



# Alabama Department of Examiners of Public Accounts

*Report on the*  
**Macon County Board of Education  
Macon County, Alabama**

October 1, 2021 through September 30, 2022

Filed: September 29, 2023

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ALABAMA STATE HOUSE

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

State of Alabama  
Department of  
**Examiners of Public Accounts**

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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, 2021 through September 30, 2022, by Examiners Bret Hudson and Troy Mason. I, Bret Hudson, 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,

A handwritten signature in black ink that reads "Bret Hudson". The signature is written in a cursive style with a long, sweeping underline.

Bret Hudson  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Macon County Board of Education  
October 1, 2021 through September 30, 2022**

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, 2022.

**AUDIT FINDINGS**

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

- ◆ 2022-001: The Board failed to accurately record revenues and expenditures made on its behalf by the Public School and College Authority.
- ◆ 2022-002: A school under the Board’s jurisdiction did not follow established procedures over receipting and depositing monies. This finding was previously reported as Finding 2018-001, Finding 2019-002, Finding 2020-002 and Finding 2021-001.

- ◆ 2022-003: Schools under the Board's jurisdiction failed to follow established procedures to maintain a receipt book log. This finding was previously reported as Finding 2020-003 and Finding 2021-002.

### **EXIT CONFERENCE**

Board members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference held at the Board office. Individuals in attendance were Dr. Melissa T. Williams, Superintendent; Natalie Young, Chief School Financial Officer; and Board Members Mary H. Hooks, Clinton C. Boyd, Jr. and Elnora Smith Love. Also in attendance were representatives from the Department of Examiners of Public Accounts David J. Lane, Sr., Audit Manager; Bret Hudson, Examiner; and Troy Mason, Examiner.

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*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 Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the Macon County Board of Education, as of and for the year ended September 30, 2022, and related notes to the financial statements, which collectively comprise the Macon County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Macon County Board of Education and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

As discussed in Notes 5 and 9, the Macon County Board of Education's basic financial statements for the year ended September 30, 2022, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 87, ***Leases***. The Macon County Board of Education implemented the requirements of GASB Statement Number 87 during the fiscal year. Our opinion on the basic financial statements is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Macon County Board of Education's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Macon County Board of Education's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

Management has omitted the Management's Discussion and Analysis (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 the purpose of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 September 12, 2023, 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  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

September 12, 2023

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# *Basic Financial Statements*

***Statement of Net Position***  
***September 30, 2022***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 3,564,539.12
Investments	333,682.40
Ad Valorem Property Taxes Receivable	4,094,471.14
Receivables (Note 4)	2,728,439.95
Inventories	76,043.91
Capital Assets (Note 5):	
Nondepreciable	766,192.74
Depreciable, Net	25,882,732.46
Total Assets	<u>37,446,101.72</u>
<b><u>Deferred Outflows of Resources</u></b>	
Loss on Refunding of Debt	4,918.06
Employer Pension Contribution	1,844,191.22
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	2,583,000.00
Employer Other Postemployment Benefits (OPEB) Contribution	428,571.00
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability	3,594,345.00
Total Deferred Outflows of Resources	<u>8,455,025.28</u>
<b><u>Liabilities</u></b>	
Accounts Payable	1,341,143.11
Unearned Revenue	105,647.70
Salaries and Benefits Payable	1,724,111.42
Accrued Interest Payable	291,442.24
Long-Term Liabilities (Note 9):	
Portion Due or Payable Within One Year	1,050,776.83
Portion Due or Payable After One Year	53,760,336.51
Total Liabilities	<u>58,273,457.81</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	4,094,471.14
Revenue Received in Advance - Motor Vehicle Taxes	342,846.82
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	5,400,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability	9,146,678.00
Total Deferred Inflows of Resources	<u>\$ 18,983,995.96</u>

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

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	<b>Governmental Activities</b>
<hr/>	
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ (3,158,513.08)
Restricted for:	
Child Nutrition Program	249,891.92
Debt Service	761,944.49
Capital Projects	409,744.00
Other Purposes	620,956.13
Unrestricted	<u>(30,240,350.23)</u>
Total Net Position	<u><u>\$ (31,356,326.77)</u></u>

**Statement of Activities**  
**For the Year Ended September 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instruction	\$ 13,856,494.02	\$ 187,709.25	\$ 11,424,714.28	\$ 660,181.61	\$ (1,583,888.88)
Instructional Support	6,601,460.27	125,605.78	6,490,351.45		14,496.96
Operation and Maintenance	2,839,503.45	25,357.85	1,721,579.82	70,618.44	(1,021,947.34)
Auxiliary Services:					
Student Transportation	2,042,703.45	40,827.47	1,857,150.42	242,592.00	97,866.44
Food Service	1,940,366.90	1,837,419.11	279,197.52		176,249.73
General Administrative and Central Support	3,299,821.32	12,248.76	1,859,312.60	240,860.81	(1,187,399.15)
Interest and Fiscal Charges	1,424,790.57				(1,424,790.57)
Other Expenses	2,207,617.49	55,849.65	2,363,902.42		212,134.58
Total Governmental Activities	<u>\$ 34,212,757.47</u>	<u>\$ 2,285,017.87</u>	<u>\$ 25,996,208.51</u>	<u>\$ 1,214,252.86</u>	<u>(4,717,278.23)</u>
<b>General Revenues:</b>					
Taxes:					
Property Taxes for General Purposes					3,249,172.05
Property Taxes for Specific Purposes					1,804,254.23
Sales Taxes					1,058,850.06
Other Taxes					17,843.43
Grants and Contributions Not Restricted for Specific Programs					25,020.67
Investment Earnings					6,941.30
Miscellaneous					2,051,914.74
Total General Revenues					<u>8,213,996.48</u>
Changes in Net Position					3,496,718.25
Net Position - Beginning of Year					<u>(34,853,045.02)</u>
Net Position - End of Year					<u>\$ (31,356,326.77)</u>

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

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2022**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,314,947.81	\$ 785,708.07	\$ 1,463,883.24	\$ 3,564,539.12
Investments	333,647.00	35.40		333,682.40
Ad Valorem Property Taxes Receivable	4,094,471.14			4,094,471.14
Receivables (Note 4)	537,959.61	2,190,440.35	39.99	2,728,439.95
Due from Other Funds	1,117,808.85	17,338.78		1,135,147.63
Inventories		76,043.91		76,043.91
Total Assets	<u>7,398,834.41</u>	<u>3,069,566.51</u>	<u>1,463,923.23</u>	<u>11,932,324.15</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	290,670.41	1,049,680.20	792.50	1,341,143.11
Due to Other Funds	17,338.78	1,117,808.85		1,135,147.63
Unearned Revenue		105,647.70		105,647.70
Salaries and Benefits Payable	1,645,048.88	79,062.54		1,724,111.42
Total Liabilities	<u>1,953,058.07</u>	<u>2,352,199.29</u>	<u>792.50</u>	<u>4,306,049.86</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	4,094,471.14			4,094,471.14
Revenue Received in Advance - Motor Vehicle Taxes	342,846.82			342,846.82
Total Deferred Inflows of Resources	<u>4,437,317.96</u>			<u>4,437,317.96</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories		76,043.91		76,043.91
Restricted:				
Capital Projects			409,744.00	409,744.00
Child Nutrition Program		173,848.01		173,848.01
Debt Service			1,053,386.73	1,053,386.73
Other Purposes	541,833.48	79,122.65		620,956.13
Assigned:				
Local Schools		388,352.65		388,352.65
Unassigned	466,624.90			466,624.90
Total Fund Balances	<u>1,008,458.38</u>	<u>717,367.22</u>	<u>1,463,130.73</u>	<u>3,188,956.33</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,398,834.41</u>	<u>\$ 3,069,566.51</u>	<u>\$ 1,463,923.23</u>	<u>\$ 11,932,324.15</u>

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

***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2022***

Total Fund Balances - Governmental Funds (Exhibit 3)	\$ 3,188,956.33
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	\$ 57,244,559.36
Accumulated Depreciation is	<u>(30,595,634.16)</u>
	26,648,925.20
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.	
	4,918.06
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	
	(972,808.78)
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.	
	(5,123,762.00)
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	\$ 1,050,776.83
Noncurrent Portion of Long-Term Debt	<u>53,760,336.51</u>
	(54,811,113.34)
Interest on long-term debt is not accrued in the governmental funds but rather is recognized as an expenditure when due.	
Accrued Interest Payable	<u>(291,442.24)</u>
Total Net Position - Governmental Activities (Exhibit 1)	<u>\$ (31,356,326.77)</u>

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, 2022**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
State	\$ 15,557,869.80	\$	\$ 1,214,252.86	\$ 16,772,122.66
Federal	291,796.53	12,791,905.45		13,083,701.98
Local	4,984,819.91	630,188.23	1,841,953.97	7,456,962.11
Other	355,920.53	40,768.44		396,688.97
Total Revenues	21,190,406.77	13,462,862.12	3,056,206.83	37,709,475.72
<b>Expenditures</b>				
Current:				
Instruction	10,136,534.30	3,785,393.38	2,710.00	13,924,637.68
Instructional Support	3,558,513.43	3,654,246.30		7,212,759.73
Operation and Maintenance	2,037,292.34	866,108.36	32,361.97	2,935,762.67
Auxiliary Services:				
Student Transportation	1,788,602.08	146,754.82		1,935,356.90
Food Service		2,262,946.31		2,262,946.31
General Administrative and Central Support	2,464,836.28	788,083.84	220,263.96	3,473,184.08
Other	589,739.41	1,775,056.31		2,364,795.72
Capital Outlay	196,026.00	173,387.66	398,025.86	767,439.52
Debt Service:				
Principal Retirement			1,080,220.85	1,080,220.85
Interest and Fiscal Charges			1,018,858.60	1,018,858.60
Debt Issuance Costs/Other Debt Service			7,150.00	7,150.00
Total Expenditures	20,771,543.84	13,451,976.98	2,759,591.24	36,983,112.06
Excess (Deficiency) of Revenues Over Expenditures	418,862.93	10,885.14	296,615.59	726,363.66
<b>Other Financing Sources (Uses)</b>				
Indirect Cost	323,666.74			323,666.74
Issuance of Long-Term Debt			6,095,000.00	6,095,000.00
Transfers In	458,298.05	223,654.28	453,461.86	1,135,414.19
Discounts on Long-Term Debt Issued			(154,994.15)	(154,994.15)
Transfers Out	(442,547.38)	(420.41)	(692,446.40)	(1,135,414.19)
Payments to Refunding Escrow Agent			(5,771,722.22)	(5,771,722.22)
Total Other Financing Sources (Uses)	339,417.41	223,233.87	(70,700.91)	491,950.37
Net Changes in Fund Balances	758,280.34	234,119.01	225,914.68	1,218,314.03
Fund Balances - Beginning of Year	250,178.04	483,248.21	1,237,216.05	1,970,642.30
Fund Balances - End of Year	\$ 1,008,458.38	\$ 717,367.22	\$ 1,463,130.73	\$ 3,188,956.33

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

***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, 2022***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,218,314.03

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	\$ 767,439.52	
Depreciation Expense	<u>(1,551,150.59)</u>	(783,711.07)

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. 1,080,220.85

Discounts on debt issuance are recorded as an other financing use in the governmental funds, but are deferred and amortized in the Statement of Activities. 154,994.15

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 5,771,722.22

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (6,095,000.00)

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)	\$ (12,521.77)	
Amortization of Bond Premiums/Discounts/Loss on Refunding	411,303.74	
Pension Expense, Current Year Increase/(Decrease)	(1,060,561.04)	
Other Postemployment Benefits (OPEB) Expense, Current Year Increase/(Decrease)	<u>(1,488,399.00)</u>	<u>2,150,178.07</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,496,718.25

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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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 Emergency Connectivity, Education Stabilization, 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**

- ◆ **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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- ◆ **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.

#### **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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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

**1. Deposits and Investments**

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.

All of the Board's investments, which only consist of certificates of deposit, are reported at cost.

**2. Receivables**

Sales tax receivables are based on the amounts collected within 60 days after year-end.

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, included in cash and cash equivalents on the financial statements, are considered restricted assets on the balance sheet because they are maintained separately, and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, and Qualified School Construction Bonds funding sources 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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**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 are 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 are as follows:

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Buildings and Building Improvements	\$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 governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bond/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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **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:

- A. 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. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.
- B. 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.



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized 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.
- E. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **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 Annual Comprehensive Financial Report.

#### **F. Postemployment Benefits Other Than Pensions (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**

##### **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. The Capital Projects Fund adopts project-length budgets. All other governmental funds adopt budgets on the modified accrual basis of accounting. All appropriations lapse at fiscal year-end.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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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.

**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.

All of the Board's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

**Cash with Fiscal Agent**

The Board has cash with fiscal agent totaling \$1,027,718.27 in the Debt Service Fund 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 and are 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.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 4 – Receivables**

On September 30, 2022, receivables for the Board’s individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Special Revenue Fund	Other Governmental Fund	Total
<b>Receivables:</b>				
Intergovernmental	\$537,959.61	\$2,185,184.41	\$39.99	\$2,723,184.01
Other		5,255.94		5,255.94
<b>Total Receivables</b>	<b>\$537,959.61</b>	<b>\$2,190,440.35</b>	<b>\$39.99</b>	<b>\$2,728,439.95</b>

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 10/01/2021, as Restated (*)	Additions	Reductions	Balance 09/30/2022
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land and Land Improvements	\$ 368,166.88	\$	\$	\$ 368,166.88
Construction in Progress		398,025.86		398,025.86
<b>Total Capital Assets, Not Being Depreciated</b>	<b>368,166.88</b>	<b>398,025.86</b>		<b>766,192.74</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements – Exhaustible	2,005,822.04			2,005,822.04
Buildings	36,802,335.46			36,802,335.46
Building Improvements	11,685,247.91			11,685,247.91
Equipment and Furniture	1,658,784.07	42,230.66		1,701,014.73
Vehicles	3,956,763.48	327,183.00		4,283,946.48
<b>Total Capital Assets Being Depreciated</b>	<b>56,108,952.96</b>	<b>369,413.66</b>		<b>56,478,366.62</b>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements – Exhaustible	(1,670,869.67)	(29,123.41)		(1,699,993.08)
Buildings	(18,201,433.82)	(633,243.88)		(18,834,677.70)
Building Improvements	(5,355,280.46)	(534,774.26)		(5,890,054.72)
Equipment and Furniture	(1,330,199.86)	(44,096.77)		(1,374,296.63)
Vehicles	(2,486,699.76)	(309,912.27)		(2,796,612.03)
<b>Total Accumulated Depreciation</b>	<b>(29,044,483.57)</b>	<b>(1,551,150.59)</b>		<b>(30,595,634.16)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>27,064,469.39</b>	<b>(1,181,736.93)</b>		<b>25,882,732.46</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$ 27,432,636.27</b>	<b>\$ (783,711.07)</b>	<b>\$</b>	<b>\$ 26,648,925.20</b>
(*) Assets previously classified as equipment under leases were reclassified to vehicles due to the implementation of GASB Statement Number 87, Leases.				

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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

	Current Year Depreciation Expense
<b><u>Governmental Activities:</u></b>	
Instruction	\$1,108,722.70
Instructional Support	727.95
Operation and Maintenance	26,969.89
<b>Auxiliary:</b>	
Student Transportation	318,250.46
Food Service	65,566.02
General Administrative and Central Support	30,778.52
Other Expenditures	135.05
Total Depreciation Expense – Governmental Activities	<u>\$1,551,150.59</u>

**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, pursuant to the ***Code of Alabama 1975***, Section 16-25-1 through Section 16-25-34 (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 which 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](http://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 who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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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 up to 80% of their average final compensation. 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, equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30<sup>th</sup>, are paid to a qualified beneficiary.

#### C. Contributions

Covered Tier 1 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.

Effective October 1, 2021, the covered Tier 2 contribution rate increased from 6% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters' contribution rate increased from 7% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2022, was 12.43% of annual pay for Tier 1 members and 11.32% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$1,844,191.22 for the year ended September 30, 2022.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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

At September 30, 2022, the Board reported a liability of \$15,660,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the Board's proportion was 0.166238%, which was a decrease of 0.000386% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the Board recognized pension expense of \$780,000.00. At September 30, 2022, 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	\$ 725,000.00	\$ 912,000.00
Changes of assumptions	1,644,000.00	
Net difference between projected and actual earnings on pension plan investments		3,697,000.00
Changes in proportion and differences between employer contributions and proportionate share contributions	214,000.00	791,000.00
Employer contributions subsequent to the measurement date	1,844,191.22	
Total	\$4,427,191.22	\$5,400,000.00

The \$1,844,191.22 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 ended September 30, 2023. 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, 2023	\$ (602,000)
2024	\$ (512,000)
2025	\$ (618,000)
2026	\$(1,085,000)
2027	\$ 0
Thereafter	\$ 0

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### E. Actuarial Assumptions

The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment Rate of Return (*)	7.45%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

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

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



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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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	15.00%	2.80%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	2.50%
Total	<u>100.00%</u>	

(\*) Includes assumed rate of inflation of 2.00%

**F. Discount Rate**

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board’s Proportionate Share of Collective Net Pension Liability	\$23,050,000	\$15,660,000	\$9,436,000

**H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2021. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68 as of September 30, 2021, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://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 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 Annual Comprehensive Financial Report.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and dependents are eligible for the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. 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 covered on a retiree contract were enrolled in the United Healthcare (UHC) Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Group Medicare Advantage plan replaced the UHC contract. The Medicare Advantage and Prescription Drug Plan (MAPDP) is fully insured by Humana and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. With the MAPDP 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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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, 2022, the Board reported a liability of \$9,338,757.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The Board's proportion of the collective net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2021, the Board's proportion was 0.180745%, which was a decrease of 0.002793% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the Board recognized OPEB income of \$1,062,517, with no special funding situations. At September 30, 2022, 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	\$ 220,955.00	\$3,248,971.00
Changes of assumptions	3,325,908.00	3,619,782.00
Net difference between projected and actual earnings on OPEB plan investments		291,309.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,482.00	1,986,616.00
Employer contributions subsequent to the measurement date	428,571.00	
Total	\$4,022,916.00	\$9,146,678.00

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

The \$428,571.00 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 ended September 30, 2023. 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, 2023	\$(1,847,170.00)
2024	\$(1,504,345.00)
2025	\$(1,438,337.00)
2026	\$ (294,731.00)
2027	\$ (173,265.00)
Thereafter	\$ (294,485.00)

**E. Actuarial Assumptions**

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

Inflation	2.50%
Projected Salary Increases (¹)	3.25% - 5.00%
Long-Term Investment Rate of Return (²)	7.00%
Municipal Bond Index Rate at the Measurement Date	2.29%
Municipal Bond Index Rate at the Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate the Measurement Date	3.97%
Single Equivalent Interest Rate the Prior Measurement Date	3.05%
Healthcare Cost Trend Rate:	
Initial Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025
(¹) Includes 2.75% wage inflation.	
(²) Compounded annually, net of investment expense, and includes inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.	

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2020 valuation.

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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

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

(\*) Geometric mean, includes 2.50% 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, 2021, was 3.97%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021, and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group until reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.



***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

**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 (5.50% Decreasing to 3.50% for Pre-Medicare, Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare, Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare, Known Decreasing to 5.50% for Medicare Eligible)
Board's Proportionate Share of the Collective Net OPEB Liability	\$7,327,867	\$9,338,757	\$11,929,593

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.97%, 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 (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Board's Proportionate Share of the Collective Net OPEB Liability	\$11,487,084	\$9,338,757	\$7,615,561

**H. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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**Note 8 – Short-Term Debt**

During the year the Board borrowed money to release early payroll for December 2021. This note from direct borrowing was paid off before September 30, 2022. Short-term debt activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note from Direct Borrowing	\$	\$1,000,000	\$1,000,000	\$

**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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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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. The Warrants were refunded by Series 2022-A below on May 5, 2022.

On April 5, 2022, the Board issued \$6,095,000.00 of its Capital Outlay School Refunding Warrants dated March 15, 2022. The Capital Outlay School Warrants were issued for the following purposes: (i) current refunding and defeasance of the Board's Capital Outlay School Warrants, Series 2012 (the "Series 2012 Warrants"), currently outstanding in the aggregate principal amount of \$5,750,000; and (ii) paying the costs of issuing the Series 2022-A Warrants. (iii) pay the costs of issuing the Warrants.

In the event of default of the terms and conditions of the warrant resolution for the Series 2016, Series 2014, and Series 2022-A 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **Qualified Zone Academy Bonds (OZAB'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.

## Notes to the Financial Statements

### For the Year Ended September 30, 2022

In the event of default on Series 2014A and 2012A 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 obligations for the Board for the year ended September 30, 2022:

	Debt Outstanding 10/01/2021, as Restated (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2022	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants Payable:</b>					
2022A Capital Outlay Refunding					
School Warrants	\$	\$6,095,000.00	\$	\$ 6,095,000.00	\$
2016 Capital Outlay School Warrants	15,495,000.00		(735,000.00)	14,760,000.00	755,000.00
2014 Capital Outlay School Warrant	6,140,000.00			6,140,000.00	
2014A Capital Improvement					
Pool Warrants	542,986.87		(125,828.16)	417,158.71	132,199.20
2012A Capital Improvement					
Pool Warrants	145,271.32		(95,458.06)	49,813.26	24,333.46
Add: Unamortized Premium	37,381.17		(12,460.41)	24,920.76	12,460.41
2012 Capital Outlay School Warrants	5,750,000.00		(5,750,000.00)		
Less: Unamortized Discount	(158,100.37)		158,100.37		
Total Warrants Payable, Net	<u>27,952,538.99</u>	<u>6,095,000.00</u>	<u>(6,560,646.26)</u>	<u>27,486,892.73</u>	<u>923,993.07</u>
<b>Other Liabilities:</b>					
Notes from Direct Borrowing	949,398.24		(123,934.63)	825,463.61	126,783.76
2011-A Capital Improvement					
Pool QZAB	1,500,000.00			1,500,000.00	
Net Pension Liability	20,611,000.00		(4,951,000.00)	15,660,000.00	
Net OPEB Liability	11,911,361.00		(2,572,604.00)	9,338,757.00	
Total Other Liabilities	<u>34,971,759.24</u>		<u>(7,647,538.63)</u>	<u>27,324,220.61</u>	<u>126,783.76</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$62,924,298.23</u>	<u>\$6,095,000.00</u>	<u>\$(14,208,184.89)</u>	<u>\$54,811,113.34</u>	<u>\$1,050,776.83</u>
(*) The beginning balances for Notes from Direct Borrowing reflect implementation of GASB Statement Number 87, Leases. Items previously reported as Capital Leases were determined to be Notes from Direct Borrowing and were reclassified.					

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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

Fiscal Year Ending	Capital Outlay School Refunding Warrants, Series 2022-A		Capital Outlay School Warrants, Series 2016	
	Principal	Interest	Principal	Interest
September 30, 2023	\$	\$ 256,426.82	\$ 755,000.00	\$ 463,661.26
2024		193,936.26	825,000.00	447,345.63
2025		193,936.26	55,000.00	437,755.00
2026		193,936.26	60,000.00	436,030.00
2027		193,936.26	60,000.00	434,230.00
2028-2032		969,681.30	3,735,000.00	1,982,132.50
2033-2037	1,130,000.00	952,025.05	5,710,000.00	1,064,378.76
2038-2042	4,965,000.00	346,486.90	1,835,000.00	483,110.63
2043-2047			1,725,000.00	128,053.15
Total	\$6,095,000.00	\$3,300,365.11	\$14,760,000.00	\$5,876,696.93

Fiscal Year Ending	2012A Capital Improvement Pool Warrants		Notes from Direct Borrowing 2020 Bus Purchase Agreement	
	Principal	Interest	Principal	Interest
September 30, 2023	\$24,333.46	\$1,372.73	\$ 90,579.28	\$13,704.45
2024	25,479.80	382.19	92,420.85	11,862.88
2025			94,299.87	9,983.86
2026			96,217.08	8,066.65
2027			98,173.27	6,110.46
2028-2032			202,375.01	6,192.45
2033-2037				
2038-2042				
2043-2047				
Total	\$49,813.26	\$1,754.92	\$674,065.36	\$55,920.75

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

2014 Capital Outlay School Warrant		Alabama Public School and College Authority, Series 2014 A	
Principal	Interest	Principal	Interest
\$	\$ 231,268.76	\$132,199.20	\$17,552.96
	231,268.76	138,859.84	10,776.48
850,000.00	217,987.51	146,099.67	3,652.49
865,000.00	190,650.01		
905,000.00	160,756.26		
1,910,000.00	444,103.13		
	372,312.50		
1,045,000.00	324,559.39		
565,000.00	13,065.63		
<b>\$6,140,000.00</b>	<b>\$2,185,971.95</b>	<b>\$417,158.71</b>	<b>\$31,981.93</b>

Notes from Direct Borrowing 2016 Bus Purchase Agreement		QZAB 2011-A		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	
\$ 36,204.48	\$ 4,496.53	\$	\$ 69,000.00	\$ 2,095,799.93
37,279.76	3,421.25		69,000.00	2,087,033.70
38,386.96	2,314.05		69,000.00	2,118,415.67
39,527.05	1,173.95	1,500,000.00	69,000.00	3,459,601.00
				1,858,206.25
				9,249,484.39
				9,228,716.31
				8,999,156.92
				2,431,118.78
<b>\$151,398.25</b>	<b>\$11,405.78</b>	<b>\$1,500,000.00</b>	<b>\$276,000.00</b>	<b>\$41,527,532.95</b>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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**Deferred Loss 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 was being amortized using the straight-line method over a period of twenty-four years. These amounts were fully amortized this year when the debt was refunded.

The Board has a premium and loss on refunding in connection with the issuance of the Series 2012-A Capital Improvement Refunding Warrants. The premium 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 Amount Amortized Prior Years	\$149,524.86	\$232,990.00	\$189,612.24
	112,143.69	74,889.63	74,024.55
Total Premium, Discount and Loss on Refunding Current Amount Amortized	37,381.17	158,100.37	115,587.69
	12,460.41	158,100.37	110,669.63
Total Premium, Discount and Loss on Refunding	<u>\$ 24,920.76</u>	<u>\$</u>	<u>\$ 4,918.06</u>

**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 \$1,776,000.00 are pledged for the payment of the principal, sinking fund deposits and interest on the Pool Warrant at September 30, 2022. Proceeds of the Public School Fund allocation in the amount of \$572,312 were received by the Board in the year ended September 30, 2022. The Board used local funds in the amount of \$69,000.00, instead of its Public School Fund allocation, to pay interest on the warrant during the fiscal year ended September 30, 2022. This amount represents 0% of the pledged revenues received by the Board. The Series 2011-QZAB warrant will mature in fiscal year 2026.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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The Board issued Series 2022-A Capital Outlay School Refunding 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*, Sales and Use Tax pursuant to the provisions of Section 40-12-4, *Code of Alabama 1975*, Greyhound Racing Pari-Mutuel Revenues provided by Act Number 87-207, Acts of Alabama. Future revenues in the amount of \$9,395,365.11 are pledged to repay the principal and interest on the 2022-A Capital Outlay School Refunding Warrants at September 30, 2022. Pledged revenues in the amount of \$6,022,360.44 were received during the fiscal year ended September 30, 2022. Pledged revenues in the amount of \$0.00 were used to pay interest on the warrants during the fiscal year ended September 30, 2022. This amount represents 0% of the pledged revenues received by the Board. The 2022-A Capital Outlay School Refunding Warrants will mature in fiscal year 2042.

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 \$8,325,971.95 are pledged to repay the principal and interest on the 2014 Capital Outlay School Warrants at September 30, 2022. Pledged revenue in the amount of \$6,022,360.44 was received during the fiscal year ended September 30, 2022. Pledged revenues in the amount of \$231,268.76 were used to pay interest on the warrants during the fiscal year ended September 30, 2022. This amount represents 4.7% of the pledged revenues received by the Board. The 2014 Capital Outlay School Warrants will mature in fiscal year 2043.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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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 \$20,636,696.93 are pledged to repay the principal and interest on the 2016 Capital Outlay School Warrants at September 30, 2022. Pledged revenue in the amount of \$6,022,360.44 was received during the fiscal year ended September 30, 2022. Pledged revenues in the amount of \$1,217,236.26 were used to pay principal and interest on the warrants during the fiscal year ended September 30, 2022. This amount represents 14.3% of the pledged revenues received by the Board. The 2016 Capital Outlay School Warrants will mature in fiscal year 2046.

***Defeased Debt***

On April 5, 2022, the Board issued \$6,095,000.00 of its Capital Outlay School Refunding Warrants dated March 15, 2022 to currently refund and defease the Board's Capital Outlay School Warrants, Series 2012 (the "Series 2012 Warrants"), which were outstanding in the aggregate principal amount of \$5,750,000. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$21,722.22. This difference is being netted against the net debt and was amortized during the current audit period. As a result of the current refunding, the Board reduced its total debt service requirements by \$1,423,937.50, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,190,354.37.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2022*

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#### **Note 10 – Construction and Other Significant Commitments**

As of September 30, 2022, the Board was obligated under the following significant construction contracts:

	Contract Amount	Remaining Balance
BTW High School New Bleachers in Gymnasium	\$208,764.00	\$208,764.00
BTW High School New Rubber Track Surface	\$278,729.75	\$ 13,244.00
Transportation – 12 Classrooms Addition	\$500,000.00	\$500,000.00
BTW High School Baseball and Softball Fields	\$546,390.00	\$137,750.50
Notasulga High School Baseball and Softball Fields	\$638,397.70	\$187,546.92

#### **Note 11 – 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 PEEHIP 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.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2022***

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 12 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2022, were as follows:

	Interfund Receivables		Totals
	General Fund	Special Revenue Fund	
<u>Interfund Payables:</u>			
General Fund	\$	\$17,338.78	\$ 17,338.78
Special Revenue Fund	1,117,808.85		1,117,808.85
Totals	<u>\$1,117,808.85</u>	<u>\$17,338.78</u>	<u>\$1,135,147.63</u>

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2022, were as follows:

	Transfers Out			Totals
	General Fund	Special Revenue Fund	Other Governmental Funds	
<u>Transfers In:</u>				
General Fund	\$	\$420.41	\$457,877.64	\$ 458,298.05
Special Revenue Fund	223,654.28			223,654.28
Other Governmental Fund	218,893.10		234,568.76	453,461.86
Totals	<u>\$442,547.38</u>	<u>\$420.41</u>	<u>\$692,446.40</u>	<u>\$1,135,414.19</u>

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 to service current-year debt requirements.

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*Required Supplementary Information*

***Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2022***  
***(Dollar amounts in thousands)***

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's proportion of the collective net pension liability	0.166238%	0.166624%	0.163286%	0.179028%	0.182893%	0.182381%	0.198592%	0.200878%
Employer's proportionate share of the collective net pension liability	\$ 15,660	\$ 20,611	\$ 18,054	\$ 17,800	\$ 17,976	\$ 19,745	\$ 20,784	\$ 18,249
Employer's covered payroll during the measurement period (*)	\$ 11,986	\$ 11,810	\$ 11,562	\$ 11,936	\$ 12,177	\$ 11,597	\$ 12,563	\$ 12,741
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	130.65%	174.52%	156.15%	149.13%	147.62%	170.26%	165.44%	143.23%
Plan fiduciary net position as a percentage of the total collective pension liability	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB 82.)  
For fiscal year 2022, the measurement period is October 1, 2020 through September 30, 2021.

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 - Pension***  
***For the Year Ended September 30, 2022***  
***(Dollar amounts in thousands)***

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,844	\$ 1,458	\$ 1,447	\$ 1,416	\$ 1,438	\$ 1,442	\$ 1,371	\$ 1,465
Contributions in relation to the contractually required contribution	\$ 1,844	\$ 1,458	\$ 1,447	\$ 1,416	\$ 1,438	\$ 1,442	\$ 1,371	\$ 1,465
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$
Employer's covered payroll	\$ 15,272	\$ 11,986	\$ 11,810	\$ 11,562	\$ 11,936	\$ 12,177	\$ 11,597	\$ 12,563
Contributions as a percentage of covered payroll	12.07%	12.16%	12.25%	12.25%	12.05%	11.84%	11.82%	11.66%

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

***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, 2022***  
***(Dollar amounts in thousands)***

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Employer's proportion of the collective net OPEB liability	0.180745%	0.183538%	0.208175%	0.207089%	0.215401%
Employer's proportionate share of the collective net OPEB liability	\$ 9,339	\$ 11,911	\$ 7,854	\$ 17,020	\$ 15,999
Employer's covered-employee payroll during the measurement period (*)	\$ 11,986	\$ 11,810	\$ 11,562	\$ 11,936	\$ 12,177
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	77.92%	100.86%	67.93%	142.59%	131.39%
Plan fiduciary net position as a percentage of the total collective OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

(\*) Employer's covered-employee payroll during the measurement period is the total covered-employee payroll.  
For fiscal year 2022, the measurement period is October 1, 2020 through September 30, 2021.

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, 2022***  
***(Dollar amounts in thousands)***

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 429	\$ 315	\$ 364	\$ 594	\$ 511
Contributions in relation to the contractually required contribution	\$ 429	\$ 315	\$ 364	\$ 594	\$ 511
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 15,272	\$ 11,986	\$ 11,810	\$ 11,562	\$ 11,936
Contributions as a percentage of covered-employee payroll	2.81%	2.63%	3.08%	5.14%	4.28%

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

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2022***

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**Changes in Actuarial Assumptions**

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020 are summarized below.

Assumption	Description
Price Inflation	2.50%
Investment Return	7.00%
Wage Inflation	2.75%
Mortality Rates (Pre-Retirement, Post-Retirement Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.
Retirement Rates	Decreased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability Rates	Lowered rates of disability retirement at most ages.
Salary Increases	No change to total assumed rates of salary increases, but increased merit salary scale by 0.25% to offset the recommended decrease in the wage inflation assumption by 0.25%

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

**Recent Plan Changes**

Beginning in plan year 2021, the Medicare Advantage Plan with Prescription Drug Coverage (MAPD) plan premium rates exclude the Affordable Care Act (ACA) Health Insurer Fee which was repealed on December 20, 2019.

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

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

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2022***

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***Method and Assumptions Used in Calculations of Actuarially Determined Contributions***

The actuarially determined contribution rates in the Schedule of Employer’s Contributions – Other Postemployment Benefits (OPEB) were calculated as of September 30, 2018, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	23 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible (*)	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation
(*) Initial Medicare claims are set based on scheduled increases through plan year 2019.	

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2022***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
State	\$ 14,709,093.00	\$ 14,864,625.73	\$ 15,557,869.80	\$	\$ 15,557,869.80
Federal	110,000.00	110,000.00	291,796.53		291,796.53
Local	3,888,910.00	3,888,910.00	5,037,415.82	(52,595.91)	4,984,819.91
Other	200,000.00	200,000.00	355,920.53		355,920.53
Total Revenues	18,908,003.00	19,063,535.73	21,243,002.68	(52,595.91)	21,190,406.77
<b>Expenditures</b>					
Current:					
Instruction	9,628,165.00	9,683,865.00	10,126,430.82	10,103.48	10,136,534.30
Instructional Support	3,148,688.00	3,148,988.00	3,565,744.95	(7,231.52)	3,558,513.43
Operation and Maintenance	1,699,635.00	1,699,635.00	2,036,735.14	557.20	2,037,292.34
Auxiliary Services:					
Student Transportation	1,456,355.00	1,471,355.00	1,800,815.51	(12,213.43)	1,788,602.08
General Administrative and Central Support	2,056,432.00	2,056,432.00	2,459,259.57	5,576.71	2,464,836.28
Other	412,801.00	497,333.73	579,247.40	10,492.01	589,739.41
Capital Outlay:					
Total Expenditures	18,402,076.00	18,557,608.73	20,764,259.39	7,284.45	20,771,543.84
Excess (Deficiency) of Revenues Over Expenditures	505,927.00	505,927.00	478,743.29	(59,880.36)	418,862.93
<b>Other Financing Sources (Uses)</b>					
Indirect Cost	821,701.00	588,462.39	323,666.74		323,666.74
Transfers In	255,955.00	255,955.00	458,298.05		458,298.05
Transfers Out	(767,000.00)	(767,000.00)	(442,547.38)		(442,547.38)
Total Other Financing Sources (Uses)	310,656.00	77,417.39	339,417.41		339,417.41
Net Change in Fund Balances	816,583.00	583,344.39	818,160.70	(59,880.36)	758,280.34
Fund Balances - Beginning of Year	2,007,036.00	2,171,503.71	2,178,193.38	(1,928,015.34)	250,178.04
Fund Balances - End of Year	\$ 2,823,619.00	\$ 2,754,848.10	\$ 2,996,354.08	\$ (1,987,895.70)	\$ 1,008,458.38

**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.

\$ (59,880.36)

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Special Revenue Fund***  
***For the Year Ended September 30, 2022***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Federal	\$ 16,492,966.00	\$ 18,638,442.96	\$ 12,791,905.45		\$ 12,791,905.45
Local	516,155.00	516,155.00	630,188.23		630,188.23
Other	10,000.00	10,000.00	40,768.44		40,768.44
Total Revenues	17,019,121.00	19,164,597.96	13,462,862.12		13,462,862.12
<b>Expenditures</b>					
Current:					
Instruction	5,793,864.33	4,832,478.57	3,785,393.38		3,785,393.38
Instructional Support	2,943,915.67	6,566,739.82	3,654,246.30		3,654,246.30
Operation and Maintenance	344,577.00	813,479.60	866,108.36		866,108.36
Auxiliary Services:					
Student Transportation	43,852.00	193,614.59	146,754.82		146,754.82
Food Service	2,048,730.00	1,934,920.00	2,183,883.77	79,062.54	2,262,946.31
General Administrative and Central Support	1,055,642.00	834,300.39	788,083.84		788,083.84
Other	4,661,527.00	3,542,263.29	1,870,860.52	(95,804.21)	1,775,056.31
Capital Outlay	550,000.00	831,773.70	173,387.66		173,387.66
Total Expenditures	17,442,108.00	19,549,569.96	13,468,718.65	(16,741.67)	13,451,976.98
Excess (Deficiency) of Revenues Over Expenditures	(422,987.00)	(384,972.00)	(5,856.53)	16,741.67	10,885.14
<b>Other Financing Sources (Uses)</b>					
Transfers In	688,140.00	688,000.00	223,654.28		223,654.28
Transfers Out	(6,095.00)	(5,955.00)	(420.41)		(420.41)
Total Other Financing Sources (Uses)	682,045.00	682,045.00	223,233.87		223,233.87
Net Change in Fund Balances	259,058.00	297,073.00	217,377.34	16,741.67	234,119.01
Fund Balances - Beginning of Year	448,777.35	585,742.09	579,052.42	(95,804.21)	483,248.21
Fund Balances - End of Year	\$ 707,835.35	\$ 882,815.09	\$ 796,429.76	\$ (79,062.54)	\$ 717,367.22

**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.

\$ 16,741.67

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*Supplementary Information*

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2022**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Federal Expenditures</b>
<b>U. S. Department of Agriculture</b>			
<b>Passed Through Alabama Department of Education</b>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N.A.	\$ 586,015.68
National School Lunch Program:			
Cash Assistance	10.555	N.A.	1,266,839.73
Non-Cash Assistance (Commodities)	10.555	N.A.	146,518.06
Sub-Total National School Lunch Program			1,413,357.79
Fresh Fruit and Vegetable Program	10.582	N.A.	63,130.86
Total Child Nutrition Cluster			2,062,504.33
State Administrative Expenses for Child Nutrition	10.560	N.A.	6,462.16
COVID-19 - Pandemic EBT Administrative Costs	10.649	N.A.	1,296.38
Child Nutrition Discretionary Grants Limited Availability	10.579	N.A.	30,927.00
<b>Passed Through Macon County Commission</b>			
Schools and Roads - Grants to States	10.665	N.A.	17,910.67
Total U. S. Department of Agriculture			2,119,100.54
<b>U. S. Department of Education</b>			
<b>Passed Through Alabama Department of Education</b>			
Title I - Grants to Local Educational Agencies	84.010	N.A.	1,766,719.78
School Improvement Grants	84.377	N.A.	52,200.00
Special Education Cluster:			
Special Education - Grants to States	84.027	N.A.	443,945.63
COVID-19 - Special Education - Grants to States (American Rescue Plan Act)	84.027X	N.A.	15,818.89
Special Education - Preschool Grants	84.173	N.A.	20,607.00
COVID-19 - Special Education - Preschool Grants (American Rescue Plan Act)	84.173X	N.A.	3,000.00
Sub-Total Special Education Cluster			483,371.52
Career and Technical Education - Basic Grants to States	84.048	N.A.	53,532.00
Education for Homeless Children and Youth	84.196	N.A.	50,000.00
Twenty-First Century Community Learning Centers	84.287	N.A.	947,229.05
Rural Education	84.358	N.A.	42,119.00
Supporting Effective Instruction State Grants	84.367	N.A.	186,002.84
Student Support and Academic Enrichment Program	84.424	N.A.	104,867.00
COVID-19 Education Stabilization Fund:			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	N.A.	1,896,902.48
COVID-19 American Rescue Plan for Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	N.A.	4,452,138.09
COVID-19 American Rescue Plan for Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	N.A.	39,070.00
Sub-Total COVID-19 Education Stabilization Fund			6,388,110.57
Total U. S. Department of Education			10,074,151.76
Sub-Total Forward			\$ 12,193,252.30



***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2022***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 12,193,252.30
<b><u>Federal Communications Commission</u></b>			
<b><u>Direct Program</u></b>			
Emergency Connectivity Fund	32.009	N.A.	837,812.50
Total Federal Communications Commission			<u>837,812.50</u>
<b><u>Social Security Administration</u></b>			
<b><u>Passed Through Alabama Department of Education</u></b>			
Social Security - Disability Insurance	96.001	N.A.	440.00
<b><u>U. S. Department of Defense</u></b>			
<b><u>Direct Program</u></b>			
<b><u>Other Federal Assistance</u></b>			
Army ROTC	N.A.	N.A.	74,889.43
Total Expenditures of Federal Awards			<u>\$ 13,106,394.23</u>

N.A. = Not Available/Not Applicable

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

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2022***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Macon County Board of Education (the “Board”) under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

**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.

**Note 3 – Indirect Cost Rate**

The Board has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

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*Additional Information*

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***Board Members and Administrative Personnel***  
***October 1, 2021 through September 30, 2022***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Mary H. Hooks	President	2028
Hon. Katy Campbell	Vice-President	2024
Hon. Elnora Smith Love	Member	2024
Hon. Clinton C. Boyd, Jr.	Member	2026
Hon. Karey Thompson	Member	2022
<b><u>Administrative Personnel</u></b>		
Jacqueline A. Brooks, Ed.D.	Superintendent	2021
Melissa T. Williams, Ph.D.	Superintendent	2025
Natalie Young	Chief School Financial Officer	Indefinite

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***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***

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***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 (***Governmental Auditing Standards***), 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, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 12, 2023.

***Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2022-001 to be a material weakness.

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***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***

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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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2022-002 and 2022-003 to be significant deficiencies.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Board's financial statements are free of 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 financial statements. 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*.

***Board's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Board's response to the findings identified in our audit are 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.

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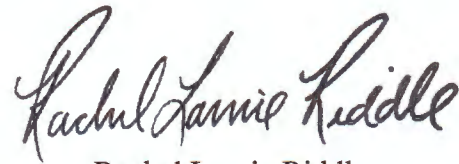
***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 12, 2023

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

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***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***

***Opinion on Each Major Federal Program***

We have audited the Macon County Board of Education's (the "Board") compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2022. The Board's major federal programs are identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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



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

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***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance*, we

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

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

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

**Report on Internal Control Over Compliance**

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

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

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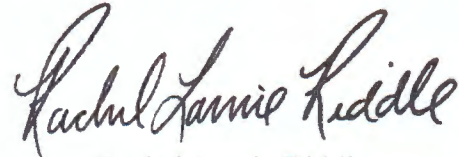
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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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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

September 12, 2023

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2022***

**Section I – Summary of Examiner’s Results**

**Financial Statements**

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X  Yes         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:

Assistance Listing Numbers	Name of Federal Programs or Clusters
84.425	COVID-19 Education Stabilization Fund
10.553, 10.555 and 10.582	Child Nutrition Cluster
84.287	Twenty-First Century Community Learning Centers
32.009	Emergency Connectivity Fund

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

\$750,000.00

Auditee qualified as low-risk auditee?

    Yes     X  No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2022***

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**Section II – Financial Statement Findings (GAGAS)**

**Reference Number:** 2022-001  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Material Weakness  
**Compliance Impact:** None

The Board failed to record revenues and expenditures made on its behalf by the Public School and College Authority.

**Finding**

Generally accepted accounting principles require the financial statements to be prepared using the economic resources measurement focus and accrual basis of accounting. This means that revenues are recorded when earned regardless of the timing of related cash flows. The Board failed to record revenues and expenditures in the capital projects fund for the Series 2020-A Bond proceeds issued by the Public School and College Authority on the Board's behalf. These proceeds are not held by the Board and should be recognized as revenues when they are expended on the Board's behalf, and therefore earned. The Board did not have internal controls in place to ensure revenues and expenditures were properly recorded when earned for bond proceeds issued on behalf of the Board. As a result, revenue and expenditure balances were materially misstated. However, once this matter was brought to the Board's attention, the Board made the appropriate adjustments to correct the misstatements in the financial statements.

**Recommendation**

Procedures should be in place to ensure revenues and expenditures are properly recorded when earned on the financial statements.

**Views of Responsible Officials**

The Board agrees with the finding.

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2022***

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**Section II – Financial Statement Findings (GAGAS)**

**Reference Number:** 2022-002  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** None

The Board failed to ensure all local schools followed established policies and procedures for receipting and depositing money received.

**Finding**

The Board has established local school receipting policies and procedures which require that teacher receipts are issued for the money received, and that the money is deposited in a timely manner. During testing of teacher receipts at the local schools, money collected by the teachers was not always receipted and deposited timely. Money was held by teachers up to 25 days at Booker T. Washington High School (the “School”) before being recorded in the master receipt book by the bookkeeper and deposited into the bank account. Local school personnel at the School did not comply with the Board's policies and procedures regarding local school receipts. This caused money to be exposed to risk of loss and theft. This finding was previously reported as Finding 2018-001, Finding 2019-002, Finding 2020-002 and Finding 2021-001.

**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 agrees with the finding.

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2022***

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**Section II – Financial Statement Findings (GAGAS)**

**Reference Number:** 2022-003  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Material Weakness  
**Compliance Impact:** None

Schools under the Board’s jurisdiction failed to follow established receipt book log procedures.

**Finding**

The Board has established local school policies and procedures that state Principals will provide a pre-numbered duplicate receipt book or record to teachers and other individuals who collect money, and a log should be maintained to track the receipt books issued. Testing of teacher receipts revealed principals did not maintain teacher receipt book logs for their respective schools. Procedures were not in place to ensure a log of teacher receipt books was maintained. As a result, receipt books and recorded receipts could be unaccounted for, causing money to be exposed to risk of loss or theft. This finding was previously reported as Finding 2020-003 and Finding 2021-002.

**Recommendation**

The Board should ensure all local school personnel adhere to the adopted policies and procedures for local school teacher receipt book logs.

**Views of Responsible Officials**

The Board agrees 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*



*Melissa T. Williams, PhD, Superintendent*  
*Katy S. Campbell, Esq., President*  
*Elnora Smith-Love, Vice President*  
*Mary H. Hooks, Member*  
*Sgt. Major Clinton C. Boyd, Member*  
*Sawanda Wilson, Member*

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Summary Schedule of Prior Audit Findings  
 For the Year Ended September 30, 2022

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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, 2021.

Finding Ref. No.	Status of Prior Audit Finding
------------------	-------------------------------

**Finding 2021-001:**

The Board has established local school receipting policies and procedures which require teacher receipts to identify the type of money received (i.e., cash/check), and to ensure that receipts are issued for the money received and that the money is deposited in a timely manner. During testing of teacher receipts at the local schools, money collected by the teachers was not always receipted and deposited timely. Money was held by teachers for over one month at Booker T. Washington High School before being receipted in the master receipt book by the bookkeeper and deposited into the bank account. Additionally, both teacher receipts and master receipts failed to document the type of funds received (i.e., cash/check). Local school personnel at this school did not comply with the Board's policies and procedures regarding local school receipts. This caused money to be exposed to risk of loss and theft. This finding was previously reported as Finding 2018-001, Finding 2019-002, and Finding 2020-002.

**Corrective action is ongoing.** The Macon County Board of Education will continue to provide additional training to the local school bookkeepers and administrators regarding the procedures set forth in the Accounting Procedures Manual for receipting and depositing money timely. The Chief School Financial Officer and the Finance Personnel will continue to perform audits at all local schools to ensure that all parties involved in receipting and depositing money are following the proper procedures.

**Finding 2021-002**

The Board has established local school policies and procedures that state Principals will provide a pre-numbered duplicate receipt book or record to teachers and other individuals who collect money, and a log should be maintained to track the receipt books issued. Testing of teacher receipts revealed principals did not maintain teacher receipt book logs at Booker T. Washington High School and George Washington Carver Elementary School. Procedures were not in place to ensure a log of teacher receipt books was maintained. As a result, receipt books and recorded receipts could be unaccounted for, causing money to be exposed to risk of loss or theft. This finding was previously reported as Finding 2020-003.

**Corrective action is ongoing.** Macon County Board of Education will continue to provide extensive professional development with school bookkeepers and administrators to ensure internal controls are followed and maintain a receipt book log.

**Finding 2021-003**

The Board has established local policies and procedures that require a fundraiser request form be prepared for each fundraising activity documenting the details of the fundraiser prior to its start. This form must be signed by the Principal as approval to proceed with the fundraising activity. School fundraiser request forms for Deborah Cannon Wolfe Elementary School and George Washington Carver Elementary School were not made available for review during the audit. Procedures were not in place to ensure policies were implemented concerning approval of fundraisers. Because school fundraiser requests forms were not made available for review, we were unable to determine if fundraisers were approved and conducted in accordance with the policies of the Board of Education.

**Corrective action has been taken.** Macon County board of Education has provided extensive professional development with school bookkeepers and administrators to ensure internal controls are followed and maintain a fundraiser requests forms.

Sincerely,



Melissa T. Williams, PhD.  
Superintendent of Education

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*Auditee Response/Corrective Action Plan*



**Melissa T. Williams, PhD, Superintendent**  
**Katy S. Campbell, Esq., President**  
**Elnora Smith-Love, Vice President**  
**Mary H. Hooks, Member**  
**Sgt. Major Clinton C. Boyd, Member**  
**Sawanda Wilson, Member**

***Auditee Response/Corrective Action Plan  
 For the Year Ended September 30, 2022***

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 which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2022.

Finding Ref. No.	Corrective Action Plan Details
------------------	--------------------------------

2022-001

***Finding:***

Generally accepted accounting principles require the financial statements to be prepared using the economic resources measurement focus and accrual basis of accounting. This means that revenues are recorded when earned regardless of the timing of related cash flows. The Board failed to record revenues and expenditures in the capital projects fund for the Series 2020-A Bond proceeds issued by the Public School and College Authority on the Board's behalf. These proceeds are not held by the Board and should be recognized as revenues when they are expended on the Board's behalf, and therefore earned. The Board did not have internal controls in place to ensure revenues and expenditures were properly recorded when earned for bond proceeds issued on behalf of the Board. As a result, revenue and expenditure balances were materially misstated. However, once this matter was brought to the Board's attention, the Board made the appropriate adjustments to correct the misstatements in the financial statements.

***Recommendation:***

Procedures should be in place to ensure revenues and expenditures are properly recorded when earned on the financial statements.

***Response/Views:*** We agree with the finding.

***Corrective Action Planned:*** The Macon County Board of Education will record revenues and expenditures in the capital projects fund for the Series 2020-A Bond proceeds for projects fund for the Series 2020-A Bond proceeds issued by the Public School and College Authority on the Board's behalf.



*Anticipated Completion Date:* September 30, 2023

*Contact Person(s):* Natalie Young, Chief School Financial Officer

2022-002

***Finding:***

The Board has established local school receipting policies and procedures which require that teacher receipts are issued for the money received, and that the money is deposited in a timely manner. During testing of teacher receipts at the local schools, money collected by the teachers was not always receipted and deposited timely. Money was held by teachers up to 25 days at Booker T. Washington High School (the "School") before being recorded in the master receipt book by the bookkeeper and deposited into the bank account. Local school personnel at the School did not comply with the Board's policies and procedures regarding local school receipts. This caused money to be exposed to risk of loss and theft. This finding was previously reported as Finding 2018-001, Finding 2019-002, Finding 2020-002, and Finding 2021-001.

***Recommendation:***

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

***Response/Views:*** We agree with the finding.

***Corrective Action Planned:*** The Macon County Board of Education will continue to provide training to the Local School Bookkeepers, Faculty/Staff, and Administrators regarding the procedure set forth in the Accounting Manual for receipting and depositing money timely. The Finance Department will perform audits at all schools to ensure that all parties involved in receipting and depositing money are following the procedures.

***Reason for the Recurrence:*** Lack of consistency in Local School Bookkeepers position.

***Anticipated Completion Date:*** March 31, 2024

***Contact Person(s):*** Natalie Young, Chief School Financial Officer

2022-003

***Finding:***

The Board has established local school policies and procedures that state Principals will provide a pre-numbered duplicate receipt book or record to teachers and other individuals who collect money, and a log should be maintained to track the receipt books issued. Testing of teacher receipts revealed principals did not maintain teacher receipt book logs for their respective schools. Procedures were not in place to ensure a log of teacher receipt books was maintained. As a result, receipt books and recorded receipts could be unaccounted for, causing money to be exposed to risk of loss or theft. This finding was previously reported as Finding 2020-003 and Finding 2021-002.

***Recommendation:***

The Board should ensure all local school personnel adhere to the adopted policies and procedures for local school teacher receipt book logs.

***Response/Views:*** We Agree with the Finding.

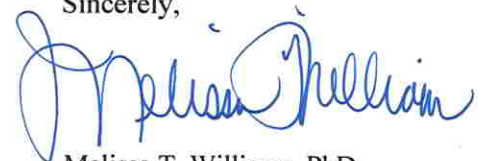
***Corrective Action Planned:*** The Macon County Board of Education will ensure Procedure for Local School Teacher Receipt log is prepared and maintained.

***Reason for the Recurrence:*** Lack of consistency in Local School Bookkeepers position.

***Anticipated Completion Date:*** September 30, 2023

***Contact Person(s):*** Natalie Young, Chief School Financial Officer

Sincerely,



Melissa T. Williams, PhD.  
Superintendent of Education