

MAEF PUBLIC CHARTER SCHOOLS, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

MAEF Public Charter Schools, Inc.
Financial Statements
September 30, 2018

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Members of the Board
MAEF Public Charter Schools, Inc.
Mobile, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of MAEF Public Charter Schools, Inc., as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the MAEF Public Charter Schools, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of MAEF Public Charter Schools, Inc., as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 32-34, schedule of proportionate share of the net pension liability and schedule of Board contributions on pages 35-36, schedule of proportionate share of net OPEB liability and schedule of contributions on pages 37-38, respectively, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

PO Box 773 • Brewton, AL 36427 • P 251-928-2443 • F 251-928-6921 • avizogroup.com

shareholders J. Earl Blackmon, CPA • Dennis E. Sherrin, CPA • G. Allen Cave, Jr., CPA • Rachel G. Young, CPA
principals LeeAnn M. May, CPA **of counsel** Xavier A. Hartmann, III, CPA • Rucker T. Taylor, III, CPA • Sally S. Wagner, CPA

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2020, on our consideration of MAEF Public Charter Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MAEF Public Charter Schools, Inc.'s internal control over financial reporting and compliance.

Avizo Group, Inc.

Certified Public Accountants

August 11, 2020
Brewton, Alabama

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MAEF Public Charter Schools, Inc.
Statement of Net Position
September 30, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 321,688
Receivables, Net	55,994
Total Assets	377,682
Deferred Outflows of Resources	
Employer Pension Contribution	111,910
Employer OPEB Contribution	31,070
Proportionate Share of Collective Deferred Outflows	
Related to Net Pension Liability	1,159,000
Related to Net OPEB Liability	506,856
Total Deferred Outflows of Resources	1,808,836
Liabilities	
Accounts Payable	36,599
Long-Term Liabilities:	
Portion Due or Payable Within One Year	52,953
Portion Due or Payable After One Year	2,113,817
Total Liabilities	2,203,369
Deferred Inflows of Resources	
Proportionate Share of Collective Deferred Inflows	
Related to Net Pension Liability	142,000
Related to Net OPEB Liability	62,678
Total Deferred Inflows of Resources	204,678
Net Position	
Unrestricted	(221,529)
Total Net Position	\$ (221,529)

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

MAEF Public Charter Schools, Inc.
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position
					Governmental Activities
Instructional	\$ 1,435,971	\$ 743,675	\$ 1,995,915	\$ -	\$ 1,303,619
Instructional Support	328,230	-	-	-	(328,230)
Operation and Maintenance	286,178	-	-	-	(286,178)
Student Transportation	4,256	-	-	-	(4,256)
Food Service	157,610	-	-	-	(157,610)
General Administrative	568,637	-	-	-	(568,637)
Total Governmental Activities	<u>\$ 2,780,882</u>	<u>\$ 743,675</u>	<u>\$ 1,995,915</u>	<u>\$ -</u>	<u>(41,292)</u>
Changes in Net Position					(41,292)
Net Position - Beginning of Year					(180,237)
Net Position - End of Year					\$ (221,529)

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

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MAEF Public Charter Schools, Inc.
Balance Sheet
Governmental Funds
September 30, 2018

	(11) - General Fund	(12) - Special Revenue Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 331,952	\$ (10,264)	\$ 321,688
Receivables, Net	4,694	26,863	31,557
Due from Other Funds	14,437	10,000	24,437
Total Assets	\$ 351,083	\$ 26,599	\$ 377,682
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	\$ 12,162	\$ 12,162
Due to Other Funds	10,000	14,437	24,437
Total Liabilities	10,000	26,599	36,599
Fund Balances			
Unassigned	341,083	-	341,083
Total Fund Balances	341,083	-	341,083
Total Liabilities and Fund Balances	\$ 351,083	\$ 26,599	\$ 377,682

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

MAEF Public Charter Schools, Inc.
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities
September 30, 2018

Total Fund Balances - Governmental Funds	\$	341,083
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		1,128,910
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		475,248
Long-term liabilities, including net pension liability and net OPEB liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Portion Due or Payable After One Year	<u>\$</u>	<u>(2,113,817)</u>
		<u>(2,166,770)</u>
		<u><u>\$</u></u>
Total Net Position - Governmental Activities		<u><u>(221,529)</u></u>

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

MAEF Public Charter Schools, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
September 30, 2018

	(11) - General Fund	(12) - Special Revenue Fund	Total Governmental Funds
Revenues			
State	\$ 1,787,124	\$ -	\$ 1,787,124
Federal	-	208,791	208,791
Local	743,675	-	743,675
Total Revenues	<u>2,530,799</u>	<u>208,791</u>	<u>2,739,590</u>
Expenditures			
Current:			
Instructional	970,207	114,707	1,084,914
Instructional Support	234,146	94,084	328,230
Operation and Maintenance	286,178	-	286,178
Auxiliary Services:			
Student Transportation	4,256	-	4,256
Food Service	157,610	-	157,610
General Administrative	568,637	-	568,637
Debt Service:			
Principal Retirement	110,229	-	110,229
Total Expenditures	<u>2,331,263</u>	<u>208,791</u>	<u>2,540,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>199,536</u>	<u>-</u>	<u>199,536</u>
Other Financing Sources (Uses)			
Proceeds from Long-Term Debt	109,199	-	109,199
Total Other Financing Sources (Uses)	<u>109,199</u>	<u>-</u>	<u>109,199</u>
Net Changes in Fund Balances	308,735	-	308,735
Fund Balances - Beginning of Year	32,348	-	32,348
Fund Balances - End of Year	<u>\$ 341,083</u>	<u>\$ -</u>	<u>\$ 341,083</u>

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

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MAEF Public Charter Schools, Inc.
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
September 30, 2018

Net Changes in Fund Balances - Total Governmental Funds	\$	308,735
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		110,229
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.		(109,199)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension Expense, Current Year Increase/(Decrease)	\$	98,967
OPEB Expense, Current Year Increase/(Decrease)		252,090
		(351,057)
Change in Net Position of Governmental Activities		\$ (41,292)

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

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

MAEF Public Charter Schools, Inc. was incorporated on July 28, 2016, to create, manage, operate, and direct public schools. The financial statements of the MAEF Public Charter Schools, Inc DBA Accel Day and Evening Academy (the School) have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

For financial reporting purposes and in conformance with the criteria set forth by GASB Statement No. 61, the School includes those funds, account groups, agencies, boards, commissions and authorities for which the School has the ability to exercise its oversight responsibility and provides financial and managerial assistance.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE AND FUND LEVEL

Government-wide

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Level

The government fund level financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounts of the School are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into broad fund categories as follows:

Governmental Funds:

General Fund—The General Fund is used to account for all revenues and expenditures applicable to the general operations of the School which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Special Revenue Fund—Special revenue funds are operating funds for which the use of revenues is restricted or designated by outside sources.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is when they become both “measurable” and “available” to finance expenditures of the current period. Ad valorem and other taxes collected by an intermediary are considered “measurable” when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures, generally, are recorded at the time liabilities are incurred. Revenues susceptible to accrual are: federal financial assistance programs, which are measurable and available to finance expenditures of the current period.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. INCOME TAXES

The School is a nonprofit organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is reflected in the statement of activities. The income tax filings are subject to examination by taxing authorities, generally, for three years after they are filed.

E. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued and Adopted Accounting Principles

During the year ended September 30, 2018, the School implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The statement was issued to address new accounting and financial reporting for OPEB that is provided to the employees of the state and local government employers. Upon implementation, the School recognized a Net OPEB liability in the amount of \$574,215, a deferred outflow of \$537,926 and a deferred inflow of \$62,678. Additional information regarding the OPEB liability and the School's OPEB Plan is discussed in Note 6.

During the year ended September 30, 2018, the School implemented GASB Statement No. 85, *Omnibus 2017*. The statement was issued to address a variety of issues including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits) identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 85 are effective for fiscal year 2018. The adoption of GASB Statement No. 85 did not have any impact on the School's financial statements.

During the year ended September 30, 2018, the School implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The statement was issued to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves reporting for prepaid insurance on debt that is extinguished and notes to the consolidated financial statements for debt that is defeased in substance. The requirements of GASB Statement No. 86 are effective for fiscal year 2018 and its adoption had no impact on the School's financial statements.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Principles

GASB Statement No. 87, *Leases* was issued to improve the consistency of accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB Statement No. 87 are effective for the fiscal year 2021. The School is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to improve the disclosures in notes to government financial statements related to debt, including direct borrowings and direct placements. The statement also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB Statement No. 88 are effective for the fiscal year 2019. The School is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for the fiscal year 2020. The School is currently evaluating the impact that this statement may have on its financial statements.

F. CASH AND INVESTMENTS

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

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

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

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

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

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

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

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. ENCUMBRANCES

Encumbrances represent commitments related to underperformed contracts for goods or services. Encumbrances accounting—under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

J. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources consist of the following at September 30, 2018:

	Governmental Activities
Deferred outflows of resources as related to the net pension liability	\$ 1,270,910
Deferred outflows of resources as related to the net OPEB liability	537,926
	\$ 1,808,836

K. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of the following at September 20, 2018:

	Governmental Activities
Deferred inflows of resources as related to the net pension liability	\$ 142,000
Deferred inflows of resources as related to the net OPEB liability	62,678
	\$ 204,678

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. PENSIONS

The Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards School (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

M. SUBSEQUENT EVENTS

The School has evaluated subsequent events through August 11, 2020, the date which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the COVID-19 (Coronavirus) outbreak a "Public Health Emergency of International Concern". On March 10, 2020, it was declared to be a pandemic. The spread of the virus has begun to cause business disruption. Actions taken to mitigate the spread include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. While it is unknown how long these conditions will last and what complete financial effect this will have on the School, the School is expecting to experience a decline in revenue.

On January 1, 2019, the School refinanced a note payable. New current portion and payout reflect the terms of the new commercial note.

There were no other material subsequent events which require disclosure at September 30, 2018.

NOTE 2 DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

Credit Risk

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

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 2 DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

The School maintains a number of bank accounts with a service provider. The Federal Deposit Insurance Corporation (FDIC) insures all of the Organization’s bank accounts up to a maximum of \$250,000.

NOTE 3 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

NOTE 4 INTERFUND TRANSACTIONS

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

Interfund Receivables and Payables

	Interfund Receivables	
	General Fund	Special Revenue Fund
<u>Interfund Payables</u>		
General Fund	\$ -	\$ 10,000
Special Revenue Fund	14,437	-
Totals	\$ 14,437	\$ 10,000

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

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

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2017 was 12.01% of annual pay for Tier 1 members and 10.82% 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 School were \$111,910 for the fiscal year ended September 30, 2018.

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

At September 30, 2018, the School reported a liability of \$1,381,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016. The School'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, 2017, the School's proportion was 0.014050 percent, which was an increase of 0.014050 percent from its proportion measured as of September 30, 2016.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 5 **DEFINED BENEFIT PENSION PLAN (continued)**

For the year ended September 30, 2018, the School recognized pension expense of \$252,090. At September 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 59,000
Changes of assumptions	82,000	-
Net difference between projected and actual earnings on pension plan investments	-	83,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,077,000	-
Employer contributions subsequent to the measurement date	111,910	-
 Total	 \$ 1,270,910	 \$ 142,000

Deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date was reported at \$111,910 and will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2019	\$ 243,000
2020	267,000
2021	227,000
2022	229,000
2023	51,000

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 5 **DEFINED BENEFIT PENSION PLAN (continued)**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return*	7.75%
Projected salary increases	3.25%-5.0%

*Net of pension plan investment expense

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

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

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

(continued)

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 5 **DEFINED BENEFIT PENSION PLAN (continued)**

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

*Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of collective net pension liability	\$ 1,905,000	\$ 1,381,000	\$ 938,000

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2017. The auditor's report dated August 20, 2018, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2017, along with supporting schedules is also available. The additional financial actuarial information is available at www.rsa-al.gov.

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

Benefits Provided

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

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

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

Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the School 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 School is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the School 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 School 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 School 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 School. This reduction in the employer contribution ceases upon notification to the School of the attainment of Medicare coverage.

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

At September 30, 2018, the School reported a liability of \$574,215 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. The School's proportion of the net OPEB liability was based on a projection of the School's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2017, the School's proportion was .007731 percent, which was an increase of .007731 percent from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the School recognized OPEB expense of \$98,967, with no special funding situations. At September 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	59,621
Net difference between projected and actual earnings on OPEB plan investments	-	3,057
Changes in proportion and differences between Employer contributions and proportionate share of contributions	506,856	-
Employer contributions subsequent to the measurement date	31,070	-
Total	\$ 537,926	\$ 62,678

Deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to measurement date was report as \$31,070 and will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2019	\$ 84,749
2020	84,749
2021	84,749
2022	84,749
2023	85,513
Thereafter	19,669
	\$ 444,178

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

Inflation	2.75%
Projected salary increases ¹	3.25%-5.00%
Long-term investment rate of return ²	7.25%
Municipal bond index rate at the measurement date	3.57%
Municipal bond index rate at the prior measurement date	2.93%
Project year for fiduciary net position (FNP) to be depleted	2042
Single equivalent interest rate the measurement date	4.63%
Single equivalent interest rate the prior measurement date	4.01%
Healthcare cost trend rate	
Pre-medicare eligible	7.75%
Medicare eligible	5.00%
Ultimate trend rate	
Pre-medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2022

¹ Includes 3% wage inflation.

² Compounded annually, net of investment expense and includes inflation

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

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, during fiscal year 2017.

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 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

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

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

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2017 was 4.63%. The discount rate used to measure the total OPEB liability at the prior measurement rate was 4.01%. Premiums paid to the Public Education Employees' Health Insurance School for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016 and it is assumed that the amount will increase by 3.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through

(continued)

MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (continued)

2115. The long term rate of return is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

Sensitivity of the Accel Day and Evening Academy's proportionate share of the net OPEB liability to changes in the healthcare cost trends rate.

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

	1% Decrease (6.75% decreasing to 4% for pre-Medicare, 4% for Medicare Eligible, and 1% for Optional Plans)	Current Healthcare Trend Rate (7.75% decreasing to 5% for pre-Medicare, 5% for Medicare Eligible, and 2% for Optional Plans)	1% Increase (8.75% decreasing to 6% for pre-Medicare, 6% for Medicare Eligible, and 3% for Optional Plans)
School's proportionate share of collective net OPEB liability	\$ 694,106	\$ 574,215	\$ 478,646

The following table presents the MAEF Public Charter Schools, Inc.'s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.63%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 3.63%	Current Rate 4.63%	1% Increase 5.63%
School's proportionate share of collective net OPEB liability	\$ 694,106	\$ 574,215	\$ 478,646

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 7 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 212,585	\$ 109,199	\$ 110,229	\$ 211,555	\$ 52,953
Total Notes Payable	212,585	109,199	110,229	211,555	52,953
Other Liabilities:					
Net Pension Liability	-	1,381,000	-	1,381,000	-
Net OPEB Liability	-	574,215	-	574,215	-
Total Other Liabilities	-	1,955,215	-	1,955,215	-
Governmental Activities Long-Term Liabilities	\$ 212,585	\$ 2,064,414	\$ 110,229	\$ 2,166,770	\$ 52,953

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MAEF Public Charter Schools, Inc.
Notes to the Financial Statements
September 30, 2018

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Notes Payable at September 30, 2018, were comprised of the following:

Note payable dated October 1, 2017, and refinanced January 1, 2019 with interest rate of 3%, principal payments of \$17,651 and maturing on January 1, 2022	<u>\$ 211,555</u>
Total Notes Payable	<u><u>\$ 211,555</u></u>

Annual debt service requirements to maturity for long-term debt are as follows:

<u>Year Ending September 30,</u>	Principal	Interest
2019	\$ 52,953	\$ 4,363
2020	70,604	3,964
2021	70,604	1,846
2022	<u>17,394</u>	<u>129</u>
	<u><u>\$ 211,555</u></u>	<u><u>\$ 10,302</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MAEF Public Charter Schools, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(11) – General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues				
State	\$ 1,466,016	\$ 1,466,016	\$ 1,787,124	\$ 321,108
Local	-	-	743,675	743,675
Total Revenues	1,466,016	1,466,016	2,530,799	1,064,783
Expenditures				
Current:				
Instructional	642,775	642,775	970,207	(327,432)
Instructional Support	296,576	296,576	234,146	62,430
Operation and Maintenance	76,000	76,000	286,178	(210,178)
Auxiliary Services:				
Student Transportation	73,000	73,000	4,256	68,744
Food Service	-	-	157,610	(157,610)
General Administrative	664,258	664,258	568,637	95,621
Debt Service:				
Principal Retirement	229,498	229,498	110,229	119,269
Total Expenditures	1,982,107	1,982,107	2,331,263	(349,156)
Excess (Deficiency) of Revenues Over Expenditures	(516,091)	(516,091)	199,536	715,627
Other Financing Sources (Uses):				
Proceeds from Long-Term Debt	-	-	109,199	109,199
Total Other Financing Sources (Uses)	-	-	109,199	109,199
Net Change in Fund Balances	(516,091)	(516,091)	308,735	824,826
Fund Balances - Beginning of Year	105,672	105,672	32,348	(73,324)
Fund Balances - End of Year	\$ (410,419)	\$ (410,419)	\$ 341,083	\$ 751,502

See notes to required supplementary information

MAEF Public Charter Schools, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
(12) – Special Revenue Fund
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget--</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State	\$ 238	\$ 238	\$ -	\$ (238)
Federal	298,498	298,498	208,791	(89,707)
Total Revenues	<u>298,736</u>	<u>298,736</u>	<u>208,791</u>	<u>(89,945)</u>
Expenditures				
Current:				
Instructional	155,527	155,527	114,707	40,820
Instructional Support	121,446	121,446	94,084	27,362
Total Expenditures	<u>276,973</u>	<u>276,973</u>	<u>208,791</u>	<u>68,182</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,763</u>	<u>21,763</u>	-	<u>(21,763)</u>
Net Change in Fund Balances	21,763	21,763	-	(21,763)
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ 21,763</u>	<u>\$ 21,763</u>	<u>\$ -</u>	<u>\$ (21,763)</u>

See notes to required supplementary information

MAEF Public Charter Schools, Inc.
Note to Required Supplementary Information
For the Year Ended September 30, 2018

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

Budgeted amounts are as originally adopted by the School in October 2017. Final budgeted amounts were adopted by the School on March 2018.

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MAEF Public Charter Schools, Inc.
Schedule of the Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan of Alabama
September 30

	<u>2018</u>
School's proportion of the net pension liability	0.014050%
School's proportionate share of the net pension liability	\$ 1,381,000
School's covered-employee payroll*	\$ 964,992
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.11%
Plan fiduciary net position as a percentage of the total pension liability	71.50%

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

*Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2018, the measurement period is October 1, 2016-September 30, 2017.

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MAEF Public Charter Schools, Inc.
Schedule of School Contributions
Teacher's Retirement Plan of Alabama
September 30

	2018
Contractually Required Contribution*	\$ 111,910
Contributions in relation to the contractually required contribution*	111,910
Contribution deficiency (excess)	\$ -
School's covered employee-payroll**	\$ 964,992
Contributions as a percentage of covered-employee payroll	11.60%

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

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

**Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2018, the measurement period is October 1, 2016-September 30, 2017.

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MAEF Public Charter Schools, Inc.
Schedule of Proportionate Share of Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30

	<u>2018</u>
School's proportion of the net OPEB liability	0.773100%
School's proportionate share of the net OPEB liability	\$ 574,215
School's covered-employee payroll	\$ 964,992
School's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	59.50%
Plan fiduciary net position as a percentage of the total OPEB liability	15.37%

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

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MAEF Public Charter Schools, Inc.
Schedule of Contributions
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30

		2018
Contractually Required Contribution	\$	31,070
Contributions in relation to the contractually required contribution		31,070
Contribution deficiency (excess)	\$	-
School's covered employee-payroll	\$	964,992
Contributions as a percentage of covered-employee payroll		3.22%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
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MAEF Public Charter Schools, Inc.
Note to Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
For the Fiscal Year Ended September 30, 2018

NOTE 1*Changes in actuarial assumptions*

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

Recent Plan Changes

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

The Health Plan was changed in 2017 to reflect the ACA maximum annual out-of-pocket amounts.

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014 three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of pay
Remaining Amortization Period	27 year, closed
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.75%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2019 for Pre-Medicare Eligible 2017 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

COMPLIANCE SECTION



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

Members of the Board
MAEF Public Charter Schools, Inc.
Mobile, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of MAEF Public Charter Schools, Inc. as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise MAEF Public Charter Schools, Inc.'s basic financial statements, and have issued our report thereon dated August 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MAEF Public Charter Schools, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MAEF Public Charter Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of MAEF Public Charter Schools, Inc.'s internal control.

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

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

PO Box 773 • Brewton, AL 36427 • P 251-928-2443 • F 251-928-6921 • avizogroup.com

shareholders J. Earl Blackmon, CPA • Dennis E. Sherrin, CPA • G. Allen Cave, Jr., CPA • Rachel G. Young, CPA
principals LeeAnn M. May, CPA **of counsel** Xavier A. Hartmann, III, CPA • Rucker T. Taylor, III, CPA • Sally S. Wagner, CPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MAEF Public Charter Schools, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Avizo Group, Inc.

Certified Public Accountants

August 11, 2020
Brewton, Alabama