Report on the

Macon County
Board of Education

Macon County, Alabama

October 1, 2018 through September 30, 2019

Filed: July 17, 2020

Department of
Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

20-425

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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Macon County Board of Education, Macon County, Alabama, for the period October 1, 2018 through September 30, 2019, by Examiners Chris Newton and Lacey Anecito. I, Chris Newton, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Chris Newton
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

Macon County Board of Education
October 1, 2018 through September 30, 2019

The Macon County Board of Education (the "Board") is governed by a five-member body elected by the citizens of Macon County. The members and administrative personnel in charge of governance of the Board are listed on Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Macon County Public Schools, preschool through high school.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2019.

Problems were found with the Board's internal controls over financial reporting (Exhibit 17) and they are summarized below:

- 2019-001 relates to the Board's failure to implement adequate internal controls over the recording of concession items at Tuskegee Public School.

- 2019-002 relates to the Board's failure to ensure local school receipting and depositing policies were operating as prescribed. This finding was previously reported as Finding 2018-001.

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Dr. Jacqueline A. Brooks, Superintendent; Natalie Young, Chief School Financial Officer; and Board Members: Elnora Smith Love, Mary H. Hooks, Katy Campbell and Helen Samuel. Representing the Department of Examiners of Public Accounts were: Tammy D. Shelley, Audit Manager; Chris Newton, Examiner; and Lacey Anecito, Examiner. The results of this report were also discussed with Karey Thompson, Board Member via telephone.

Independent Auditor's Report

Independent Auditor's Report

Members of the Macon County Board of Education,
Superintendent and Chief School Financial Officer
Tuskegee, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Board of Education, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Macon County Board of Education as listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Board of Education, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 12), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Macon County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), 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)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 19, 2020, on our consideration of the Macon County 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Macon County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Macon County Board of Education's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 19, 2020

Basic Financial Statements

Statement of Net Position
September 30, 2019

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	2,655,460.38
Investments		294,839.87
Ad Valorem Property Taxes Receivable		3,470,876.59
Receivables (Note 4)		376,181.69
Inventories		54,317.24
Capital Assets (Note 5):		
Nondepreciable		368,166.88
Depreciable, Net		29,403,542.98
Total Assets		36,623,385.63
Deferred Outflows of Resources		
Loss on Refunding of Debt		110,315.37
Employer Pension Contribution		1,416,452.96
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability		1,406,000.00
Employer Other Postemployment Benefits (OPEB) Contribution		593,673.00
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability		320,436.00
Total Deferred Outflows of Resources		3,846,877.33
Liabilities		
Accounts Payable		294,063.43
Unearned Revenue		654.05
Salaries and Benefits Payable		1,335,072.30
Accrued Interest Payable		294,784.84
Long-Term Liabilities:		
Portion Due or Payable Within One Year		975,736.31
Portion Due or Payable After One Year		65,668,070.82
Total Liabilities		68,568,381.75
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes		3,470,876.59
Revenue Received in Advance - Motor Vehicle Taxes		262,675.76
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability		2,979,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability		2,214,167.00
Total Deferred Inflows of Resources	$	8,926,719.35

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities
Net Position	
Net Investment in Capital Assets	$ (1,695,857.86)
Restricted for:	
Child Nutrition Program	147,409.03
Debt Service	407,884.55
Other Purposes	346,462.15
Unrestricted	(36,230,736.01)
Total Net Position	$ (37,024,838.14)

Statement of Activities
For the Year Ended September 30, 2019

			Program Revenues
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Governmental Activities			
Instruction	$ 11,683,183.96	$ 93,000.03	$ 9,079,100.55
Instructional Support	4,099,258.76	149,168.43	3,287,938.62
Operation and Maintenance	2,256,200.19	19,774.50	838,438.44
Auxiliary Services:			
Student Transportation	1,829,383.45	23,080.19	1,601,608.45
Food Service	2,081,739.09	1,727,911.04	163,454.80
General Administrative	1,812,441.82	1,329.08	1,197,915.28
Interest and Fiscal Charges	1,094,375.27		
Other Expenses	725,153.11	54,150.03	614,215.87
Total Governmental Activities	$ 25,581,735.65	$ 2,068,413.30	$ 16,782,672.01

General Revenues:
Taxes:
Property Taxes for General Purposes
Property Taxes for Specific Purposes
Sales Tax
Other Taxes
Grants and Contributions Not Restricted for Specific Programs
Investment Earnings
Gain on Disposition of Capital Assets
Miscellaneous
Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities
	$ 467,569.74	$ (2,043,513.64)
		(662,151.71)
	198,961.34	(1,199,025.91)
	40,691.92	(164,002.89)
		(190,373.25)
		(613,197.46)
		(1,094,375.27)
		(56,787.21)
	$ 707,223.00	(6,023,427.34)
		2,688,414.81
		1,614,504.34
		295,696.60
		57,452.43
		21,455.20
		250,813.79
		1,562.00
		714,102.17
		5,644,001.34
		(379,426.00)
		(36,645,412.14)
		$ (37,024,838.14)

Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Special Revenue Fund
Assets		
Cash and Cash Equivalents	$ 1,167,542.65	$ 518,742.29
Investments	294,839.87	
Ad Valorem Property Taxes Receivable	3,470,876.59	
Receivables (Note 4)	103,025.64	273,116.06
Due from Other Funds	537,013.33	319,231.19
Inventories		54,317.24
Total Assets	5,573,298.08	1,165,406.78
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts Payable	142,161.90	131,201.53
Due to Other Funds	319,231.19	537,013.33
Unearned Revenue		654.05
Salaries and Benefits Payable	1,254,033.03	81,039.27
Total Liabilities	1,715,426.12	749,908.18
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	3,470,876.59	
Revenue Received in Advance - Motor Vehicle Taxes	262,675.76	
Total Deferred Inflows of Resources	3,733,552.35	
Fund Balances		
Nonspendable:		
Inventories		54,317.24
Restricted:		
Capital Projects		
Child Nutrition Program		93,091.79
Debt Service		
Other Purposes	344,743.83	1,718.32
Assigned:		
Local Schools		266,371.25
Unassigned	(220,424.22)	
Total Fund Balances	124,319.61	415,498.60
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,573,298.08	$ 1,165,406.78

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
$ 969,175.44	$ 2,655,460.38
	294,839.87
	3,470,876.59
39.99	376,181.69
	856,244.52
	54,317.24
969,215.43	7,707,920.29
20,700.00	294,063.43
	856,244.52
	654.05
	1,335,072.30
20,700.00	2,486,034.30
	3,470,876.59
	262,675.76
	3,733,552.35
	54,317.24
245,846.04	245,846.04
	93,091.79
702,669.39	702,669.39
	346,462.15
	266,371.25
	(220,424.22)
948,515.43	1,488,333.64
$ 969,215.43	$ 7,707,920.29

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2019

Total Fund Balances - Governmental Funds		$ 1,488,333.64
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 the governmental funds.		
The Cost of Capital Assets is	$ 56,587,784.85	
Accumulated Depreciation is	(26,816,074.99)	
		29,771,709.86
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.		110,315.37
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(156,547.04)
Deferred outflows and inflows of resources related to Other Postemployment Benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.		(1,300,058.00)
Long-term liabilities, including bonds payable and pension/OPEB obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Current Portion of Long-Term Debt	$ 975,736.31	
Noncurrent Portion of Long-Term Debt	65,668,070.82	
		(66,643,807.13)
Interest on long-term debt is not accrued in the governmental funds but rather is recognized as an expenditure when due.		
Accrued Interest Payable	$ 294,784.84	
		(294,784.84)
Total Net Position - Governmental Activities		$ (37,024,838.14)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General Fund	Special Revenue Fund
Revenues		
State	$ 13,793,364.86	$
Federal	238,225.43	4,382,258.51
Local	3,481,951.00	592,758.71
Other	226,623.21	15,220.37
Total Revenues	17,740,164.50	4,990,237.59
Expenditures		
Current:		
Instruction	9,484,440.79	1,201,183.08
Instructional Support	3,055,456.47	1,099,787.57
Operation and Maintenance	1,938,974.61	41,593.77
Auxiliary Services:		
Student Transportation	1,577,378.37	3,449.73
Food Service		2,276,577.17
General Administrative	1,558,128.58	352,608.07
Other	269,712.62	459,629.50
Capital Outlay		11,722.39
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	17,884,091.44	5,446,551.28
Excess (Deficiency) of Revenues Over Expenditures	(143,926.94)	(456,313.69)
Other Financing Sources (Uses)		
Indirect Cost	395,394.00	
Transfers In	320,220.45	419,864.01
Other Financing Sources	118,549.25	
Sale of Capital Assets	8,124.50	
Transfers Out	(653,048.23)	(5,025.85)
Total Other Financing Sources (Uses)	189,239.97	414,838.16
Net Changes in Fund Balances	45,313.03	(41,475.53)
Fund Balances - Beginning of Year	79,006.58	456,974.13
Fund Balances - End of Year	$ 124,319.61	$ 415,498.60

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
$ 707,223.00	$ 14,500,587.86
	4,620,483.94
1,644,573.31	5,719,283.02
	241,843.58
2,351,796.31	25,082,198.40
92,126.13	10,777,750.00
3,015.00	4,158,259.04
244,834.58	2,225,402.96
	1,580,828.10
	2,276,577.17
13,278.48	1,924,015.13
	729,342.12
6,500.00	18,222.39
857,475.76	857,475.76
1,102,653.01	1,102,653.01
2,319,882.96	25,650,525.68
31,913.35	(568,327.28)
	395,394.00
468,215.48	1,208,299.94
	118,549.25
	8,124.50
(550,225.86)	(1,208,299.94)
(82,010.38)	522,067.75
(50,097.03)	(46,259.53)
998,612.46	1,534,593.17
$ 948,515.43	$ 1,488,333.64

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2019

Net Changes in Fund Balances - Total Governmental Funds			$	(46,259.53)
Amounts reported for governmental activities in the Statement of Activities are different because:				
Capital outlays to purchase or build capital assets are reported in the 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 capital outlays differed from depreciation expense in the period.				
Capital Outlays	$	18,222.39		
Depreciation Expense		(1,544,419.48)		
				(1,526,197.09)
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.				857,475.76
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.				
Proceeds from Sale of Capital Assets	$	(8,124.50)		
Gain on Disposition of Capital Assets		1,562.00		
				(6,562.50)
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 the governmental funds.				
Accrued Interest Payable, Current Year (Increase)/Decrease	$	12,363.35		
Amortization of Bond Premiums/Discounts/Loss on Refunding		(4,085.61)		
Pension Expense, Current Year (Increase)/Decrease		529,684.62		
Other Postemployment Benefits (OPEB) Expense, Current Year (Increase)/Decrease		(195,845.00)		
				342,117.36
Change in Net Position of Governmental Activities			$	(379,426.00)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County.

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units. Accordingly, the accompanying financial statements present the Board (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Board reports the following major governmental funds:

- ***General Fund*** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.

- ***Special Revenue Fund*** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.

The Board reports the following fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ***Capital Projects Fund*** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets and capital-related debt. Also included in this fund are Alabama Department of Education appropriations which are restricted to their use.

- ***Debt Service Fund*** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of 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.

Governmental fund financial statements are reported using the current financial resources 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 when they are collected within sixty (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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, are considered restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, Bonds and Warrants, and Qualified Zone Academy Bonds funds are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

5. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements as follows:

	Capitalization Threshold	Estimated Useful Life
Land Improvements	$50,000	20 years
Buildings	$50,000	5 – 50 years
Equipment and Furniture	$ 5,000	5 – 20 years
Vehicles	$ 5,000	8 – 10 years

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

9. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ***Net Investment in Capital Assets*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

- ***Restricted*** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ***Unrestricted*** – The net amount of 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 portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds on the fund financial statements under the following five categories:

- ***Nonspendable*** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

- ***Committed*** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Board before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

- ***Assigned*** – Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorizes the Superintendent or Chief School Financial 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*** – Unassigned fund balances include all spendable amounts not contained in the other classifications. 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 classifications 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.

10. Minimum Fund Balance Policy

The Board recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the educational programs in the schools. The Superintendent or the Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and transfers out, the proposed budget or budget amendment shall be used.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

F. Other Postemployment Benefits (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan. Subsequent events were evaluated by management through the date the financial statements were issued.

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, in the General Fund, ad valorem taxes are budgeted only to the extent expected to be received. All other governmental funds adopt budgets on the modified accrual basis of accounting, with the exception of the Capital Projects Fund, which adopts project-length budgets. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each county board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the County Board of Education. The Superintendent or County Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

B. Deficit Net Position

As of September 30, 2019, the government-wide financial statements reported a deficit net position of $37,024,838.14. The deficit in net position is due to the implementation of GASB Statement Number 68, relating to Pensions, and GASB Statement Number 75, as amended by GASB Statement Number 85, relating to Other Postemployment Benefits.

Note 3 – Deposits and Investments

Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Cash with Fiscal Agent

The Board has cash with fiscal agent totaling $702,646.52 in the Other Governmental Funds which is included in the Cash and Cash Equivalents on the governmental fund financial statements and on the government-wide financial statements. This amount is related to the Qualified Zone Academy Bonds, Series 2011 funds that are actually held by the State of Alabama for future debt payment. The funds are recorded by the Board as cash with fiscal agent in the Debt Service Fund.

Note 4 – Receivables

On September 30, 2019, receivables for the Board's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Receivables:				
Accounts Receivable	$	$ 15,108.02	$	$ 15,108.02
Intergovernmental	103,025.64	257,948.04	39.99	361,013.67
Other		60.00		60.00
Total Receivables	$103,025.64	$273,116.06	$39.99	$376,181.69

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/01/2018	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2019
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	$ 368,166.88	$	$	$ 368,166.88
Construction in Progress	989,712.09		(989,712.09)	
Total Capital Assets, Not Being Depreciated	1,357,878.97		(989,712.09)	368,166.88
Capital Assets Being Depreciated:				
Land Improvements – Exhaustible	1,768,229.25	237,592.79		2,005,822.04
Buildings	37,126,894.00	752,119.30		37,879,013.30
Building Improvements	11,685,247.91			11,685,247.91
Equipment and Furniture	1,628,677.85	18,222.39		1,646,900.24
Vehicles	2,787,105.38		(132,190.90)	2,654,914.48
Capital Leases	347,720.00			347,720.00
Total Capital Assets Being Depreciated	55,343,874.39	1,007,934.48	(132,190.90)	56,219,617.97
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(1,552,303.73)	(53,547.98)		(1,605,851.71)
Buildings	(17,142,111.35)	(634,539.97)		(17,776,651.32)
Building Improvements	(3,750,957.68)	(534,774.26)		(4,285,731.94)
Equipment and Furniture	(1,147,500.02)	(75,994.41)		(1,223,494.43)
Vehicles	(1,717,481.13)	(210,790.86)	125,628.40	(1,802,643.59)
Capital Leases	(86,930.00)	(34,772.00)		(121,702.00)
Total Accumulated Depreciation	(25,397,283.91)	(1,544,419.48)	125,628.40	(26,816,074.99)
Total Capital Assets Being Depreciated, Net	29,946,590.48	(536,485.00)	(6,562.50)	29,403,542.98
Total Governmental Activities Capital Assets, Net	$ 31,304,469.45	$ (536,485.00)	$(996,274.59)	$ 29,771,709.86

(*) Included in the Additions and Retirements was $989,712.09 that was reclassified from Construction in Progress to Land Improvements – Exhaustible and Buildings.

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	$1,131,765.15
Instructional Support	727.95
Operation and Maintenance	33,447.60
Auxiliary:	
Student Transportation	251,713.14
Food Service	94,677.33
General Administrative	32,088.31
Total Depreciation Expense – Governmental Activities	$1,544,419.48

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 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). The ***Code of Alabama 1975***, Section 16-25-2, 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.

B. 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 are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, 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 Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2019, was 12.41% of annual pay for Tier 1 members and 11.35% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were $1,416,452.96 for the year ended September 30, 2019.

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

At September 30, 2019, the Board reported a liability of $17,800,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2017. 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, 2018, the Board's proportion was 0.179028%, which was a decrease of 0.003865% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized pension expense of $886,000.00. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 384,000.00	$ 542,000.00
Changes of assumptions	989,000.00	
Net difference between projected and actual earnings on pension plan investments		1,344,000.00
Changes in proportion and differences between Employer contributions and proportionate share contributions	33,000.00	1,093,000.00
Employer contributions subsequent to the measurement date	1,416,452.96	
Total	$2,822,452.96	$2,979,000.00

The $1,416,452.96 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. 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 Ending:	
September 30, 2020	$(283,000)
2021	$(736,000)
2022	$(488,000)
2023	$ (78,000)
2024	$ 12,000
Thereafter	$ 0

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%

(*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates were based on the sex distinct RP-2000 White Collar Mortality Table Projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
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%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

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

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

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board's Proportionate Share of Collective Net Pension Liability	$24,778,000	$17,800,000	$11,898,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is 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 the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through the PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "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***, Section 16-25A-4 (Act Number 83-455, Acts of Alabama) 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. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The ***Code of Alabama 1975***, Section 16-25A-4, provides the PEEHIB 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.

B. Benefits Provided

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

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

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

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

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

C. Contributions

The ***Code of Alabama 1975***, Section 16-25A-8, and the ***Code of Alabama 1975***, Section 16-25A-8.1, provide the PEEHIB 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 PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

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

At September 30, 2019, the Board reported a liability of $17,020,078.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the collective net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, the Board's proportion was 0.207089%, which was a decrease of 0.008312% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized OPEB expense of $786,713.00, with no special funding situations. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$320,436.00	$
Changes of assumptions		829,035.00
Net difference between projected and actual earnings on OPEB plan investments		91,193.00
Changes in proportion and differences between Employer contributions and proportionate share of contributions		1,293,939.00
Employer contributions subsequent to the measurement date	593,673.00	
Total	$914,109.00	$2,214,167.00

The $593,673.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2020. 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 Ending	
September 30, 2020	$(463,205.00)
2021	$(463,205.00)
2022	$(463,205.00)
2023	$(442,732.00)
2024	$ (69,049.00)
Thereafter	$ 7,665.00

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2029
Single Equivalent Interest Rate the Measurement Date	4.44%
Single Equivalent Interest Rate the Prior Measurement Date	4.63%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00%, beginning in 2019
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

(1) Includes 3.00% wage inflation.
(2) Compounded annually, net of investment expense, and includes inflation.

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017, valuation were based on a review of recent plan experience done concurrently with the September 30, 2017, valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the TRS. 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	100.00%	

(*) Geometric mean, includes 2.50% inflation

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2018, was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018, and it is assumed that the amount will increase by 2.75% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2029. The long-term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

G. Sensitivity of the Board's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates and in the Discount Rates

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

	1% Decrease (6% Decreasing to 3.75% for Pre-Medicare, 4% Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7% Decreasing to 4.75% for Pre-Medicare, 5% Decreasing to 4.75% for Medicare Eligible)	1% Increase (8% Decreasing to 5.75% for Pre-Medicare, 6% Decreasing to 5.75% for Medicare Eligible)
Board's Proportionate Share of the Collective Net OPEB Liability	$13,990,892	$17,020,078	$20,876,655

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 4.44%, as well as what the proportionate share of the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.44%)	Current Discount Rate (4.44%)	1% Increase (5.44%)
Board's Proportionate Share of the Collective Net OPEB Liability	$20,331,771	$17,020,078	$14,348,722

H. 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, 2018. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 – Lease Obligations

Capital Leases

On December 10, 2015, the Board acquired 4 buses through a master installment purchase agreement with Mercedes-Benz Financial Services USA. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board in 2025. Assets under capital lease totaled $347,720.00. The master installment purchase agreement contains a provision that in the event of default, the lender shall have the right, at its sole option without any further demand or notice, to take any combination of the following remedial steps: (a) by written notice to the Board, the Lender may declare all installment payments immediately due and other amounts payable under contract to be immediately due and payable; (b) with or without terminating the Contract Term under such contract, the Lender may, repossess equipment or require the Board to promptly return the equipment at the Board's expense to make available for sale or lease of the equipment while still holding the Board liable for the difference between (1) the installment payments payable by the Board pursuant to such contract and other amounts related to such contract or the Equipment listed therein that are payable by Borrower to the end of the then current Original Term or Renewal Term, as the case may be, and (2) the net proceeds of any such sale or leasing (after deducting all expenses of Lender in exercising its remedies); (c) Lender may terminate any Escrow Agreement relating to such Contract and apply any proceeds in the Escrow Fund thereunder to the Installment Payments under such Contract; or (d) Lender may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under such contract or as a secured party in any or all of the Equipment and any related Escrow Fund.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2019.

Fiscal Year Ending	Governmental Activities
September 30, 2020	$ 40,701.00
2021	40,701.01
2022	40,701.01
2023	40,701.01
2024	40,701.00
2025-2026	81,402.03
Total Minimum Lease Payments	284,907.06
Less: Amount Representing Interest	(31,041.32)
Present Value of Net Minimum Lease Payments	$253,865.74

Note 9 – Long-Term Debt

Capital Outlay School Warrants

On February 23, 2016, the Board issued $18,015,000 of its Capital Outlay School Warrants dated February 1, 2016. The Capital Outlay School Warrants were issued to (i) provide current refunding and defeasance of the outstanding Limited Obligation School Warrants Series 2006 issued on behalf of the Board by the County, currently outstanding in the aggregate principal amount of $14,780,000; (ii) paying a portion of the costs of improvements to the Board's public school infrastructure; and (iii) paying the costs of issuing the Warrants. The net proceeds from the issuance were $17,834,146.44 (after payment of original issue discount of $215,617.30, issuance costs of $342,210.00, and accrued interest of $34,763.74). Additionally, from the net proceeds, $14,872,612.90 was deposited in an irrevocable trust to provide for the current refunding of a portion of the Series 2006 Warrants issued pursuant to the 2006 Funding Agreement; and $2,584,559.80 was deposited to provide for payments for the capital improvements. The Capital Outlay School Warrants will bear interest at 6% per year. Principal will be paid beginning on February 1, 2017, and interest payments will be made on February 1 and August 1 beginning on August 1, 2016, and each year thereafter until the warrants are redeemed.

On January 14, 2014, the Board issued $6,140,000 of its Capital Outlay School Warrants dated January 1, 2014. The Capital Outlay School Warrants were issued to: (i) current refund and defease the Limited Obligation School Warrants, Series 2004, issued by the Macon County Commission on behalf of the Board pursuant to the 2004 Funding Agreement; (ii) construct, acquire, improve and equip certain capital improvements used to provide educational instruction; and (iii) pay the costs of issuing the Warrants. The net proceeds from the issuance were $5,848,087.03 (after payment of original issue discount of $105,103.65, issuance costs of $200,300.00 and accrued interest of $13,490.68). Additionally, from the net proceeds, $4,380,925.00 was deposited in an irrevocable trust to provide for the refunding of the Series 2004 Warrants issued pursuant to the 2004 Funding Agreement; $1,453,671.35 was deposited to provide for payments for the capital improvements. The Capital Outlay School Warrants will bear interest rates ranging from 3.125% to 4.625% per year. Principal will be paid beginning on February 1, 2025, and interest payments will be made on August 1 and February 1, beginning on August 1, 2014, and each year thereafter until the warrants are redeemed.

On July 24, 2012, the Board issued $5,750,000.00 of its Capital Outlay School Warrants dated July 1, 2012. The Capital Outlay School Warrants were issued to: (i) provide for advance refunding a portion of the Limited Obligation School Warrants, Series 2006, issued by the Macon County Commission on behalf of the Board pursuant to the 2006 Funding Agreement; (ii) construct, acquire, improve and equip certain capital improvements used to provide educational instruction; and (iii) pay the costs of issuing the Warrants. The net proceeds from the issuance were $5,310,470.93 (after payment of original issue discount of $232,990.00, issuance costs of $221,233.51, and accrued interest of $14,694.44). Additionally, from the net proceeds, $1,338,381.36 was deposited in an irrevocable trust to provide for the advance refunding of a portion of the Series 2006 Warrants issued pursuant to the 2006 Funding Agreement; $3,500,000.00 was deposited to provide for payments for the capital improvements; and $472,089.57 was deposited to provide for future interest payments on the Capital Outlay School Warrants. The Capital Outlay School Warrants will bear interest at 4% per year. Principal will be paid on April 1 and interest payments will be made on April 1 and October 1 beginning on October 1, 2012 and each year thereafter until the warrants are redeemed.

In the event of default of the terms and conditions of the warrant resolution for the Series 2016, Series 2014, and Series 2012 Capital Outlay School Warrants, remedies for warrant-holders may be limited by the United States Bankruptcy Code and other similar laws affecting creditors' rights and the exercise of judicial discretion, in certain cases.

Qualified Zone Academy Bonds (QZAB's)

During fiscal year 2011, the Board authorized the issuance of its Capital Outlay Pool Warrant, Series 2011-QZAB dated June 2, 2011, in the amount of $1,500,000 to evidence the Board's obligation to repay the Alabama Public School and College Authority for a Special Pool Loan in the amount of $1,500,000. Pursuant to the Special Pool Loan Agreement, payments shall be made from a pledge of the Public School Fund Capital Purchase Funds that are allocated to the Board. Beginning on May 1, 2012 and ending May 1, 2026, the Macon County Board of Education is required to make fifteen (15) level installment deposits of $75,143.42 into a sinking fund to provide for the payment of principal at the maturity date, whereupon the Board's obligation will be satisfied. Deposits made into the sinking fund shall remain the property of the Board pledged for repayment of the Special Pool Loan. After paying issuance cost of $5,600, the Board's net proceeds totaling $1,494,400 was deposited into a Project Account to be used only for qualified purposes with respect to Qualified Zone Academies including the repair of the HVAC system at the Booker T. Washington High School located in Tuskegee, Alabama. In the event of default, whether due to failure to comply with terms and conditions of the Bonds or in failure to pay amount due on the Bonds, the Alabama Public School and College Authority (the "Authority") may (1) withhold all PSF Capital Purchase funds due to the Board until full compliance with the terms and (2) file suit to compel performance of the obligations of the Board under the bond agreement.

Capital Improvement Pool Warrants

During fiscal year 2014, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Warrants, Series 2014A in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these funds were used to refund and retire Capital Improvement Pool Warrants, Series 2005.

During fiscal year 2012, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Warrants, Series 2012A in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these funds were used to refund and retire Capital Improvement Pool Warrants, Series 2002A.

During fiscal year 2011, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Warrants, Series 2011B in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The proceeds from these warrants were used to refund and retire the remainder of the outstanding Series 2001A Warrants.

In the event of default on Series 2014A, 2012A and 2011B Capital Outlay Pool Warrants, whether due to failure to comply with terms and conditions of the Bonds or in failure to pay amount due on the Bonds, the Alabama Public School and College Authority (the "Authority") may (1) withhold all PSF Capital Purchase funds due to the Board until full compliance with the terms and (2) file suit to compel performance of the obligations of the Board under the bond agreement.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2019:

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due Within One Year
Governmental Activities					
Warrants Payable:					
2016 Capital Outlay School Warrants	$17,155,000.00	$	$ (450,000.00)	$16,705,000.00	$500,000.00
2014 Capital Outlay School Warrant	6,140,000.00			6,140,000.00	
2014 A Capital Improvement Warrants Refunding	885,141.00		(108,742.17)	776,398.83	113,810.05
2012-A Capital Improvement Warrants Refunding	404,810.95		(82,327.37)	322,483.58	86,443.73
2011-B Capital Improvement Warrants	672,623.00		(184,201.50)	488,421.50	238,182.00
2012 Capital Outlay School Warrants	5,750,000.00			5,750,000.00	
Add: Unamortized Premium	74,762.40		(12,460.41)	62,301.99	12,460.41
Less: Unamortized Discount	(183,063.58)		8,321.07	(174,742.51)	(8,321.07)
Total Warrants Payable, Net	30,899,273.77		(829,410.38)	30,069,863.39	942,575.12
Other Liabilities:					
2016 Capital Lease	286,070.46		(32,204.72)	253,865.74	33,161.19
2011-A Capital Improvement Pool QZAB	1,500,000.00			1,500,000.00	
Net Pension Liability	17,976,000.00		(176,000.00)	17,800,000.00	
Net OPEB Liability	15,998,756.00	1,021,322.00		17,020,078.00	
Total Other Liabilities	35,760,826.46	1,021,322.00	(208,204.71)	36,573,943.75	33,161.19
Total Governmental Activities Long-Term Liabilities	$66,660,100.23	$1,021,322.00	$(1,037,615.10)	$66,643,807.13	$975,736.31

Payments on the Capital Improvement Pool Warrants, Series 2011-B, Capital Improvement Pool Refunding Warrants, Series 2012-A and Series 2014-A are made by the Debt Service Fund with Public School Funds withheld from the Board's allocation from the Alabama Department of Education. Payments on the Capital Outlay School Warrants, Series 2016 are made by the Debt Service Fund with pledged property taxes. Payments on the 2016 Capital Lease are made from the Capital Projects Fund with Fleet Renewal allocations from the Alabama Department Education.

The following is a schedule of debt service requirements to maturity:

	Capital Outlay School Warrants, Series 2016		2016 Capital Lease Buses	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2020	$ 500,000.00	$ 522,061.26	$ 33,161.19	$ 7,539.81
2021	710,000.00	503,911.26	34,146.08	6,554.93
2022	735,000.00	482,236.26	35,160.22	5,540.79
2023	755,000.00	463,661.26	36,204.48	4,496.53
2024	825,000.00	447,345.63	37,279.75	3,421.25
2025-2029	410,000.00	2,167,550.00	77,914.02	3,488.01
2030-2034	6,100,000.00	1,676,537.50		
2035-2039	3,805,000.00	743,068.76		
2040-2044	1,970,000.00	345,818.14		
2045-2046	895,000.00	32,715.64		
Totals	$16,705,000.00	$7,384,905.71	$253,865.74	$31,041.32

	Alabama Public School and College Authority, Series 2011 B		QZAB 2011-A	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2020	$238,182.00	$19,672.28	$	$ 69,000.00
2021	250,239.50	6,664.09		69,000.00
2022				69,000.00
2023				69,000.00
2024				69,000.00
2025-2029			1,500,000.00	138,000.00
2030-2034				
2035-2039				
2040-2044				
2045-2046				
Totals	$488,421.50	$26,336.37	$1,500,000.00	$483,000.00

2014 Capital Outlay School Warrants		Alabama Public School and College Authority, Series 2014 A		2012A Capital Improvement Pool Bonds	
Principal	Interest	Principal	Interest	Principal	Interest
$	$ 231,268.76	$113,810.05	$ 35,974.69	$ 86,443.73	$13,453.49
	231,268.76	119,601.91	30,139.39	90,768.53	9,023.17
	231,268.76	125,828.16	24,003.64	95,458.06	4,367.52
	231,268.76	132,199.20	17,552.96	24,333.46	1,372.73
	231,268.76	138,859.84	10,776.48	25,479.80	382.19
4,530,000.00	790,109.41	146,099.67	3,652.49		
	372,312.50				
	372,312.50				
1,610,000.00	188,700.02				
$6,140,000.00	$2,879,778.23	$776,398.83	$122,099.65	$322,483.58	$28,599.10

2012 Capital Outlay School Warrants		Total	Total	Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	to Maturity
$	$ 230,000.00	$ 971,596.97	$ 1,128,970.29	$ 2,100,567.26
	230,000.00	1,204,756.02	1,086,561.60	2,291,317.62
	230,000.00	991,446.44	1,046,416.97	2,037,863.41
	230,000.00	947,737.14	1,017,352.24	1,965,089.38
	230,000.00	1,026,619.39	992,194.31	2,018,813.70
	1,150,000.00	6,664,013.69	4,252,799.91	10,916,813.60
	1,150,000.00	6,100,000.00	3,198,850.00	9,298,850.00
5,010,000.00	954,800.00	8,815,000.00	2,070,181.26	10,885,181.26
740,000.00	29,600.00	4,320,000.00	564,118.16	4,884,118.16
		895,000.00	32,715.64	927,715.64
$5,750,000.00	$4,434,400.00	$31,936,169.65	$15,390,160.38	$47,326,330.03

Deferred Inflows/Outflows on Refunding, Discounts and Premiums

The Board has a discount and a loss on refunding in connection with the issuance of the Series 2012 Capital Outlay School Warrants. The discount is being amortized using the straight-line method over a period of twenty-eight years. The loss on refunding is being amortized using the straight-line method over a period of twenty-four years.

The Board has a premium and loss on refunding in connection with the issuance of the Series 2012-A Capital Improvement Refunding Warrants. The premiums and loss on refunding are being amortized using the straight-line method over a period of twelve years.

	Premium	Discount	Loss on Refunding
Total Premium, Discount and Loss on Refunding	$149,524.86	$232,990.00	$167,890.02
Amount Amortized Prior Years	74,762.46	49,926.42	49,349.70
Total Premium, Discount and Loss on Refunding	74,762.40	183,063.58	118,540.32
Current Amount Amortized	12,460.41	8,321.07	8,224.95
Total Premium, Discount and Loss on Refunding	$ 62,301.99	$174,742.51	$110,315.37

Pledged Revenues

The Board issued a Series 2011 QZAB Capital Outlay Pool Warrant which is pledged to be repaid from their allocation of Public School Funds received from the State of Alabama. The proceeds are to be used for the repair of the HVAC system at the Booker T. Washington High School. Future revenues in the amount of $1,127,151.30 are pledged for the payment of the principal, sinking fund deposits and interest on the Pool Warrant at September 30, 2019. The Series 2011-QZAB warrant will mature in fiscal year 2026.

The Board issued 2014-A Capital Improvement Pool Warrants and Series 2011-B and 2012-A Capital Improvement Pool Refunding Warrants all of which are pledged to be repaid from their allocation of Public School Funds received from the State of Alabama. The proceeds from the 2014-A Warrants are to be used for the acquisition, construction and renovation of school facilities. The proceeds from the 2011-B Warrants were used for the refunding of the Series 2001-A Capital Improvement Pool Warrants. The proceeds from the 2012-A Warrants were used for the refunding of the Series 2002-A Capital Improvement Pool Warrants. Future revenues in the amount of $1,764,339.03 are pledged to repay the principal and interest on the bonds at September 30, 2019. Pledged revenues in the amount of $467,569.74 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2019. This amount represents 91 percent of the pledged revenues received by the Board. The Series 2014-A, 2011-B, and 2012-A Warrants will mature in fiscal years 2025, 2021, and 2024, respectively.

The Board issued 2012 Capital Outlay School Warrants which are pledged to be repaid from the proceeds of a 3-mill County-Wide Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, 1-mill County-Wide Ad Valorem Tax pursuant to Section 269 of the ***Constitution of Alabama of 1901*** (as amended by Amendment Number 111 to the said Constitution), 5-mill County Ad Valorem Tax pursuant to Amendment Number 202 to the ***Constitution of Alabama of 1901***, 10-mill County Ad Valorem Tax pursuant to Amendment Number 420 to the ***Constitution of Alabama of 1901***, 3-mill District One Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, 3-mill District Two Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, Greyhound Racing Pari-Mutuel Revenues provided by Act Number 87-207, Acts of Alabama. Future revenues in the amount of $10,184,400.00 are pledged to repay the principal and interest on the 2012 Capital Outlay School Warrants at September 30, 2019. The 2012 Capital Outlay School Warrants will mature in fiscal year 2040.

The Board issued 2014 Capital Outlay School Warrants which are pledged to be repaid from the proceeds of a 3-mill County-Wide Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, 1-mill County-Wide Ad Valorem Tax pursuant to Section 269 of the ***Constitution of Alabama of 1901*** (as amended by Amendment Number 111 to the said Constitution), 5-mill County Ad Valorem Tax pursuant to Amendment Number 202 to the ***Constitution of Alabama of 1901***, 10-mill County Ad Valorem Tax pursuant to Amendment Number 420 to the ***Constitution of Alabama of 1901***, 3-mill District One Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, 3-mill District Two Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, Greyhound Racing Pari-Mutuel Revenues provided by Act Number 87-207, Acts of Alabama. Future revenues in the amount of $9,019,778.23 are pledged to repay the principal and interest on the 2014 Capital Outlay School Warrants at September 30, 2019. The 2014 Capital Outlay School Warrants will mature in fiscal year 2043.

The Board issued 2016 Capital Outlay School Warrants which are pledged to be repaid from the proceeds of a 3-mill County-Wide Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, 1-mill County-Wide Ad Valorem Tax pursuant to Section 269 of the ***Constitution of Alabama of 1901*** (as amended by Amendment Number 111 to the said Constitution), 5-mill County Ad Valorem Tax pursuant to Amendment Number 202 to the ***Constitution of Alabama of 1901***, 10-mill County Ad Valorem Tax pursuant to Amendment Number 420 to the ***Constitution of Alabama of 1901***, 3-mill District One Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, 3-mill District Two Ad Valorem Tax pursuant to Amendment Number 3 to the ***Constitution of Alabama of 1901***, Greyhound Racing Pari-Mutuel Revenues provided by Act Number 87-207, Acts of Alabama. Future revenues in the amount of $24,089,905.71 are pledged to repay the principal and interest on the 2016 Capital Outlay School Warrants at September 30, 2019. The 2016 Capital Outlay School Warrants will mature in fiscal year 2046.

Note 10 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to $3.5 million per occurrence and purchases commercial insurance for claims in excess of $3.5 million. Automobile liability insurance is purchased from the White Cotton Agency, an independent entity. Errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by participants in excess of the coverage provided. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). 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 determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the ***Code of Alabama 1975***, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

Note 11 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2019, were as follows:

	Interfund Receivables		
	General Fund	Special Revenue Fund	Totals
Interfund Payables:			
General Fund	$	$319,231.19	$319,231.19
Special Revenue Fund	537,013.33		537,013.33
Totals	$537,013.33	$319,231.19	$856,244.52

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2019, were as follows:

	Transfers Out			
	General Fund	Special Revenue Fund	Other Governmental Funds	Totals
Transfers In:				
General Fund	$	$5,025.85	$315,194.60	$ 320,220.45
Special Revenue Fund	419,864.01			419,864.01
Other Governmental Funds	233,184.22		235,031.26	468,215.48
Totals	$653,048.23	$5,025.85	$550,225.86	$1,208,299.94

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the General Fund to the debt service fund(s) to service current-year debt requirements.

Note 12 – Subsequent Event

Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by the Board will be severely impacted by this pandemic. Additionally, it is anticipated that there will be a significant increase in costs associated with the aftermath of COVID-19. Because so much is unknown at this time, it will be extremely difficult for the Board to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The Board anticipates that its financial operations will be adversely impacted by this pandemic; however, the duration and severity of its effects is indeterminable at this time.

Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018
Employer's proportion of the collective net pension liability	0.179028%	0.182893%
Employer's proportionate share of the collective net pension liability	$ 17,800	$ 17,976
Employer's covered payroll during the measurement period (*)	$ 11,936	$ 12,177
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	149.13%	147.62%
Plan fiduciary net position as a percentage of the total collective pension liability	72.29%	71.50%

(*) Employer's covered payroll during the measurement period is the total covered payroll (See GASB 82). For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018.

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

2017		2016		2015
0.182381%		0.198592%		0.200878%
$ 19,745	$	20,784	$	18,249
$ 11,597	$	12,563	$	12,741
170.26%		165.44%		143.23%
67.93%		67.51%		71.01%

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2019
(Dollar amounts in thousands)

	2019	2018
Contractually required contribution	$ 1,416	$ 1,438
Contributions in relation to the contractually required contribution	$ 1,416	$ 1,438
Contribution deficiency (excess)	$	$
Employer's covered payroll	$ 11,562	$ 11,936
Contributions as a percentage of covered payroll	12.25%	12.05%

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

2017		2016		2015	
$	1,442	$	1,371	$	1,465
$	1,442	$	1,371	$	1,465
$		$		$	
$	12,177	$	11,597	$	12,563
	11.84%		11.83%		11.66%

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Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust For the Year Ended September 30, 2019 (Dollar amounts in thousands)

	2019	2018
Employer's proportion of the collective net OPEB liability	0.207089%	0.215401%
Employer's proportionate share of the collective net OPEB liability	$ 17,020	$ 15,999
Employer's covered-employee payroll during the measurement period (*)	$ 11,936	$ 12,177
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	142.59%	131.39%
Plan fiduciary net position as a percentage of the total collective OPEB liability	14.81%	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered-employee payroll. For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018.

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

Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB) Alabama Retired Education Employees' Health Care Trust For the Year Ended September 30, 2019 (Dollar amounts in thousands)

	2019	2018
Contractually required contribution	$ 594	$ 511
Contributions in relation to the contractually required contribution	$ 594	$ 511
Contribution deficiency (excess)	$	$
Employer's covered-employee payroll	$ 11,562	$ 11,936
Contributions as a percentage of covered-employee payroll	5.14%	4.28%

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

Changes in Actuarial Assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the United Healthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Plan is changed periodically to reflect the Affordable Care Act (ACA) 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 Employer Contributions are calculated as of September 30, 2016, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
State	$ 13,118,872.00	$ 13,722,663.00	$ 13,793,364.86
Federal	85,400.00	85,400.00	238,225.43
Local	3,105,702.00	3,730,702.00	3,493,053.64
Other	203,621.00	226,621.00	226,623.21
Total Revenues	16,513,595.00	17,765,386.00	17,751,267.14
Expenditures			
Current:			
Instruction	9,310,749.00	9,420,834.50	9,478,989.78
Instructional Support	2,763,424.00	2,753,434.50	3,015,856.02
Operation and Maintenance	1,800,096.00	1,910,096.00	1,942,965.69
Auxiliary Services:			
Student Transportation	1,464,276.00	1,790,445.00	1,577,395.87
General Administrative	1,479,277.00	1,479,277.00	1,561,080.42
Other	192,899.00	272,925.00	286,955.08
Total Expenditures	17,010,721.00	17,627,012.00	17,863,242.86
Excess (Deficiency) of Revenues Over Expenditures	(497,126.00)	138,374.00	(111,975.72)
Other Financing Sources (Uses)			
Indirect Cost	396,266.00	410,630.44	395,394.00
Transfers In	206,439.00	206,039.00	320,220.45
Other Financing Sources			118,549.25
Sale of Capital Assets			8,124.50
Transfers Out	(579,000.00)	(754,391.97)	(653,048.23)
Total Other Financing Sources (Uses)	23,705.00	(137,722.53)	189,239.97
Net Change in Fund Balances	(473,421.00)	651.47	77,264.25
Fund Balances - Beginning of Year	1,110,750.00	1,563,764.15	1,563,764.15
Fund Balances - End of Year	$ 637,329.00	$ 1,564,415.62	$ 1,641,028.40

Explanation of differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 13,793,364.86
	238,225.43
(11,102.64)	3,481,951.00
	226,623.21
(11,102.64)	17,740,164.50
5,451.01	9,484,440.79
39,600.45	3,055,456.47
(3,991.08)	1,938,974.61
(17.50)	1,577,378.37
(2,951.84)	1,558,128.58
(17,242.46)	269,712.62
20,848.58	17,884,091.44
(31,951.22)	(143,926.94)
	395,394.00
	320,220.45
	118,549.25
	8,124.50
	(653,048.23)
	189,239.97
(31,951.22)	45,313.03
(1,484,757.57)	79,006.58
$ (1,516,708.79)	$ 124,319.61
$ (31,951.22)	

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Federal	$ 4,384,131.00	$ 4,730,106.49	$ 4,382,258.51
Local	390,837.00	390,837.00	592,758.71
Other	47,050.00	47,050.00	15,220.37
Total Revenues	4,822,018.00	5,167,993.49	4,990,237.59
Expenditures			
Current:			
Instruction	1,297,680.76	1,409,709.61	1,201,183.08
Instructional Support	783,066.23	984,977.68	1,099,787.57
Operation and Maintenance	87,445.17	49,812.92	41,593.77
Auxiliary Services:			
Student Transportation	15,703.00	18,304.00	3,449.73
Food Service	2,339,081.00	2,339,081.00	2,272,737.22
General Administrative	346,485.67	377,069.11	352,608.07
Other	490,596.00	533,513.00	468,060.81
Capital Outlay			11,722.39
Total Expenditures	5,360,057.83	5,712,467.32	5,451,142.64
Excess (Deficiency) of Revenues Over Expenditures	(538,039.83)	(544,473.83)	(460,905.05)
Other Financing Sources (Uses)			
Transfers In	515,000.00	690,791.97	419,864.01
Other Financing Sources			
Transfers Out	(6,299.00)	(6,299.00)	(5,025.85)
Total Other Financing Sources (Uses)	508,701.00	684,492.97	414,838.16
Net Change in Fund Balances	(29,338.83)	140,019.14	(46,066.89)
Fund Balances - Beginning of Year	630,734.83	415,231.85	542,604.76
Fund Balances - End of Year	$ 601,396.00	$ 555,250.99	$ 496,537.87

Explanation of differences:

The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 4,382,258.51
	592,758.71
	15,220.37
	4,990,237.59
	1,201,183.08
	1,099,787.57
	41,593.77
	3,449.73
3,839.95	2,276,577.17
	352,608.07
(8,431.31)	459,629.50
	11,722.39
(4,591.36)	5,446,551.28
4,591.36	(456,313.69)
	419,864.01
	(5,025.85)
	414,838.16
4,591.36	(41,475.53)
(85,630.63)	456,974.13
$ (81,039.27)	$ 415,498.60
$ 4,591.36	

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number
U. S. Department of Agriculture	
Passed Through Alabama Department of Education	
Child Nutrition Cluster:	
School Breakfast Program - Cash Assistance	10.553
National School Lunch Program:	
Cash Assistance	10.555
Non-Cash Assistance (Commodities)	10.555
Sub-Total National School Lunch Program	
Total Child Nutrition Cluster (M)	
State Administrative Expenses for Child Nutrition	10.560
Fresh Fruit and Vegetable Program	10.582
Total U. S. Department of Agriculture	
U. S. Department of Education	
Direct Program	
Impact Aid	84.041
Passed Through Alabama Department of Education	
Title I Grants to Local Educational Agencies	84.010
Career and Technical Education - Basic Grants to States	84.048
Special Education Cluster:	
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173
Sub-Total Special Education Cluster	
Education for Homeless Children and Youth	84.196
Twenty-First Century Community Learning Centers	84.287
Rural Education	84.358
Supporting Effective Instruction State Grant (M)	84.367
Student Support and Academic Enrichment Program	84.424
Passed Through Alabama Department of Early Childhood Education	
Preschool Development Grant	84.419
Total U. S. Department of Education	
Sub-Total Forward	

Pass-Through Grantor's Identifying Number	Total Federal Expenditures
N.A.	$ 540,461.46
N.A.	1,076,010.13
N.A.	115,796.12
	1,191,806.25
	1,732,267.71
N.A.	6,447.30
N.A.	43,058.33
	1,781,773.34
N.A.	14,705.20
N.A.	1,589,448.15
N.A.	62,712.10
N.A.	538,536.20
N.A.	30,995.22
	569,531.42
N.A.	10,000.00
N.A.	250,000.00
N.A.	38,695.00
N.A.	146,565.53
N.A.	87,235.90
N.A.	8,413.16
	2,777,306.46
	$ 4,559,079.80

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number
Sub-Total Brought Forward	
Social Security Administration	
Passed Through Alabama Department of Education	
Social Security - Disability Insurance	96.001
U. S. Department of Defense	
Direct Program	
Other Federal Assistance	
Army ROTC	N.A.
Total Expenditures of Federal Awards	

(M) = Major Program
N.A. = Not Available/Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Pass-Through Grantor's Identifying Number	Total Federal Expenditures
	$ 4,559,079.80
N.A.	680.00
N.A.	68,374.38
	$ 4,628,134.18

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Macon County Board of Education under programs of the federal government for the year ended September 30, 2019. 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 Macon County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Macon County Board of Education.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Macon County Board of Education has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance.*

Additional Information

Board Members and Administrative Personnel
October 1, 2018 through September 30, 2019

Board Members		Term Expires
Hon. Elnora Smith Love	President	2024
Hon. Mary H. Hooks	Vice-President	2022
Hon. Katy Campbell	Member	2024
Hon. Helen Samuel	Member	2020
Hon. Karey Thompson	Member	2022

Administrative Personnel

Jacqueline A. Brooks, Ed.D.	Superintendent
Natalie Young	Chief School Financial Officer

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

Independent Auditor's Report

Members of the Macon County Board of Education,
Superintendent and Chief School Financial Officer
Tuskegee, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Board of Education (the "Board"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 19, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as findings 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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***.

The Board's Response to the Findings

The Board's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 19, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the Macon County Board of Education,
Superintendent and Chief School Financial Officer
Tuskegee, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Macon County Board of Education's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on the Macon County Board of Education's major federal programs for the year ended September 30, 2019. The Macon County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Opinion on Each Major Federal Program

In our opinion, the Macon County 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 its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on 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.

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 19, 2020

Section I – Summary of Examiner's 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

Internal control over major federal programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes	__X__ No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.367	Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00	
Auditee qualified as low-risk auditee?	______ Yes	__X__ No

Section II – Financial Statement Findings (GAGAS)

Reference Number:	2019-001
Type of Finding:	Internal Control
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The Board did not implement adequate internal controls over concession sales at Tuskegee Public School.

Finding

An adequate system of internal controls requires controls to be in place to ensure profits are made from the sale of concession items. This includes procedures for recording concession activities separately from other activities in order to easily identify profits/losses, as well as, posting receipts and disbursements timely to the general ledger. A review of concession activity at Tuskegee Public School for fiscal year 2019 indicated activity from the sale of concession items was comingled with the school's general fund activity, which did not allow profit and loss to be readily identifiable. Disbursements were also posted to the general ledger a month and a half after the expense was incurred, not allowing the profitability of these activities to be determined in a timely manner. Management did not have adequate internal controls in place to monitor the sale of concession items at Tuskegee Public School. Therefore, we were unable to determine if a profit or loss was made on the sale of concessions.

Recommendation

The Board should implement procedures to ensure activities from the sale of concession items are recorded separately, in a timely manner, and yield adequate profits.

Views of Responsible Officials

The Board agreed with the finding.

Section II – Financial Statement Findings (GAGAS)

Reference Number:	2019-002
Type of Finding:	Internal Control
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Two schools under the Board's jurisdiction failed to follow established local school receipting and depositing procedures.

Finding

The Macon County Board of Education has established local school receipting procedures which require teacher receipts to identify the type of money received (i.e. cash/check), as well as ensuring money received is receipted and deposited in a timely manner. During testing of teacher receipts at Tuskegee Public School and Booker T. Washington High School, money collected by the teachers was not being receipted and deposited on a timely basis. This money was held up to nineteen (19) days at Tuskegee Public School and eighty-three (83) days at Booker T. Washington High School before being receipted into the master receipt book and deposited. Furthermore, at both of these schools, the written receipts failed to document the type of money received (i.e. cash/check). At Tuskegee Public School and Booker T. Washington High School, local school personnel did not comply with the Board's policies and procedures regarding local school receipts which caused money to be exposed to risk of loss and theft.

This finding was previously reported as Finding 2018-001.

Recommendation

The Board should ensure all local school personnel adhere to the adopted policies and procedures for local school receipts.

Views of Responsible Officials

The Board agreed with the finding.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

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Summary Schedule of Prior Audit Findings

May 18, 2020

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2019

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Macon County Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2019.

Finding Ref. No.	Status of Prior Audit Finding
2018-001	The Board has established policies and procedures requiring all money received by school board officials and employees to be remitted to the responsible individual(s) in a timely manner and promptly deposited in the proper bank account. These policies and procedures also apply to the money collected by teachers at the various local schools. During the audit period, instances were noted in which money collected by several teachers at Booker T. Washington High School was not always remitted to the school bookkeeper in a timely manner to be deposited into the bank account. At Booker T. Washington High School, the Board's policies and procedures related to depositing money collected in a timely manner were not properly implemented and monitored resulting in money being held by teachers for excessive periods of time which exposed the money to loss or theft.

Status of Prior Auditing Finding

The Macon County Board of Education has established policies and procedures for local school accounting to include a manual and annual training and monitoring. This policy specifies that all money received by school board employees is to be remitted to the school's bookkeeper in a timely manner and deposited into the school's local school bank. The Macon County Board of Education audit finding for the 2017-2018 school year was at the end of the 2018-2019 school year; hence, the corrective action was not implemented until the 2019-2020 school year. The superintendent of education implemented a beginning-of-the year monitoring procedure that commenced in September 2019. One component of the monitoring is onsite financial checks by the accounting manager and/or the chief school financial officer. During monitoring, a review of policy and procedures is conducted and receipt books are pulled and tested. Any issue is dealt with immediately to include additional training, suspension, and or termination or non-renewal. In fact, the employee who did not engage in timely remittance to the bookkeeper was non-renewed at the end of the 2018-2019 school year.

Jacqueline A. Brooks, EdD, Superintendent
Macon County Board of Education

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Auditee Response/Corrective Action Plan

Corrective Action Plan
For the Year Ended September 30, 2019

As required by the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR 200.511(c), the Macon County Board of Education has prepared and hereby submits the following Corrective Action Plan for the Findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2019.

Finding.
Ref
No 2019-001

Finding # 2019-001:
An adequate system of internal controls requires controls to be in place to ensure profits which made from the sale of concession items. This includes procedures for recording concession activities separately from other activities in order to easily identify profits/losses, as well as, posting receipts and disbursements timely to the general ledger. A review of concession activity at Tuskegee Public School for fiscal year 2019, indicated activity from the sale of concession items was comingled with the school's general fund activity, which did not allow profit and loss to be readily identifiable. Disbursements were also posted to the general ledger a month and a half after the expense was incurred, not allowing the profitability of these activities to be determined in a timely manner. Management did not have adequate internal controls in place to monitor the sale of concession items at Tuskegee Public School. Therefore, we were unable to determine if a profit or loss was made on the sale of concessions.

Recommendation:
The Board should implement procedures to ensure activities from the sale of concession items are recorded separately, in a timely manner, and are yielding adequate profits.

Response: Corrective action planned: The Macon County Board of Education will provide extensive professional development training with the school bookkeeper and administrators to ensure internal control will be followed and concession activity will be separate from general fund activity. This will determine if a profit or loss was made on the sale of concessions. The Accounting Manager and Chief School Financial Officer will continue monitoring Tuskegee Public School to ensure concession activity procedures are enforced. The person responsible for the corrective action is Natalie Young, Chief School Financial Officer; completion date is July 31, 2020.

Finding
Ref
No 2019-002

The Macon County Board of Education has established local school receipting procedures which require teacher receipts to identify the type of funds received (i.e. cash/check), as well as ensuring funds received are receipted and deposited in a timely manner. During testing of teacher receipts at Tuskegee Public School and Booker T. Washington High School, money collected by the teachers were not being receipted and deposited on a timely basis. This money was held up to nineteen (19) days at Tuskegee Public School and eighty-three (83) days at Booker T. Washington High School before being receipted into the master receipt book and deposited. Furthermore, at both of these schools, the written receipts failed to document the type of funds received (i.e cash/check). At Tuskegee Public School and Booker T. Washington High School, local school personnel did not comply with the Board's policies and procedures regarding local school receipts which caused money to be exposed to risk of loss and theft.

Response:

Corrective action planned: The Macon County Board of Education will provide additional training to the local school bookkeepers and administrators regarding procedures set forth in the Accounting Procedures Manual for receipting and depositing money timely. The Accounting Manager and the CSFO will continue to perform audits at all schools to ensure that all parties involved in receipting and depositing money timely are following the proper procedures. In addition, a follow up review will be conducted of Booker T. Washington High School and Tuskegee Public Elementary School to ensure the established policies and procedures are enforced. The person responsible for the corrective action is Natalie Young, Chief School Financial Officer; completion date is August 31, 2020.