# MAGIC CITY ACCEPTANCE ACADEMY
# BIRMINGHAM, ALABAMA

## Audited Financial Statements
## September 30, 2023

KELLUM, WILSON & ASSOCIATES, P.C.
*Certified Public Accountants*
3825 LORNA ROAD, SUITE 212
HOOVER, ALABAMA 35244

**MAGIC CITY ACCEPTANCE ACADEMY**
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KELLUM, WILSON & ASSOCIATES, P.C.
*Certified Public Accountants*
3825 LORNA ROAD, SUITE 212
HOOVER, ALABAMA 35244
(205) 942-5424
FAX (205) 942-5404
kwa@kwacpa.net

JOHN W. KELLUM, III, CPA
CHARLES R. WILSON, CPA

LORI L. KES, CPA, CVA

PHILLIP D. EADS, CPA
LINDY B EICHELBERGER, CPA
JAMES C BOHANNON, CPA

JASPER OFFICE
PHILLIP D. EADS, CPA
1799 ELLIOTT BOULEVARD
JASPER, AL 35501

(205) 221-2935

CHARLES W. HULLETT, CPA
(1927-2005)

# Independent Auditors' Report

Board of Directors
Magic City Acceptance Academy
Birmingham, AL

***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Magic City Acceptance Academy, (the "School") as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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. 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 School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Management is responsible for the preparation and fair presentation of 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.

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 School'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 School's internal control. Accordingly, no 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 School 's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The retirement, budgetary schedules and other schedules are presented for purposes of additional analysis and are 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 budgetary schedules, other schedules, 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 May 7, 2024, on our consideration of The School'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 The School's internal control over financial reporting and compliance.

Kellum, Wilson & Associates, P.C.

Kellum, Wilson & Associates, P.C.
Certified Public Accountant

May 7, 2024

As management of Magic City Acceptance Academy, we offer readers of Magic City Acceptance Academy’s audited financial statements this narrative overview and analysis of the financial activities of Magic City Acceptance Academy for the fiscal year ending September 30, 2023. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

The Management's Discuss and Analysis reflects an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June 1999.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as a summary to Magic City Acceptance Academy's (the School), basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of University Charter School.

**Required Components of Annual Financial Report**

| | | |
|---|---|---|
| Management's Discussion and Analysis | | Basic Financial Statements |
| Government-wide Financial Statements | Fund Financial Statements | Notes to the Financial Statements |
| Summary | | Detail |

**Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government and are more detailed than the Government-wide financial statements.

Immediately following the Fund Financial Statements are the **Notes to the Financial Statements** (i.e., "Notes"). The Notes offer a detailed explanation of the data contained in those statements.

Next, **supplemental information** is provided to show details about the School's funds. Budgetary information for the School can also be found in this section of the statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private- sector business. The government-wide statements provide short and long-term information about the School's financial states, as a whole.

The two government-wide statements report the School's net position and how it has changed. Net position equals the difference between the School's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds. Magic City Acceptance Academy has no business-type activities, consequently, all of the School's net position are reported as governmental activities.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Magic City Acceptance Academy, like all other governmental entities in Alabama, uses fund accounting to ensure and demonstrate fiscal accountability.

**Governmental Funds** - Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. The governmental funds statements - the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance - are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash and provide a short-term focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

Magic City Acceptance Academy is required by the Alabama statue to adopt an annual budget. The budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules following the notes. The budget incorporates input from the faculty, management and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorized the School to obtain funds from identified sources to finance current period activities. The budgetary statement demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as originally planned.

**Notes to the Financial Statements** - The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

**Required Supplementary Information** - In addition to the basic financial statements and the accompanying notes, this report also presents certain Required Supplementary Information other than the Management Discussion and Analysis consisting of a budgetary comparison schedule for the general fund that has a legally adopted annual budget. If necessary, the schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

**Government-Wide Financial Analysis** - As noted earlier, net position may serve over time as one useful indicator of a School's financial condition. The liabilities of the School exceeded assets by $3,752,834 as of September 30, 2023. As of September 30, 2023, the net position of the School stood at $(920,512). The School's net position decreased by $1,568,673 for the fiscal year ended September 30, 2023, compared to an increase of $1,549,839 for 2022. An additional portion of the School's net assets represents resources that are subject to external restrictions on how they may be used. The amount $43,369 is restricted for federal grants, the remaining balance of $(963,881) is unrestricted.

Magic City Acceptance Academy has no business-type activities. Consequently, the School's net position is reported as Governmental Activities.

**Magic City Acceptance Academy's Net Position**

| | Governmental Activities FY2023 | Governmental Activities FY2022 |
|---|---|---|
| Current and Other Assets | $ 374,628 | $ 1,439,077 |
| **Total Assets** | $ 374,628 | $ 1,439,077 |
| Deferred Outflows of Resources | $ 4,531,659 | $ 4,451,260 |
| **Total Assets and Deferred Outflows of Resources** | $ 4,898,121 | $ 5,890,337 |
| Current and Other Liabilities | $ 49,098 | $ 226,025 |
| Long-term Liabilities | $ 4,078,364 | $ 3,413,489 |
| **Total Liabilities** | $ 4,127,462 | $ 3,639,514 |
| Deferred Inflows of Resources | $ 1,699,337 | $ 1,603,022 |
| **Total Liabilities and Deferred Inflows of Resources** | $ 5,799,799 | $ 5,242,536 |
| Restricted for: | | |
| Federal Funds | $ 43,369 | $ 2,024 |
| Unrestricted | $ (963,881) | $ 646,137 |
| **Total Net Position** | $ (920,512) | $ 648,161 |

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.

- The School applied for and was awarded several grants to assist with the meeting educational needs of the student population.

- Funding increased proportionately with an increase in the student enrollment.

**Magic City Acceptance Academy's Changes in Net Assets**

| | Governmental Activities FY2023 | Governmental Activities FY2022 |
|---|---|---|
| **Revenues** | | |
| Program Revenues: | | |
| Operating Grants and Contributions | $ 4,004,153 | $ 4,269,298 |
| General revenues: | | |
| Grants and Contributions not Restricted for Specific Programs | - | - |
| Total Revenues | $ 4,004,153 | $ 4,269,298 |
| **Expenditures** | | |
| Instructional Services | $ 2,902,517 | $ 2,707,981 |
| Instructional Support Services | 1,405,837 | 1,058,858 |
| Operation and Maintenance Services | 548,057 | 240,043 |
| Auxiliary Services | 397,783 | 250,969 |
| General Administrative Services and Central Support Services | 292,652 | 125,202 |
| Other | 7,146 | 21,634 |
| Interest and Fiscal Sharges | - | - |
| Total Expenditures | 5,553,992 | 4,404,687 |
| Decrease in Net Position before Proceeds | (1,549,839) | (135,389) |
| Increase (Decrease) in Net Position | (1,549,839) | (135,389) |
| Net Position, October 1 | 648,161 | 783,550 |
| Net Position, September 30 | $ (901,678) | $ 648,161 |

**Governmental activities**. Governmental activities decreased the School's net position by $1,568,763.

Program revenues provided 81% of all revenues. Operating grants and contributions contribute 77% of program revenues. The major sources of revenues in this category are State foundation program funds and federal funds restricted for specific programs. General revenues, primarily donations, and contributions, are used to provide the revenue to expenses not covered by program revenues.

Instructional expenditures, primarily salaries and benefits for classroom teachers, are the largest expense function of the School 46%.

- In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Auxiliary services include food services and transportation services. Food service expenditures include purchased food, food preparation and service supplies, and kitchen equipment.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the School. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Interest and fiscal charges include interest on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for extended day personnel, materials, supplies, equipment, related depreciation and other expenses for operating programs outside of those for educating students in grades 6 through 12 instructional programs.

**Governmental Funds**. The focus the School 's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing Magic City Acceptance Academy 's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was $211,106, while total fund balances reached $325,530.

**Capital Asset and Debt Administration**

**Capital assets**. Magic City Acceptance Center's investment in capital assets for its governmental activities as of September 30, 2023, totals $0. Capital assets include, building improvements, and furniture and equipment costing $5,000 or more.

**Long-term Debt**. Magic City Acceptance Center had $4,127,462 in long-term debt related to the Magic City Acceptance Center's share of Alabama's Net Pension and Other Post-Employment Benefits (OPEB liability). Additional information about the School's long-term debt can be found in the notes to the basic financial statements.

**Economic Factors and Next Year's Budget**

The following key economic indicators reflect the growth and prosperity of the School:

- Magic City Acceptance Academy Board of Directors will continue planning on how to operate efficiently during the current year.

- At the time these financial statements were prepared and audited, the Board was unaware of any circumstances that could significantly affect the Board's financial health in the future.

**Requests for Information**

This report is designed to provide an overview of the School's finances for those with an interest in this area and to show the Board's accountability for the money it receives. Questions concerning any of the information found in this report or requests for additional information should be directed to the Board of Directors, Magic City Acceptance Academy, 75 Bagby Drive, Birmingham, Alabama, 35209, telephone (205) 961-3204.

# FINANCIAL SECTION

# MAGIC CITY ACCEPTANCE ACADEMY

**MAGIC CITY ACCEPTANCE ACADEMY**
Statement of Net Position
September 30, 2023

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ | 224,210 |
| Grants Receivable | | 150,418 |
| **TOTAL ASSETS** | | 374,628 |
| | | |
| **DEFFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Outflows Related to Pensions | | 2,623,143 |
| Deferred Outflows Related to OPEB | | 1,908,516 |
| **TOTAL DEFFERRED OUTFLOWS OF RESOURCES** | | 4,531,659 |
| | | |
| **LIABILITIES** | | |
| Accounts Payable | | 24,705 |
| Payroll Liabilities | | 9,620 |
| Intergovernental Payable | | 14,773 |
| Long-Term Liabilities: | | |
| Net Pension Liability | | 3,615,000 |
| Net OPEB Liability | | 463,364 |
| **TOTAL LIABILITIES** | | 4,127,462 |
| | | |
| **DEFFERRED INFLOWS OF RESOURCES** | | |
| Deferred Inflows Related to Pensions | | 88,000 |
| Deferred Inflows Related to OPEB | | 1,611,337 |
| **DEFFERRED INFLOWS OF RESOURCES** | | 1,699,337 |
| | | |
| **NET POSITION** | | |
| Invested in Capital Assets | | - |
| Restricted for: | | |
| Federal Funds | | 43,369 |
| Unrestricted | | (963,881) |
| | | |
| **TOTAL NET POSITION** | $ | (920,512) |

The accompanying notes are an integral part of these statements.

**MAGIC CITY ACCEPTANCE ACADEMY**
Statement of Activities
September 30, 2023

| | | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position — Primary Government | | |
|---|---|---|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instructional Services | $ 2,644,123 | $ 1,692,748 | $ - | $ - | $ (951,375) | $ - | $ (951,375) |
| Instructional Support | 1,634,363 | 1,621,370 | - | - | (12,993) | - | (12,993) |
| Operations and Maintenance | 570,535 | - | - | - | (570,535) | - | (570,535) |
| Auxiliary Services | 405,547 | 397,783 | - | - | (7,764) | - | (7,764) |
| General Administration and Central Support | 311,112 | 292,252 | - | - | (18,860) | - | (18,860) |
| Other | 7,146 | - | - | - | (7,146) | - | (7,146) |
| Total Governmental Activities: | 5,572,826 | 4,004,153 | - | - | (1,568,673) | - | (1,568,673) |
| Business-Type Activities: | | | | | | | |
| School Food Service | - | - | - | - | - | - | - |
| Total Business-Type Activities | - | - | - | - | - | - | - |
| Total Primary Government | $ 5,572,826 | $ 4,004,153 | $ - | $ - | (1,568,673) | - | (1,568,673) |
| Grant Revenues: | | | | | | | |
| Grants and Contributions not Restricted for Specific Programs | | | | | - | - | - |
| Miscellaneous | | | | | - | - | - |
| Transfers | | | | | - | - | - |
| Total General Revenues, Special Items, and Transfers | | | | | - | - | - |
| Changes in Net Position | | | | | (1,568,673) | - | (1,568,673) |
| Net Position, Beginning | | | | | 648,161 | - | 648,161 |
| Net Position, Ending | | | | | $ (920,512) | $ - | $ (920,512) |

The accompanying notes are in integral part of these statements.

**MAGIC CITY ACCEPTANCE ACADEMY**
Balance Sheet
Governmental Funds
September 30, 2023

| | Major Funds | | | Total |
|---|---|---|---|---|
| | General | Special Revenue Grants | Special Revenue Occupancy | Governmental Funds |
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 120,315 | $ 32,840 | $ 71,055 | $ 224,210 |
| Other Receivables | 129,071 | 21,347 | - | 150,418 |
| Total Assets | 249,386 | 54,187 | 71,055 | 374,628 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| Liabilities | | | | |
| Accounts Payable – Trade | 23,507 | 1,198 | - | 24,705 |
| Intergovernental Payable | 14,773 | - | - | 14,773 |
| Deferred Revenue | - | 9,620 | - | 9,620 |
| Total Liabilities | 38,280 | 10,818 | - | 49,098 |
| Fund Balances | | | | |
| Nonspendable | - | - | - | - |
| Assigned | | | | |
| Federal Funds | - | 43,369 | - | 43,369 |
| Unassigned | 211,106 | - | 71,055 | 282,161 |
| Total Fund Balances | 211,106 | 43,369 | 71,055 | 325,530 |
| Total Liabilities and Fund Balances | $ 249,386 | $ 54,187 | $ 71,055 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Deferred Outflows of Resources Related to Pensions | | | | 2,623,143 |
| Deferred Outflows of Resources Related to OPEB | | | | 1,908,516 |
| Net Pension Liability | | | | (3,615,000) |
| Net OPEB Liability | | | | (463,364) |
| Deferred Inflows of Resources Related to Pensions | | | | (88,000) |
| Deferred Inflows of Resources Related to OPEB | | | | (1,611,337) |
| Net Position of Governmental Activities | | | | $ (920,512) |

The accompanying notes are an integral part odf these statements.

**MAGIC CITY ACCEPTANCE ACADEMY**
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
September 30, 2023

| | Major Funds | | | Total |
|---|---|---|---|---|
| | **General** | **Special Revenue Grants** | **Special Revenue Occupancy** | **Governmental Funds** |
| **REVENUES** | | | | |
| State | $ 2,487,784 | $ - | $ 71,055 | $ 2,558,839 |
| Federal | - | 668,000 | - | 668,000 |
| Local | 451,487 | 61,684 | - | 513,171 |
| Other | 264,143 | - | - | 264,143 |
| **TOTAL REVENUES** | 3,203,414 | 729,684 | 71,055 | 4,004,153 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Instructional Services | 1,982,443 | 257,757 | - | 2,240,200 |
| Instructional Support | 1,140,762 | 265,075 | - | 1,405,837 |
| Operation and Maintenance | 548,057 | - | - | 548,057 |
| Auxiliary Service | 253,489 | 144,294 | - | 397,783 |
| General Administration and Central Support | 265,829 | 26,823 | - | 292,652 |
| Other | 1,211 | 5,935 | - | 7,146 |
| **TOTAL EXPENDITURES** | 4,191,791 | 699,884 | - | 4,891,675 |
| Excess (Deficiency) of Revenues Over Expenditures | (988,377) | 29,800 | 71,055 | (887,522) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | - | 11,545 | - | 11,545 |
| Transfers Out | (11,545) | - | - | (11,545) |
| Total Other Financing Sources (Uses) | (11,545) | 11,545 | - | - |
| Net Change in Fund Balance | (999,922) | 41,345 | 71,055 | (887,522) |
| Fund Balances, Beginning | 1,211,028 | 2,024 | - | 1,213,052 |
| Fund Balances, Ending | $ 211,106 | $ 43,369 | $ 71,055 | $ 325,530 |

The accompanying notes are an integral part of these statements.

**MAGIC CITY ACCEPTANCE ACADEMY**
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
September 30, 2023

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net Changes in Fund Balances – Total Governmental Funds | $ | (887,522) |
| Expenses related to the increase of the liability for other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. | | (12,934) |
| Expenses related to the increase in the net pension liability do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | (668,217) |
| Total Changes in Net Position of Governmental Activities | $ | (1,568,673) |

**MAGIC CITY ACCEPTANCE ACADEMY**
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2023

| | | Custodial Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ | 1,067 |
| **TOTAL ASSETS** | | 1,067 |
| | | |
| **FIDUCIARY NET POSITION** | | |
| Restricted for Other Organization | | 1,067 |
| **TOTAL FIDUCIARY NET POSITION** | $ | 1,067 |

The accompanying notes are an integral part odf these statements.

**MAGIC CITY ACCEPTANCE ACADEMY**
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
September 30, 2023

| | | Custodial Funds |
|---|---|---|
| **ADDITIONS** | | |
| Local | $ | 2,309 |
| **TOTAL ADDITIONS** | | 2,309 |
| | | |
| **DEDUCTIONS** | | |
| Collections Disbursed | | 1,242 |
| **TOTAL DELETIONS** | | 1,242 |
| | | |
| Change in Net Position | | 1,067 |
| | | |
| Net Position, Beginning of Year | | - |
| Net Position, Ending of Year, Restricted for Other Organization | $ | 1,067 |

The accompanying notes are an integral part of these statements.

## Note 1: Summary of Significant Accounting Policies

The financial statements of the Magic City Acceptance Academy, Alabama (the School) have been prepared in conformity with accounting principles generally accepted in the United States, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the School are described below:

A. Reporting Entity

GASB Statements No. 14, 39, 61 and 80 establish standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no material component units which should be included as part of the financial reporting entity of the School.

The School is a legally separate agency of the State of Alabama.

B. Basis of Presentation

*Government-wide Financial Statements*: The statement of net position and the statement of activities display information about the School's finances. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Although other governments may report both governmental activities and business-type activities, the School has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School'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 School 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 School’s funds, including fiduciary funds, if any. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as other governmental funds.

The School reports the following major governmental funds:

*General Fund*. The General Fund is the primary operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund. The School's General Fund primarily received Education revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school 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 for Special Education and Title I in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in these funds are the public and non-public funds received by the local schools which are generally not considered restricted or committed.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statement. 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 School gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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.

Governmental Fund Financial Statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Local school activity funds under the control of school principals use the cash basis of accounting during the year. However, these funds have been restated to the modified accrual basis of accounting in these financial statements.

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

*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. Investments are stated at fair value.

The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

*Receivables.* Receivables are reported as accounts receivable and due from other governments in the government-wide financial statements and as accounts receivable, due from other funds, and due from other governments in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes. Management has considered the need for an allowance for uncollectible amounts and no allowance has been recorded.

*Property Tax Calendar*. The Jefferson County Commission levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property 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.

*Inventories and Prepaid Items*. Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased except commodities donated by the federal government and purchased food items which are expensed when consumed. Prepaid items, such as insurance premiums and rent are recorded as expenditures in governmental funds when paid.

In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period.

*Capital Assets.* Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net assets. Donated assets are recorded at their estimated fair value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The School has no general infrastructure assets.

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

| | Capitalization Threshold | Estimated Useful Life |
|---|---|---|
| Leasehold Improvements | $ 5,000 | 15 years |
| Vehicles | $ 5,000 | 5-7 years |

The capitalization threshold for Land, Construction in Progress, and Inexhaustible Land Improvements in $1 or more. However, these capital assets are not depreciated.

*Long-Term Obligations.* In the government-wide financial statements, the unmatured principal of long-term debt and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. Debt issuance costs include all costs incurred to issue the debt including insurance, financing and other related costs. Debt issuance cost (except for prepaid insurance costs) are recognized as an expense in the period incurred.

Premiums and discounts on debt are capitalized and amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported in the statement of net position.

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as an other financing source. Debt issuance costs are not deducted from the amount reported as another financing source but are reported as debt service expenditures. Any discount is reported as another financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. The balance sheet does not reflect a liability for long-term debt.

*Compensated Absences*

**Paid Sick Leave**
a. Persons Eligible for Paid Sick Leave - All regular full-time employees are eligible for paid sick leave. Earning and Accumulation of Paid Sick Leave - All eligible employees earn sick leave days at the rate of either seven and one- half (7.5) hours or eight (8) hours per month based upon their daily work hours and contract commitment (10-month, 11-month, or 12-month). Employee's unused paid sick leave will "roll over" from year to year and accumulate an unlimited number of sick leave days. New employees may transfer all unused earned sick leave from another Alabama school board, as permitted by law, upon certification by the previous employer.

b. Use of Sick Leave - Eligible employees may only use paid sick leave for absences caused by personal illness; incapacitating personal injury; attendance upon an ill member of the employee's immediate family; death of a family member; death or care of an individual with whom unusually strong personal ties exist because of a relationship. UCS will deduct sick pay from the Employee's "sick leave bank" in increments of three and one-half (3.5) or four (4) or seven and one-half (7.5) or eight (8) hours at a time based upon their daily work hours. Employee's unused sick leave balance will rollover into an eligible retirement account as service credit as determined by law at an employee's retirement. If Employee resigns or the School terminates employee, the employee will be permitted to transfer unused sick leave to another Alabama public school, for use by the employee as provided by law.

**Personal Leave** - Personal leave must be requested in accordance with such procedures as may be established by the Head of School or the Board. Personal leave may not be taken during the first or last week of school, or immediately before or after a holiday unless special permission is granted by either the Head of School, Chief Financial Officer, Chief Operating Officer or Principal. Ten (10) month, eleven (11) month and twelve (12) month full time employees are eligible for personal leave.

a. Unused Personal Leave -- Unused personal leave days will roll over into the employee's sick leave balance at the end of the year.

b. Employee will not be permitted to "cash out" or be paid a lump sum for unused personal leave at any time during his employment. If the Employee provides the required notice of resignation/retirement or if the School terminates employment without cause, then unused personal pay will be cashed out to Employee on a pro rata basis: 0% if the termination occurs in the first calendar quarter; 25% if the termination occurs in the second calendar quarter; 50% if the termination occurs in the third calendar quarter; and 75% if the termination occurs in the last calendar quarter.

*Pensions.* The Teachers' Retirement System of Alabama's (the Plan or TRS) 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 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 the 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.

*Postemployment Benefits Other Than Pensions (OPEB).* The Alabama Retired Education Employees' Health Care Trust (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.

*Deferred Outflows/Inflows of Resources.* In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and will be recognized as an outflow of resources(expense/expenditure) in a subsequent period. The School has several items that meets this criterion - pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School has several items that meets this criterion - pension and OPEB related deferrals.

*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 net position 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. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

*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* - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the School.

Fund equity is reported in the fund financial statements. Governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

*Fund Balances.* In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted Fund Balance*. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance*. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the School - the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the School removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned Fund Balance*. The classification reflects the amounts constrained by the School's "intent" to be used for specific purposes but are neither restricted nor committed. The Board of Education and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. A total of $114,424 is assigned to special revenue funds.

*Unassigned Fund Balance* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then committed, assigned, and unassigned - in order as needed.

*Estimates.* Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

## Note 2: Deposits and Investments

### Deposits

As of September 30, 2023, the carrying amount of the School's bank deposits was $224,210 and the bank balance was $113,489, of which $250,000 was covered by federal depository insurance. The School does not have a deposit policy for custodial credit risk.

### Investments

The School has no investments at this time.

## Note 3: Capital Assets

As of September 30, 2023 the school has no capital assets.

## Note 4: Pension Plan

a. Teachers' and State Employees' Retirement System

*Plan Description*. The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the Code of Alabama 1975, Title 16, Chapter 25 (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 16, Chapter 25 grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

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

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

*Contribution*s. Covered Tier 1 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 members contribution rate increased from 6.0% 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 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% 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 $265,143 for the year ended September 30, 2023.

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

At September 30, 2023, the School reported a liability of $3,615,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the School's proportion was 0.023262% which was an increase of 0.000475% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the School recognized pension expense of $940,000. At September 30, 2023, the School 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 | $ 79,000 | $ 88,000 |
| Changes of assumptions | 164,000 | - |
| Net difference between projected and actual earnings on pension plan investments | 725,000 | - |
| Changes in proportion and differences between Board's contributions and proportionate share of contributions | 1,390,000 | - |
| School contributions subsequent to the measurement date | 265,143 | - |
| Total | $ 2,623,143 | $ 88,000 |

The $265,143 reported as deferred outflows of resources related to pensions resulting from School 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 ended September 30: | |
| 2024 | $ 749,000 |
| 2025 | 691,000 |
| 2026 | 532,000 |
| 2027 | 298,000 |
| 2028 | - |
| Thereafter | - |
| Total | $ 2,270,000 |

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

| | |
|---|---|
| Inflation | 2.50 percent |
| Projected Salary increases | 3.25 to 5.00 percent |
| Investment rate of return | 7.45 percent* |

*Net of pension plan investment expense.

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

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

| 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 |

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| Fixed Income | 15.0% | 2.8% |
| U.S. Large Stocks | 32.0% | 8.0% |
| U.S. Mid Stocks | 9.0% | 10.0% |
| U.S. Small Stocks | 4.0% | 11.0% |
| International Developed Market Stocks | 12.0% | 9.5% |
| International Emerging Market Stocks | 3.0% | 11.0% |
| Alternatives | 10.0% | 9.0% |
| Real Estate | 10.0% | 6.5% |
| Cash | 5.0% | 2.5% |
| Total | 100.0% | |

* Includes assumed rate of inflation of 2.00%

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

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

| | 1% Decrease (6.45%) | Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| School's proportionate share of the net pension liability (asset) | $ 4,678,000 | $ 3,615,000 | $ 2,720,000 |

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

**Note 5: Other Post-Employment Benefit Plans (OPEB)**

*Plan description*. The Alabama Retired Education Employees' Health Care Trust (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 (Board) 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 Annual Comprehensive 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. 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 Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the Alabama Retired Education Employees' Health Care Trust 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.

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in 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. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

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

*Contributions*. The Code of Alabama 1975, Section 16-25A-8 and the Code of Alabama 1975, Section, 16-25A-8.1 provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

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

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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of resource and Deferred Inflows of Resources Related to OPEB*. At September 30, 2023, the School reported a liability of $463,364 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The School's proportion of the Net OPEB liability was based on the School's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the School's proportion was 0.02659267 percent, which was an increase of 0.00208067% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the School recognized OPEB expense of $57,438, with no special funding situations. At September 30, 2023, the School 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 | $ 21,252 | $ 936,883 |
| Changes of Assumptions | 375,851 | 674,454 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 58,272 | - |
| Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions | 1,408,637 | - |
| School Contributions Subsequent to the Measurement Date | 44,504 | - |
| Total | $ 1,908,516 | $ 1,611,337 |

The $44,504 reported as deferred outflows of resources related to OPEB resulting from the School'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 ended September 30:

| | |
|---|---|
| 2024 | $ 6,949 |
| 2025 | (2,275) |
| 2026 | 164,720 |
| 2027 | 163,259 |
| 2028 | 24,236 |
| Thereafter | (104,214) |
| Total | $ 252,675 |

*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 | 4.40% |
| Municipal Bond Index Rate at the Prior Measurement Date | 2.29% |
| Year Fiduciary Net Position (FNP) is Projected to be Depleted | N/A |
| Single Equivalent Interest Rate at the Measurement Date | 7.00% |
| Single Equivalent Interest Rate at the Prior Measurement Date | 3.97% |
| Healthcare Cost Trend Rate: | |
| Pre-Medicare Eligible | 6.50% |
| Medicare Eligible | ** |
| Ultimate Trend Rate: | |
| Pre-Medicare Eligible | 4.50% in 2031 |
| Medicare Eligible | 4.50% in 2027 |

(1) Includes 2.75% wage inflation.
(2) Compounded annually, net of investment expense, and including inflation.
(**) Initial Medicare claims are set based on scheduled increases through plan year 2023.

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 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.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| Fixed Income | 30.0% | 4.4% |
| U.S. Large Stocks | 38.0% | 8.0% |
| U.S. Mid Stocks | 8.0% | 10.0% |
| U.S. Small Stocks | 4.0% | 11.0% |
| International Developed Market Stocks | 15.0% | 9.5% |
| Cash | 5.0% | 1.5% |
| Total | 100.0% | |

*Geometric mean, includes 2.5% inflation

*Discount rate*. The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. 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 active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2027. 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. Projected future benefit payments for all current plan members are projected through 2120.

*Sensitivity of the School's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates*. The following table presents the School's proportionate share of the Net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease (5.50% decreasing to 3.50% for pre Medicare, Known decreasing to 3.50% for Medicare eligible) | Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible) | 1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible) |
|---|---|---|---|
| Net OPEB liability | $ 351,370 | $ 463,364 | $ 600,714 |

The following table presents the School's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

| | 1% decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Net OPEB liability | $ 572,881 | $ 463,364 | $ 371,427 |

O*PEB 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, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

**Note 6: Risk Management**

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of $1 million per occurrence with a commercial carrier.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The School's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and claims have not exceeded coverage in any of the past two fiscal years.

**Note 7: Other Revenues and Expenses - Government Activities**

Other expenses - governmental activities as reported in the statement of activities on page 14 consisted of the following:

| September 30, | 2023 |
|---|---|
| After school program | $ 7,146 |
| Other expenses | $ 7,146 |

**Note 8: Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**Note 9: Significant Effects of Subsequent Events**

The School has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The School has not evaluated subsequent events after that date. There were no subsequent events during this period that requires disclosure.

## REQUIRED SUPPLEMENTARY INFORMATION

## MAGIC CITY ACCEPTANCE ACADEMY

**MAGIC CITY ACCEPTANCE ACADEMY**
Schedule of the School's Proportionate Share of the Net Pension Liability
Teacher's Retirement System of Alabama

| | 2022 | 2021 |
|---|---|---|
| School's Proportion Of The Net Pension Liability | 0.023262% | 0.022787% |
| School's Proportionate Share Of The Net Pension Liability | $ 3,615,000 | $ 2,147,000 |
| School's Covered-Employee Payroll** | $ 1,883,647 | $ 216,996 |
| School's Proportionate Share Of The Net Pension Liability As A Percentage of Its Covered-Employee Payroll | 191.91% | 989.42% |
| Plan Fiduciary Net Position as A Percentage of the Total Pension Liability | 62.21% | 76.44% |

** Employer's covered payroll during the measurement period is the total covered payroll (GASB 82). For FY2023, the measurement period is October 1, 2021 through September 30, 2022.

This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled the School will present information for the years available.

See notes to required supplementary information..

**MAGIC CITY ACCEPTANCE ACADEMY**
Schedule of the School's Proportionate Share of Employer Contributions
Teacher's Retirement System of Alabama

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Proportionate Share of Actuarially Determined Contributions* | $ 265,143 | $ 217,000 | $ 199,000 |
| Contributions in Relation to the Actuarially Determined Contributior | $ 265,143 | $ 217,000 | $ 25,000 |
| Contribution Deficiency (Excess) | $ - | $ - | $ 174,000 |
| Covered-Employee Payroll** | $ 2,268,199 | $ 1,883,647 | $ 216,996 |
| Contributions as a Percentage of Covered-Employee Payroll | 11.69% | 11.52% | 11.52% |

*Amount of employer contributions related to all components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

**Employer's covered payroll is the estimated total covered payroll for the fiscal year ending September 30.

This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for the years available.

**NOTES TO SCHEDULE**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2023 were based on the September 30, 2020, actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent Closed |
| Remaining Amortization Period | 27.1 Years |
| Asset Valuation Method | Five Year Market Related Value |
| Inflation | 2.75% |
| Salary Increases | 3.25 – 5.00% |
| Investment Rate of Return* | 7.70% |

*Net of Pension Plan Investment Expense

**MAGIC CITY ACCEPTANCE ACADEMY**
Schedule of the School's Proportionate Share of the Net OPEB Liability
Alabama Retired Education Employees' Healthcare Trust

| | 2022 | 2021 |
|---|---|---|
| School's Proportion of the Net OPEB Liability | 0.0265927% | 0.0245120% |
| School's Proportionate Share of the Net OPEB Liability | $ 463,364 | $ 1,266,489 |
| School's Covered-employee Payroll** | $ 1,883,647 | $ 216,996 |
| School's Proportionate Share of the NEt OPEB Liability as a Percentage of its Covered-employee Payroll | 24.60% | 583.65% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 48.39% | 27.11% |

This schedule is presented to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for the years available.

See notes to required supplementary information.

**MAGIC CITY ACCEPTANCE ACADEMY**
Schedule of School's Contributions
Alabama Retired Education Employees' Health Care Trust

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Contractually Required Contributions | $ 44,495 | $ 50,783 | $ 42,326 |
| Contributions in Relation to the Contractually Required Contributior | 44,504 | 50,821 | 3,460 |
| Contribution Deficiency (Excess) | $ (9) | $ (38) | $ 38,866 |
| School's Covered Payroll | $ 2,268,199 | $ 1,883,647 | $ 216,996 |
| Contributions as a Percentage of Covered-Employee Payroll | 1.96% | 2.70% | 1.59% |

These schedules are 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 which is available.

See notes to required supplementary information.

NOTE 1 - CHANGES IN ACTUARIAL ASSUMPTIONS

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2021 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 with 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 an 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.

NOTE 2 - 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 United Healthcare 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.

NOTE 3 - METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2020, 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 Payroll |
| Remaining Amortization Period | 21 years, closed |
| Asset Valuation Method | Market Value of Assets |
| Actuarial Assumptions: | |
| Investment Rate of Return* | 5.00% |
| Medical Cost Trend Rate* | |
| Pre-Medicare | 6.50% |
| Medicare Eligible | ** |
| Ultimate Trend Rate* | |
| Pre-Medicare | 4.75% in 2027 |
| Medicare Eligible | 4.75% in 2024 |
| Optional Plans Trend Rate | 2.00% |

*Includes price inflation at 2.75%
**Initial Medicare claims are set based on scheduled increases through plan year 2022.

**MAGIC CITY ACCEPTANCE ACADEMY**
All Fund Types
Statement of Revenues, Expenditures and Fund Balances - Budget to Actual
For the Fiscal Year Ended September 30, 2023

| | 2023 | | |
|---|---|---|---|
| | Final Budget | Actual | Favorable (Unfavorable) Variance |
| **REVENUES** | | | |
| State | $ 2,669,590 | $ 2,558,839 | $ (110,751) |
| Federal | 612,074 | 668,000 | 55,926 |
| Local | 1,745,855 | 513,171 | (1,232,684) |
| Other | - | 264,143 | 264,143 |
| **TOTAL REVENUES** | 5,027,519 | 4,004,153 | (1,023,366) |
| **EXPENDITURES** | | | |
| Instructional Services | 2,910,569 | 2,240,200 | 670,369 |
| Instructional Support | 807,437 | 1,405,837 | (598,400) |
| Operation and Maintenance | 724,931 | 548,057 | 176,874 |
| Auxiliary Service | 344,690 | 397,783 | (53,093) |
| General Administration and Central Support | 162,608 | 292,652 | (130,044) |
| Other | 77,284 | 7,146 | 70,138 |
| Capital Outlay | - | - | - |
| Debt Service: | | | |
| Principal | - | - | - |
| Interest and Other Charges | - | - | - |
| **TOTAL EXPENDITURES** | 5,027,519 | 4,891,675 | 135,844 |
| **OTHER FUNDING SOURCES (USES)** | | | |
| Other Fund Sources | 1,807 | - | 1,807 |
| TOTAL OTHER FUNDING SOURCES (USES) | 1,807 | - | 1,807 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 1,807 | (887,522) | $ (885,715) |
| Fund Balance: | | | |
| Beginning of the Year, October 1 | | 1,213,052 | |
| End of the Year, September 30 | | $ 325,530 | |

The accompanying notes are an integral part of these statements.

KELLUM, WILSON & ASSOCIATES, P.C.
*Certified Public Accountants*
3825 LORNA ROAD, SUITE 212
HOOVER, ALABAMA 35244
(205) 942-5424
FAX (205) 942-5404
kwa@kwacpa.net

JOHN W. KELLUM, III, CPA
CHARLES R. WILSON, CPA

LORI L. KES, CPA, CVA

PHILLIP D. EADS, CPA
LINDY B EICHELBERGER, CPA
JAMES C BOHANNON, CPA

JASPER OFFICE
PHILLIP D. EADS, CPA
1799 ELLIOTT BOULEVARD
JASPER, AL 35501

(205) 221-2935

CHARLES W. HULLETT, CPA
(1927-2005)

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED INACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Magic City Acceptance Academy
Birmingham, 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 and each major fund of Magic City Acceptance Academy as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprises Magic City Acceptance Academy's basic financial statements and have issued our report thereon dated June 5, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Magic City Acceptance Academy'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 Magic City Acceptance Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Magic City Acceptance Academy'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 School'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 the internal control over financial reporting 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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Magic City Acceptance Academy'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 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 Schools internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kellum, Wilson & Associates, P.C.

Kellum, Wilson & Associates, P.C.
Certified Public Accountant

June 5, 2024