \$2,410,000 maturing June 1, 2044, with interest at 2.00% to 4.00% payable on June 1 and December 1.	<u>8,985,000</u>
Total Bonds and Warrants Payable	<u><u>\$ 70,780,000</u></u>

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 2,450,000	\$ 1,588,825
2025	2,470,000	1,565,901
2026	2,500,000	1,536,973
2027	3,840,000	1,502,683
2028	3,900,000	1,445,458
2029-2033	16,190,000	5,976,659
2034-2038	15,040,000	4,092,390
2039-2043	17,175,000	2,144,104
2044-2045	<u>7,215,000</u>	<u>235,900</u>
	<u><u>\$ 70,780,000</u></u>	<u><u>\$ 20,088,893</u></u>

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Saraland Board of Education
Notes to the Financial Statements
September 30, 2023

NOTE 11 LONG TERM LIABILITIES (CONTINUED)

Financing 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 financing 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 financing lease obligations are as follows:

	Governmental Activities
Land	\$ 874,147
Buildings & building improvements, net of \$13,189,433 accumulated depreciation	55,226,381
Total	<u>\$ 56,100,528</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2023, were as follows:

Year ending September 30,	Governmental Activities
2024	\$ 699,900
2025	699,900
2026	699,900
2027	699,900
2028	699,900
2029-2033	8,040,400
2034-2038	11,069,650
2039-2041	6,637,300
Total minimum lease payments	<u>29,246,850</u>
Less amount representing interest	<u>(8,776,850)</u>
Present value of minimum lease payments	<u>\$ 20,470,000</u>

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, 2023.

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, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budget to GAAP	
	Original	Final			Differences Over (Under)	Actual Amounts GAAP Basis
Revenues						
State	\$ 22,474,261	\$ 22,685,576	\$ 24,851,511	\$ 2,165,935	\$ -	\$ 24,851,511
Federal	-	-	96,053	96,053	-	96,053
Local	7,711,317	7,711,317	9,045,763	1,334,446	-	9,045,763
Other	230,530	230,530	584,357	353,827	-	584,357
Total Revenues	30,416,108	30,627,423	34,577,684	3,950,261	-	34,577,684
Expenditures						
Current:						
Instructional	17,804,057	17,904,708	18,287,469	(382,761)	(178,132)	18,109,337
Instructional Support	5,069,601	5,012,787	5,403,946	(391,159)	79,296	5,483,242
Operation and Maintenance	3,250,242	3,377,720	4,638,681	(1,260,961)	(1,382)	4,637,299
Auxiliary Services:						
Student Transportation	1,936,713	1,936,713	2,161,879	(225,166)	(3,272)	2,158,607
General Administrative	1,945,789	1,985,789	2,408,878	(423,089)	3,707	2,412,585
Other	219,564	219,564	199,664	19,900	3,797	203,461
Capital Outlay						
Real Property	-	853,845	988,374	(134,529)	-	988,374
Total Expenditures	30,225,966	31,291,126	34,088,891	(2,797,765)	(95,986)	33,992,905
Excess (Deficiency) of Revenues Over Expenditures	190,142	(663,703)	488,793	1,152,496	95,986	584,779
Other Financing Sources (Uses):						
Indirect Cost	181,511	181,511	194,745	13,234	-	194,745
Other Financing Sources	-	-	210,502	210,502	-	210,502
Transfers Out	(331,893)	(91,893)	(214,393)	(122,500)	-	(214,393)
Total Other Financing Sources (Uses)	(150,382)	89,618	190,854	101,236	-	190,854
Net Change in Fund Balances	39,760	(574,085)	679,647	1,253,732	95,986	775,633
Fund Balances - Beginning of Year	8,200,000	7,285,737	7,285,737	-	(3,000,274)	4,285,463
Fund Balances - End of Year	\$ 8,239,760	\$ 6,711,652	\$ 7,965,384	\$ 1,253,732	\$ (2,904,288)	\$ 5,061,096

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, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget--		Budget to GAAP Differences	
	Original	Final				Over (Under)	Actual Amounts GAAP Basis
Revenues							
Federal	\$ 4,933,987	\$ 5,271,897	\$ 4,285,999	\$ (985,898)	\$ -	\$ -	\$ 4,285,999
Local	1,823,914	1,823,914	3,020,512	1,196,598	-	-	3,020,512
Other	20,000	20,000	31,848	11,848	-	-	31,848
Total Revenues	6,777,901	7,115,811	7,338,359	222,548	-	-	7,338,359
Expenditures							
Current:							
Instructional	2,025,253	2,038,704	2,106,756	(68,052)	-	-	2,106,756
Instructional Support	1,997,417	2,038,629	2,097,730	(59,101)	-	-	2,097,730
Operation and Maintenance	357,725	347,354	262,503	84,851	-	-	262,503
Auxiliary Services:							
Student Transportation	75,118	94,480	104,399	(9,919)	-	-	104,399
Food service	1,981,840	1,981,840	2,357,572	(375,732)	12,225	12,225	2,369,797
General Administrative	217,843	254,761	250,621	4,140	-	-	250,621
Other	302,084	320,425	335,709	(15,284)	-	-	335,709
Capital Outlay							
Personal Property	139,861	118,858	118,858	-	-	-	118,858
Total Expenditures	7,097,141	7,195,051	7,634,148	(439,097)	12,225	12,225	7,646,373
Excess (Deficiency) of Revenues Over Expenditures	(319,240)	(79,240)	(295,789)	(216,549)	(12,225)	(12,225)	(308,014)
Other Financing Sources (Uses):							
Transfers In	370,954	130,954	214,393	83,439	-	-	214,393
Transfers Out	(39,061)	(39,061)	-	39,061	-	-	-
Total Other Financing Sources (Uses)	331,893	91,893	214,393	122,500	-	-	214,393
Net Change in Fund Balances	12,653	12,653	(81,396)	(94,049)	(12,225)	(12,225)	(93,621)
Fund Balances - Beginning of Year	1,180,000	1,863,003	1,863,003	-	(82,794)	(82,794)	1,780,209
Fund Balances - End of Year	\$ 1,192,653	\$ 1,875,656	\$ 1,781,607	\$ (94,049)	\$ (95,019)	\$ (95,019)	\$ 1,686,588

See notes to required supplementary information

Saraland Board of Education
Notes to Required Supplementary Information
For the Year Ended September 30, 2023

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 9, 2022. Final budgeted amounts were adopted by the Board on April 6, 2023.

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	\$ 34,088,891	\$ 7,634,148
 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>(95,986)</u>	 <u>12,225</u>
 Total expenditures are reported on the statement of revenues, expenditures and changes in fund balances--governmental funds	 <u><u>\$ 33,992,905</u></u>	 <u><u>\$ 7,646,373</u></u>

Saraland Board of Education
Schedule of the Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan of Alabama
September 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Board's proportion of the net pension liability	0.231081%	0.223100%	0.218156%	0.219352%	0.203923%	0.195621%	0.188025%	0.182506%	0.174104%
Board's proportionate share of the net pension liability	\$ 35,912,000	\$ 21,013,000	\$ 26,985,000	\$ 24,254,000	\$ 20,275,000	\$ 19,227,000	\$ 20,356,000	\$ 19,101,000	\$ 15,817,000
Board's covered-employee payroll*	\$ 19,571,455	\$ 17,778,940	\$ 16,230,757	\$ 15,517,924	\$ 14,438,893	\$ 13,710,843	\$ 13,045,986	\$ 12,021,600	\$ 11,061,610
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.49%	118.19%	166.26%	156.30%	140.42%	140.23%	156.03%	158.89%	142.99%
Plan fiduciary net position as a percentage of the total pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

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 2023, the measurement period is October 1, 2021-September 30, 2022.

**Saraland Board of Education
Schedule of Board Contributions
Teacher's Retirement Plan of Alabama
September 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution*	\$ 2,376,305	\$ 2,134,951	\$ 1,940,529	\$ 1,877,460	\$ 1,750,914	\$ 1,637,417	\$ 1,532,853	\$ 1,413,528	\$ 1,347,808
Contributions in relation to the contractually required contribution*	2,376,305	2,134,951	1,940,529	1,877,460	1,750,914	1,637,417	1,532,853	1,413,528	1,347,808
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee-payroll**	\$ 19,571,455	\$ 17,778,940	\$ 16,230,757	\$ 15,517,924	\$ 14,438,893	\$ 13,710,843	\$ 13,045,986	\$ 12,021,600	\$ 11,061,610
Contributions as a percentage of covered-employee payroll	12.14%	12.01%	11.96%	12.10%	12.13%	11.94%	11.75%	11.76%	12.18%

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

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

**Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2023 the measurement period is October 1, 2021-September 30, 2022.

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

	2023	2022	2021	2020	2019	2018
Board's proportion of the net OPEB liability	0.274520%	0.245880%	0.241666%	0.265591%	0.247440%	0.216331%
Board's proportionate share of the net OPEB liability	\$ 4,783,364	\$ 12,704,161	\$ 15,683,787	\$ 10,020,132	\$ 20,336,417	\$ 16,067,831
Board's covered-employee payroll	\$ 19,571,455	\$ 17,778,940	\$ 16,230,757	\$ 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	24.44%	71.46%	96.63%	64.57%	140.84%	117.19%
Plan fiduciary net position as a percentage of the total OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

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

	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 384,498	\$ 524,964	\$ 384,498	\$ 479,358	\$ 759,142	\$ 612,383
Contributions in relation to the contractually required contribution	384,498	524,964	384,498	479,358	759,142	612,383
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee-payroll	\$ 19,571,455	\$ 17,778,940	\$ 16,230,757	\$ 15,517,924	\$ 14,438,893	\$ 13,710,843
Contributions as a percentage of covered-employee payroll	1.96%	2.95%	2.37%	3.09%	5.26%	4.47%

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

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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

NOTE 1

Changes in actuarial assumptions

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

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

Recent Plan Changes

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 maximum annual out-of-pocket amounts.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2019, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible*	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible
	2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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

COMPLIANCE SECTION



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

Members of the Board
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, 2023, 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 December 5, 2023

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 December 5, 2023.

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.

Report on 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

December 5, 2023
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

Opinion on Each Major Federal Program

We have audited Saraland Board of Education's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Saraland Board of Education's major federal programs for the year ended September 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Avizo Group, Inc.

Certified Public Accountants

December 5, 2023
Brewton, Alabama

Saraland Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

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	\$ 255,035
National School Lunch Program:		
Cash Assistance	10.555	949,468
Non-Cash Assistance	10.555	143,957
National School Lunch Program Sub-Total		<u>1,093,425</u>
Total U.S. Department of Agriculture		<u><u>1,348,460</u></u>
<u>U.S. Department of Education</u>		
Passed Through Alabama Department of Education:		
Special Education Cluster:		
Special Education-Grants to States	84.027	568,627
Special Education-Grants to States (ARPA)	84.027X	159,161
Special Education-Preschool Grants	84.173	8,535
Special Education-Preschool Grants (ARPA)	84.173X	12,119
Special Education Cluster Sub-Total		<u>748,442</u>
Elementary and Secondary School Emergency Relief Fund (CRRSA) (M)	84.425D	301,974
Elementary and Secondary School Emergency Relief Fund (CRRSA-ALDSE Reserve) (M)	84.425D	80,178
CFDA 84.425D Sub-Total		<u>382,152</u>
Elementary and Secondary School Emergency Relief (ARPA-ALSDE Reserve) (M)	84.425U	1,015,153
Elementary and Secondary School Emergency Relief (ARPA-ALSDE Reservation) (M)	84.425U	180,738
CFDA 84.425U Sub-Total		<u>1,195,891</u>
Title I Grants to Local Education Agencies	84.010	423,594
Career and Technical Education Basic Grants to States	84.048A	42,367
Student Support and Academic Enrichment Program	84.424	35,001
Improving Teacher Quality State Grants	84.367	76,566
Elementary and Secondary School Emergency Relief - Homeless Children and Youth (M)	84.425W	1,660
Total U.S. Department of Education		<u><u>2,905,673</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 4,254,133</u></u>

(M) = Major Program

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, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of Saraland Board of Education under the programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of Saraland Board of Education.

Basis of Accounting

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

Indirect Cost Rate

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

Saraland Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

SECTION 1-SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of opinion issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes X No

Significant deficiency(ies) identified?

 X Yes None reported

Noncompliance material to financial statements noted?

Yes X No

Federal Awards

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

Unmodified

Internal control over major programs:

Material weakness(es) identified?

Yes X No

Significant deficiency(ies) identified?

Yes X None reported

Any audit findings disclosed that are required to be
reported in accordance with 2CFR200.516(a)
of the *Uniform Guidance* ?

Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Elementary and Secondary School Emergency Relief Fund (CRRSA)
84.425D	Elementary and Secondary School Emergency Relief Fund (CRRSA-ALDSE Reserve)
84.425U	Elementary and Secondary School Emergency Relief (ARPA-ALSDE Reservation)
84.425U	Elementary and Secondary School Emergency Relief (ARPA-ALSDE Reserve)
84.425W	Secondary School Emergency Relief - Homeless Children and Youth

Dollar threshold used to distinguish between Type A
and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

SECTION 2-FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable

SECTION 3-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

See independent auditors' report.