

TALLASSEE CITY
BOARD OF EDUCATION

TALLASSEE, ALABAMA

SEPTEMBER 30, 2019

**TALLASSEE CITY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	PAGE
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet-Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Statement of Fiduciary Net Position	16
Notes to the Basic Financial Statements	17-32
<u>Required Supplementary Information</u>	
Schedule of Employer's Proportionate Share of the Collective Net Pension Liability	33
Schedule of Employer's Contributions	34
Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust	35

	<u>PAGE</u>
Schedule of the Employer's Contributions - Other Post Employment Benefits (OPEB) Alabama Retired Education Employees' Health Care Trust	36
Notes to the Required Supplementary Information for Other Post Employment Benefits (OPEB)	37
Budget to Actual Comparison Schedule-General Fund	38
Budget to Actual Comparison Schedule-Child Nutrition Program	39
Notes to Required Supplementary Information	40
<u>Additional Information</u>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41-42
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	43-44
Schedule of Expenditures of Federal Awards	45
Notes to the Schedule of Expenditures of Federal Awards	46
Schedule of Findings and Questioned Costs	47-48
Summary Schedule of Prior Audit Findings	49
Corrective Action Plan	50

PATTERSON & DUKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1714 GILMER AVENUE

TALLASSEE, ALABAMA 36078

TASHA D. PATTERSON, CPA
PAULA J. DUKE, CPA

PHONE: 334-283-4455
FAX: 334-991-4700

INDEPENDENT AUDITORS' REPORT

To the Superintendent and Board Members
Tallassee City Board of Education
City of Tallassee, Alabama 36078

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallassee City Board of Education (the "Board"), Tallassee, Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Contributions, Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits Liability, Schedule of the Employer's Contributions – Other Postemployment Benefits, and Budgetary Comparison information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tallassee City Board of Education's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2020, on our consideration of the Tallassee City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tallassee City Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tallassee City Board of Education's internal control over financial reporting and compliance.

Patterson & Duke

Patterson & Duke, P.C.
Tallassee, Alabama
June 25, 2020

Management's

Discussion

and

Analysis

Management's Discussion and Analysis (MD&A)

Introduction

The Management's Discussion and Analysis (MD&A) of Tallassee City Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2019. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Tallassee City Board of Education's financial performance.

Financial Highlights

The Board reported a general fund balance as of September 30, 2019 of \$5,420,152.01. This amount will fund one month operating expenses required by the state.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Board's basic financial statements, which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements.

The first two statements are government-wide financial statements — the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities.

The *Statement of Net Position* presents information on all of the Board's assets and deferred outflows of resources less liabilities and deferred inflows of resources which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

The fund financial statements provide more detailed information about the Board's most significant funds — not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability.

Governmental funds -The Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements — the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* — are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of Employer's Contributions, Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the Employer's Contributions – Other Postemployment Benefits (OPEB), and a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. The budgetary schedules include an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

Financial Analysis of the Board as a Whole

As noted earlier, the Tallahassee City Board of Education has no business-type activities. Consequently, the Board's net position is reported as governmental activities.

TALLASSEE CITY BOARD OF EDUCATION Net Position

	Governmental Activities	Governmental Activities
	2019	2018
Current and other assets	\$ 6,894,931.80	\$ 6,711,633.92
Capital assets	<u>9,800,253.73</u>	<u>9,691,819.21</u>
Total assets	16,695,185.53	16,403,453.13
Employer pension contributions	2,222,747.72	2,069,380.77
Employer OPEB contributions	682,489.00	373,064.00
Loss on refunding of debt	<u>90,108.11</u>	<u>99,118.92</u>
Total deferred outflows of resources	2,995,344.83	2,541,563.69
Current and other liabilities	1,693,926.29	1,471,121.00
Long-term liabilities	<u>27,141,724.69</u>	<u>26,572,061.95</u>
Total liabilities	28,835,650.98	28,043,182.95
Net pension liability	1,821,000.00	1,579,000.00
Net OPEB liability	<u>1,655,405.00</u>	<u>2,072,758.00</u>
Total deferred inflows of resources	3,476,405.00	3,651,758.00
Net position:		
Invested in capital assets, net of related debt	8,652,887.78	8,297,520.96
Restricted	935,640.33	1,111,237.49
Unrestricted	<u>(22,210,053.73)</u>	<u>(22,158,682.58)</u>
Total net position	<u>\$ (12,621,525.62)</u>	<u>\$ (12,749,924.13)</u>

An examination of net position may serve as an indicator of the Board's financial position. The Board's assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by \$12,621,525.62 at the close of fiscal year 2019. The majority of the Board's net position is invested in capital assets - land, buildings, and building improvements owned by the Board.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements is a deficit \$22,210,053.73 at the end of fiscal year 2019. GASB Statement Number 68 requires the inclusion of the Net Pension Liability (included in non-current liabilities), Employer Pension Contributions (reported as a deferred outflow of resources), and the Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability (reported as a deferred inflow of resources), a net reduction to unrestricted net position of \$13,080,252.28 for fiscal year 2019. GASB Statement Number 75 requires the inclusion of the Net OPEB Liability (included in non-current liabilities), Employer OPEB Contributions (reported as a deferred outflow of resources), and the Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability (reported as a deferred inflow of resources), a net reduction to unrestricted net position of \$13,573,374.00 for fiscal year 2019. Other changes to net position were routine in nature.

The Board's total revenues and expenditures are reflected in the following chart:

**TALLASSEE CITY BOARD OF EDUCATION
Changes in Net Position**

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
Program revenues:		
Charges for services	\$ 1,353,021.75	\$ 1,283,377.80
Operating grants and contributions	12,170,949.03	11,508,122.97
Capital grants and contributions	539,938.00	528,933.00
General revenues:		
Property taxes	1,080,491.04	1,053,528.83
Sales tax	2,662,709.32	2,796,907.07
Alcohol beverage tax	59,285.90	64,903.71
Other taxes	9,772.40	8,439.30
Federal and state aid not restricted to specific purposes	15,000.00	15,000.00
Other general revenues	<u>623,373.18</u>	<u>866,346.84</u>
Total revenues	18,514,540.62	18,125,559.52
 Expenses		
Instructional services	11,086,075.93	10,631,605.24
Instructional support services	2,409,061.39	2,500,863.41
Operations and maintenance services	1,367,570.48	1,320,735.75
Student transportation services	320,286.57	291,236.48
Food services	1,121,241.52	1,091,885.23
General administrative services	1,430,875.69	1,321,216.19
Interest and fiscal agent fees	52,244.52	61,967.12
Other expenses	<u>598,786.01</u>	<u>554,049.21</u>
Total expenses	18,386,142.11	17,773,558.63
 Change in net position	128,398.51	352,000.89
Net position, beginning of year	<u>(12,749,924.13)</u>	<u>(13,101,925.02)</u>
Net position, end of year	<u>\$ (12,621,525.62)</u>	<u>\$ (12,749,924.13)</u>

Program revenues, specifically operating grants and contributions, are the largest component of total revenues (76%).

- Operating grants and contributions contribute 87% of program revenues and 66% of total revenues. The major sources of revenues in this category are state foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

General revenues, primarily property taxes and sales taxes, are used to provide for expenses not covered by program revenues.

Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board (73%).

- 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, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- In addition to bus driver salaries and benefits, student transportation services include vehicle maintenance and repair expenses, depreciation of buses, and fleet insurance.
- Food services includes salaries and benefits for the Child Nutrition Director, cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- 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 schools. 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.
- Debt service includes interest, but not principal payments, on long-term debt issues.
- Other expenses include the salaries and benefits for preschool teachers, and extended day personnel. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

Financial Analysis of the Board's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The strong financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$5,420,152.01. Of this amount, \$4,561,534.06 constitutes unassigned fund balance of the general fund which is available as of the end of the fiscal year for spending on future operations.

General Fund - The general fund is the primary operating fund of the Board. The decrease in the general fund balance this year resulted from

- Capital outlay
- Increase in payroll expenses

Child Nutrition Program - This fund is used to account for expenditures of local, state, and federal monies restricted to lunchroom operations. The fund balance reflects an increase of \$95,516.29 from last year.

General Fund Budgetary Highlights

The original 2019 fiscal year budget, adopted in September 2018, was based on a "bare bones" approach that reflected only guaranteed revenues and necessary expenditures since some of the state-funded programs had not been authorized at that point. During the year, the Board revised the annual operating budget once in June 2019.

Actual revenues (budgetary basis) were \$649,523.31 higher than budgetary estimates and actual expenditures (budgetary basis) were \$317,933.44 less than budgetary estimates. The excess of actual revenues over expenditures reflects the overall increase of the general fund balance (budgetary basis) of \$967,456.75.

Capital Assets and Debt Administration

Capital Assets – The Board's investment in capital assets for its governmental activities at September 30, 2019 totaled \$8,652,887.78, net of accumulated depreciation and related debt. The capital asset activity for the year is detailed in Note 5 to the financial statements. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. Capital assets were decreased (depreciated) by \$723,466.92 during fiscal year 2019. The Board expended available resources to acquire \$883,649.37 in capital asset additions during the year.

Long-Term Debt - At year-end, the Board had \$1,257,411.87 in long-term debt outstanding. Details of the activity in long-term debt are reflected in Note 6 to the financial statements.

City Bond Obligation- The City of Tallahassee issued \$4,345,000 of General Obligation Bonds, for which a portion of the proceeds was earmarked for the construction of a new elementary school and other capital improvements for the school. The board entered into an agreement with the City to commit a maximum of \$90,000 annually toward the City's bond retirement payment in the event the City experiences a short-fall or toward capital improvements for the Board's school buildings and facilities.

Economic Factors and Next Year's Budget

The following are currently known economic factors of the City of Tallahassee that have been taken into consideration going into the 2019-2020 fiscal year:

- ✓ The unemployment rate in Elmore County (statistics for the City of Tallahassee were not available) for May 2019 was 2.1 percent, which is a decrease from April 2018. For Tallapoosa County, the unemployment rate in May 2019 was 2.0 percent, which is a decrease from April 2018.

- ✓ The population in the City of Tallassee as of the year 2010 census was reported at 4,819. The population in the City of Tallassee as of the year 2010 census decreased slightly since the last ten-year census taken in 2000. The population decreased by approximately 2 percent over a ten-year period.
- ✓ Tallassee City Board of Education continues on the path of conservative spending and allocation of resources. The Board will have to endure increasing cost of insurance and retirement cost for all employees. The Board will be level funded for the 2019-2020 year.
- ✓ The average daily membership for the 2019-2020 school year was 1,613 students. That is a decrease over the 2018-2019 average daily membership totals. Decrease in average daily membership will decrease state funded teacher units.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. Monthly financial reports, budget and financial statements can be accessed on our website. www.tcschools.com If you have any questions about this report or need additional financial information, contact Jennifer Hornsby, Chief School Finance Officer, 308 King Street, Tallassee, AL 36078, or by calling (334) 283-6864 or fax (334) 283-4338. Email jennifer.hornsby@tcschools.com Office Hours 7:30-4:00 Monday-Friday.

Basic

Financial

Statements

Tallassee City Board of Education
Statement of Net Position
September 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,780,996.32
Investments	4,141,602.38
Receivables, net	7,211.81
Due from other governments	665,283.51
Inventories	39,672.74
Prepaid expenses	17,441.32
Total current assets	<u>6,652,208.08</u>
Non-current assets:	
Cash	186,239.93
Investments	56,483.79
Capital assets:	
Non-depreciable	1,294,418.03
Depreciable, net	8,505,835.70
Total non-current assets	<u>10,042,977.45</u>
Total assets	<u>16,695,185.53</u>
DEFERRED OUTFLOWS OF RESOURCES	
Employer pension contributions	2,222,747.72
Employer OPEB contributions	682,489.00
Loss on refunding of debt	90,108.11
Total deferred outflows of resources	<u>2,995,344.83</u>
LIABILITIES	
Current liabilities:	
Accounts payable	248,938.90
Unearned revenue	12,669.07
Salaries and benefits payable	1,213,171.82
Accrued interest payable	21,067.71
Current portion of note payable - First Community Bank	5,925.78
Current portion of note payable - First Community Bank	4,895.52
Current portion of note payable - Apple Inc.	42,862.86
Current portion of bonds payable	144,394.63
Total current liabilities	<u>1,693,926.29</u>
Non-current liabilities:	
Note payable - First Community Bank	6,044.31
Note payable - First Community Bank	18,651.09
Note payable - Apple Inc.	88,184.38
Bonds payable	946,386.91
Net pension liability	13,482,000.00
Net OPEB liability	12,600,458.00
Total non-current liabilities	<u>27,141,724.69</u>
Total liabilities	<u>28,835,650.98</u>
DEFERRED INFLOWS OF RESOURCES	
Proportionate share of collective deferred inflows related to net pension liability	1,821,000.00
Proportionate share of collective deferred inflows related to net OPEB liability	1,655,405.00
Total deferred inflows of resources	<u>3,476,405.00</u>
NET POSITION	
Invested in capital assets, net of related debt	8,652,887.78
Restricted for:	
Capital projects	146,101.97
Child Nutrition Program	363,963.08
Other purposes	425,575.28
Unrestricted	(22,210,053.73)
Total net position	<u>\$ (12,621,525.62)</u>

The accompanying notes to the financial statements are an integral part of this statement.

Tallahassee City Board of Education
Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional	\$ 11,086,075.93	\$ 217,989.63	\$ 9,091,976.28	\$ 499,691.83	\$ (1,276,418.19)
Instructional support	2,409,061.39	109,598.39	1,784,666.84	-	(514,796.16)
Operation and maintenance	1,367,570.48	58,505.20	491,025.95	14,168.17	(803,871.16)
Student transportation	320,286.57	31,149.94	166,414.15	21,327.00	(101,395.48)
Food service	1,121,241.52	734,286.49	163,910.27	-	(223,044.76)
General administrative	1,430,875.69	31,665.00	146,814.99	-	(1,252,395.70)
Interest and fiscal charges	52,244.52	-	-	-	(52,244.52)
Other expenses	598,786.01	169,827.10	326,140.55	4,751.00	(98,067.36)
Total governmental activities	18,386,142.11	1,353,021.75	12,170,949.03	539,938.00	(4,322,233.33)
General revenues:					
Taxes:					
Property taxes for general purposes					1,071,803.32
Property taxes for specific purposes					8,687.72
Sales tax					2,662,709.32
Alcohol beverage tax					59,285.90
Other taxes					9,772.40
Grants and contributions not restricted for specific programs					15,000.00
Investment earnings					10,118.32
Miscellaneous					613,254.86
Total general revenues					4,450,631.84
Changes in net assets					128,398.51
Net position - beginning of year					(12,749,924.13)
Net position - end of year					\$ (12,621,525.62)

The accompanying notes to the financial statements are an integral part of this statement.

Tallahassee City Board of Education
Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Child Nutrition Program	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,551,869.60	\$ 174,715.39	\$ 240,651.26	\$ 1,967,236.25
Investments	4,121,334.80	-	76,751.37	4,198,086.17
Receivables, net	7,211.81	-	-	7,211.81
Due from other governments	238,437.18	118,395.83	308,450.50	665,283.51
Inventories	-	39,672.74	-	39,672.74
Prepaid expenses	17,441.32	-	-	17,441.32
Total assets	5,936,294.71	332,783.96	625,853.13	6,894,931.80
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	248,337.02	601.88	-	248,938.90
Unearned revenue	-	12,669.07	-	12,669.07
Salaries and benefits payable	1,108,982.31	50,013.63	54,175.88	1,213,171.82
Total liabilities	1,357,319.33	63,284.58	54,175.88	1,474,779.79
Fund Balances				
Nonspendable:				
Inventories and prepaids	17,441.32	39,672.74	-	57,114.06
Other purpose	-	-	96,621.75	96,621.75
Restricted to:				
Child Nutrition Program	-	229,826.64	-	229,826.64
Capital projects	-	-	146,101.97	146,101.97
Other purposes	-	-	328,953.53	328,953.53
Unassigned	4,561,534.06	-	-	4,561,534.06
Total fund balances	4,578,975.38	269,499.38	571,677.25	5,420,152.01
Total liabilities and fund balances	\$ 5,936,294.71	\$ 332,783.96	\$ 625,853.13	\$ 6,894,931.80

The accompanying notes to the financial statements are an integral part of this statement.

Tallahassee City Board of Education
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
September 30, 2019

Total fund balances for governmental funds \$ 5,420,152.01

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds. Those assets consist of:

Land	761,016.96
Land improvements	11,800.00
Construction in progress	521,601.07
Land improvements, net of \$95,891.03 accumulated depreciation	203,579.60
Buildings, net of \$8,742,193.78 accumulated depreciation	3,632,608.63
Building improvements, net of \$3,604,670.84 accumulated depreciation	3,629,570.27
Equipment, net of \$1,563,710.91 accumulated depreciation	817,776.94
Vehicles, net of \$404,556.39 accumulated depreciation	<u>222,300.26</u>
Total capital assets, net	9,800,253.73

Deferred outflows and deferred inflows of resources are applicable to future periods and, therefore, are not reported in the governmental funds. (571,168.28)

Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current period expenditures and, therefore, are deferred on the statement of net position. 90,108.11

Long-term liabilities, including bonds/warrants and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

All liabilities--both current and long-term--are reported in the Statement of Net Position

Accrued interest payable	(21,067.71)
Net pension liability	(13,482,000.00)
Net OPEB liability	(12,600,458.00)
Note payable - First Community Bank:	
Due within one year	(5,925.78)
Due in more than one year	<u>(6,044.31)</u>
	(11,970.09)

Note payable - First Community Bank:	
Due within one year	(4,895.52)
Due in more than one year	<u>(18,651.09)</u>
	(23,546.61)

Lease payable - Apple Inc.	
Due within one year	(42,862.86)
Due in more than one year	<u>(88,184.38)</u>
	(131,047.24)

Bonds payable:	
Due within one year	(144,394.63)
Due in more than one year	<u>(946,386.91)</u>
	(1,090,781.54)

Total net position of governmental activities \$12,621,525.62

The accompanying notes to the financial statements are an integral part of this statement.

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

	General Fund	Child Nutrition Program	Other Governmental Funds	Total Governmental Funds
Revenues				
State	\$ 11,092,908.30	\$ -	\$ 539,938.00	\$ 11,632,846.30
Federal	1,180.00	606,996.04	1,017,678.46	1,625,854.50
Local	4,619,015.46	170,026.14	430,911.09	5,219,952.69
Other	16,642.04	10,245.09	-	26,887.13
Total revenues	<u>15,729,745.80</u>	<u>787,267.27</u>	<u>1,988,527.55</u>	<u>18,505,540.62</u>
Expenditures				
Instructional	9,187,547.19	-	1,289,175.90	10,476,723.09
Instructional support	2,155,527.17	-	203,949.05	2,359,476.22
Operation and maintenance	1,250,329.21	-	106,477.38	1,356,806.59
Auxiliary services:				
Student transportation	275,188.17	-	15,028.27	290,216.44
Food service	-	1,048,170.33	109,058.00	1,157,228.33
General administrative	1,279,705.69	-	115,496.47	1,395,202.16
Capital outlay	500,492.53	-	249,508.00	750,000.53
Debt service:				
Principal retirement	-	-	299,485.13	299,485.13
Interest and fiscal charges	-	-	59,646.64	59,646.64
Debt issuance costs	-	-	-	-
Other expenditures	<u>520,046.36</u>	<u>-</u>	<u>76,986.34</u>	<u>597,032.70</u>
Total expenditures	<u>15,168,836.32</u>	<u>1,048,170.33</u>	<u>2,524,811.18</u>	<u>18,741,817.83</u>
Excess (deficiency) of revenues over (under) expenditures	<u>560,909.48</u>	<u>(260,903.06)</u>	<u>(536,283.63)</u>	<u>(236,277.21)</u>
Other Financing Sources (Uses)				
Insurance recovery	9,000.00	-	-	9,000.00
Sale of capital assets	-	1,000.00	-	1,000.00
Long-term debt issued	-	-	200,013.00	200,013.00
Transfers in	1,059,476.19	355,419.35	156,911.97	1,571,807.51
Transfers out	<u>(1,481,633.55)</u>	<u>-</u>	<u>(90,173.96)</u>	<u>(1,571,807.51)</u>
Total other financing sources (uses)	<u>(413,157.36)</u>	<u>356,419.35</u>	<u>266,751.01</u>	<u>210,013.00</u>
Net Changes in Fund Balances	147,752.12	95,516.29	(269,532.62)	(26,264.21)
Fund Balances - Beginning of Year	4,431,223.26	173,983.09	841,209.87	5,446,416.22
Fund Balances - End of Year	<u>\$ 4,578,975.38</u>	<u>\$ 269,499.38</u>	<u>\$ 571,677.25</u>	<u>\$ 5,420,152.01</u>

The accompanying notes to the financial statements are an integral part of this statement.

Tallassee City Board of Education
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
with the Statement of Activities
For the Year Ended September 30, 2019

Total net change in fund balances--governmental funds	\$ (26,264.21)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.	
Capital outlays	859,058.53
Depreciation expense	(723,466.92)
	135,591.61
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
	299,485.13
Technology equipment acquired this year was financed with a lease. The amount financed by the lease was reported in the governmental funds as a source of financing. In the Statement of Activities, the lease is not revenue, but rather constitutes long-term liabilities in the Statement of Net Position.	
	(176,400.00)
Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.	
	(23,613.00)
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances this amount.	
Proceeds from sale of capital assets	(1,000.00)
Gain/(loss) on disposition of capital assets	(26,157.09)
	(27,157.09)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable, current year decrease	4,062.21
Amortization of deferred loss on refunding and premium	3,339.91
Pension expense, current year decrease	65,366.95
OPEB expense, current year increase	(126,013.00)
Change in net position of governmental activities	\$ 128,398.51

The accompanying notes to the financial statements are an integral part of this statement.

Tallahassee City Board of Education
Statement of Fiduciary Net Position
September 30, 2019

	Agency Funds
ASSETS	
Cash - restricted	\$ 5,050,973.11
Total assets	<u>5,050,973.11</u>
LIABILITIES	
Payable to other school systems	5,050,973.11
Total liabilities	<u>5,050,973.11</u>
NET POSITION	
	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tallassee City Board of Education (the "Board") have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

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

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

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

Basis of Presentation

The basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and the notes to the basic financial statements of the Tallassee City Board of Education.

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Board, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board allocates indirect expenses to the Child Nutrition Program.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs 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.

Inter-fund balances and transfers among governmental activities are eliminated for government-wide statements.

Fund Financial Statements

The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category-governmental and fiduciary-are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Board reports the following major governmental funds:

General Fund - This is the Board's primary operating fund. It accounts for all financial resources of the Board that are not accounted for and reported in another fund.

Child Nutrition Program Fund - This fund is used to account for expenditures of local, state, and federal monies restricted to lunchroom operations.

**Tallahassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

Basis of Accounting

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. 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 when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Agency funds report only assets and liabilities and, accordingly, do not have a measurement focus.

The Board uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Board considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term liabilities which are recorded when due.

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

The Board reports unearned revenue in its government-wide statement of net position and its fund level balance sheet. Unearned revenues arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the government has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and Balance Sheet and revenue is recognized.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. State statutes authorize the Board to invest in certificates of deposit. Generally, investments are stated at fair value. The Board's investments consist of certificates of deposits.

Inventories

On the government-wide financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost (first in-first out). The Board uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset when received, and expenses and revenues are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses are recorded as the inventory items are used.

On the fund statements, inventories of governmental funds are reported at cost (first in-first out). The Board uses the consumption method to account for inventories whereby expenditures are recorded when inventory items are used. Revenues are recognized for donated food commodities when the items are used.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase. On the government-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value on the date received. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method.

**Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Buildings	\$50,000 or more	30 to 50 years
Building Improvements	\$50,000 or more	25 to 30 years
Equipment	\$ 5,000 or more	5 to 15 years
Vehicles	\$ 5,000 or more	5 to 15 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Compensated Absences

The Board's vacation leave policy consists of the following: All administrative and supervisory personnel who are employed for twelve months are entitled to earn two weeks of vacation leave per year. Unused leave days may not be carried over to the next year. The Board will not pay for unused vacation leave upon resignation or retirement.

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met.

Deferred Outflows of Resources

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

General Obligation Bonds

The State of Alabama issues general obligation bonds on behalf of the Tallassee City Board of Education to provide funds for the acquisition and construction of major capital facilities. Bond issuance costs are recognized in the financial statements during the fiscal year in which the bonds are issued. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Pensions

The Teachers' Retirement System of Alabama (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 as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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 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.

Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019

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.

Interfund Transfers

The Board typically uses transfers to fund ongoing operating subsidies and to recoup certain expenditures paid on-behalf of the local schools.

Fund Balances

The Board reports fund balance in three categories: unassigned fund balance, nonspendable fund balance and restricted fund balance. Nonspendable fund balance indicates the portion of fund balance that cannot be spent due to form such as that for inventories and prepaid expenses. Restricted fund balance indicates the portion of fund balance that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation such as that for fleet renewal or the child nutrition program. Unassigned fund balance is the government's residual fund balance in the general fund and indicates that portion of fund balance that can be appropriated for future operations.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding debt that is attributed to the acquisition, construction, or the improvement of the assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through restrictions imposed by creditors, grantors, laws or regulations of other governments. At the balance sheet date, Tallassee City Board of Education has restricted net position as follows: \$146,101.97 restricted for capital projects, \$363,963.08 restricted for the Child Nutrition Program and \$425,575.28 restricted for other purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first.

NOTE 2 – BUDGETS AND APPROPRIATIONS

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

Budgets are adopted on a cash basis because the cash basis is more consistent with the operations and financing of the governmental unit. Annual appropriated budgets are adopted for the general and the child nutrition special revenue funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

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

At September 30, 2019, the Board had deposits with a carrying amount of \$11,216,295.53 and a bank balance of \$22,832,949.12. Deposits include amounts held in the agency fund. All of the Board's investments were in certificates of deposit. These certificates of

**Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

NOTE 4 – NON-MONETARY TRANSACTIONS

The Board received food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. Refer to Note 1-Inventories.

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Balance 10/1/18	Additions	Deletions	Reclassifications	Balance 9/30/19
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 580,017.96	\$ 180,999.00	\$ -	\$ -	\$ 761,016.96
Land Improvements	11,800.00				11,800.00
Construction in Progress	24,590.84	521,601.07		(24,590.84)	521,601.07
Depreciable Assets:					
Buildings	12,374,802.41				12,374,802.41
Building Improvements	7,234,241.11				7,234,241.11
Equipment	2,251,358.12	181,049.30	50,919.57		2,381,487.85
Land Improvements	299,470.63				299,470.63
Vehicles	626,856.65				626,856.65
Total at historical cost	23,403,137.72	883,649.37	50,919.57	(24,590.84)	24,211,276.68
Less Accumulated Depreciation for:					
Buildings	8,452,996.39	289,197.39			8,742,193.78
Building Improvements	3,331,853.89	272,816.95			3,604,670.84
Equipment	1,473,664.74	113,808.65	23,762.48		1,563,710.91
Land Improvements	80,917.50	14,973.53			95,891.03
Vehicles	371,885.99	32,670.40			404,556.39
Total accumulated depreciation	13,711,318.51	723,466.92	23,762.48	-	14,411,022.95
Governmental activities capital assets, net	\$ 9,691,819.21	\$ 160,182.45	\$ 27,157.09	\$ (24,590.84)	\$ 9,800,253.73
 Depreciation expense charged to governmental functions as follows:					
Instructional Services					\$ 565,511.70
Instructional Support					8,445.75
Administrative Services					29,587.05
Operation & Maintenance					11,063.05
Other Services					17,257.30
Transportation Services					29,375.40
Auxiliary Services					62,226.67
Total depreciation expense					\$ 723,466.92

**Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 6 - LONG-TERM OBLIGATIONS

On October 28, 2009, the Tallassee City Board of Education entered into a *Special Pool Loan Agreement* with the Alabama Public School and College Authority (PSCA). A portion of the proceeds of the 2009 Authority Pool Bonds, Series 2009C was loaned to the Board to finance capital improvements which received approval from PSCA and the State Superintendent of Education. The Board Pool Loan will be paid solely out of its' annual public school fund distribution. A portion of these bonds were refunded through the PSCA 2015-B Series Bonds. The portion of the original loan not refunded with the 2015-B bond paid out this fiscal year. During the fiscal year ended September 30, 2019, the Board leveraged \$73,676.76 of its public school fund distribution to cover its debt service obligation, which included a principal payment of \$70,843.04 and interest payments of \$2,833.72.

During the fiscal year ended September 30, 2010, the Alabama Public School and College Authority (PSCA) 1999D Series bonds and a portion of the 2001A Series bonds were refunded and reallocated into a new bond series 2009B. For the fiscal year ended September 30, 2019, the Board's debt service for the bond included a principal payment of \$92,046.28 and interest payments of \$4,602.32.

During the fiscal year ended September 30, 2011, the Alabama Public School and College Authority (PSCA) 2001A Series bonds were refunded and reallocated into a new bond Series 2011B. As a result of the 2011B refunding bonds, Tallassee City Board of Education experienced a savings on principal payments required of \$26,923.50. Interest savings over the term of the bond will be approximately \$14,000.00. For the fiscal year ended September 30, 2019, the Board's debt service for the bond included a principal payment of \$46,174.50 and interest payments of \$8,430.46.

During the fiscal year ended September 30, 2016, the Alabama Public School and College Authority (PSCA) issued \$47,610,000 in Capital Improvement Pool Refunding Bonds Series 2015-B (Series 2015 B) with interest rates ranging from 3% to 5% to partially refund \$29,790,000 of outstanding Capital Improvement Bonds Series 2008 (Series 2008) with interest rates ranging from 3.25% to 4.25% and \$22,415,000 of outstanding Capital Improvement Bonds Series 2009-C (Series 2009-C) with interest rates ranging from 3% to 4%. The Board had 1.8572% participation in the bonds, resulting in the Board's share of the principal, issuance costs, and premium of \$884, 212.54, \$5,047.40 and \$172,909.08, respectively. As a result of the refunding, the Board reduced its' debt service requirements by \$101,133.77. The Alabama Department of Education withholds the required debt services payments from the Board's public school fund allocation. The 2015-B Series matures in 2029. For the fiscal year ended September 30, 2019, the Board's debt service for the bond included a principal payment of \$39,372.60 and interest payments of \$43,250.46.

During the fiscal year ended September 30, 2016, the Board obtained a loan from First Community Bank to purchase equipment to be used at Tallassee High School. Payments are due annually in October. The loan carries an interest rate of 2.95% and matures in 2020. The equipment serves as the collateral for the loan. The Board paid interest in the amount of \$596.06 during the fiscal year ended September 30, 2019. In the event of default of the part of the Board, the lender may (1) accelerate the loan by declaring the entire principal amount owed on the loan as immediately due (2) take possession of the collateral and (3) use any and all remedies allowed by state and federal law.

During the fiscal year ended September 30, 2019, the Board obtained a loan from First Community Bank to purchase a scoreboard for Tallassee High School. Payments are due annually in October. The loan carries an interest rate of 3.75% and matures in 2023. The scoreboard serves as the collateral for the loan. The Board's first payment of \$5,148.03 is due October 31, 2019. In the event of default of the part of the Board, the lender may (1) accelerate the loan by declaring the entire principal amount owed on the loan as immediately due (2) take possession of the collateral and (3) use any and all remedies allowed by state and federal law.

On March 20, 2019, the Board entered into a financed purchase agreement with Apple Inc. for 600 I-Pads to be used as instructional aids by the students at Southside Middle School. The financed purchase agreement carries an interest rate of 1.9% and matures in 2022. In the event of default, Apple Inc. may (1) declare due and payable any and all amounts which may then be due and payable, plus all payments remaining through the end of the then current fiscal year (2) take possession of the equipment and (3) at the Board's expense, sell or lease the equipment holding the Board liable for the difference between the sale or lease price and the balanced owed by the Board.

Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

	10/1/2018 Beginning Balance	Increases in Debt	Decreases In Debt	Principal Payments	9/30/2019 Ending Balance	Amount Due Within One Year
Governmental Activities:						
Bonds Payable						
Series 2009B	\$ 92,046.28	\$ -	\$ -	\$ 92,046.28	\$ -	\$ -
Series 2009C	70,843.04			70,843.04		-
Series 2011B	168,609.00			46,174.50	122,434.50	59,706.00
Series 2015B	884,212.54			39,372.60	844,839.94	72,337.91
Unamortized Premium	<u>135,857.82</u>			<u>12,350.72</u>	<u>123,507.10</u>	<u>12,350.72</u>
Total Bonds Payable	1,351,568.68		-	12,350.72	248,436.42	1,090,781.54
						144,394.63

Notes from Direct Borrowings

First Community Bank	17,599.65			5,629.56	11,970.09	5,925.78
First Community Bank		23,613.00			23,613.00	4,872.54
Apple Inc.		<u>176,400.00</u>		45,352.76	131,047.24	<u>42,862.86</u>
Total Notes Payable	17,599.65	200,013.00		50,982.32	166,630.33	53,661.18
Total Long-Term Debt	\$1,369,168.33	\$200,013.00	\$12,350.72	\$ 299,418.74	\$1,257,411.87	\$ 198,055.81

Debt service requirements on long-term debt at September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities			
	Bonds Payable		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 144,394.63	\$ 47,403.54	\$ 53,629.21	\$ 3,153.69
2021	150,945.81	40,801.34	54,153.90	2,572.48
2022	92,024.57	33,871.60	49,109.93	1,390.86
2023	96,110.41	29,887.90	4,777.81	370.22
2024	100,289.10	25,699.92	4,959.48	188.56
2025-2029	<u>507,017.02</u>	<u>58,046.76</u>	<u>-</u>	<u>-</u>
	\$1,090,781.54	\$235,711.06	\$166,630.33	\$7,675.71

Deferred Loss on Refunding and Premium

The Board has a deferred loss on refunding and a premium in connection with the issuance of its PSCA Capital Improvement Pool Bonds, Series 2015-B which partially refunded the Capital Improvement Pool Bond, Series 2009-C. The deferred loss on refunding and the premium are being amortized using the straight-line method over a period of 14 years.

Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019

	Deferred Outflows on Refunding	Premium
Total Deferred Outflows on Refunding and Premium	\$ 99,118.92	\$135,857.82
Current Year Amortization	(9,010.81)	(12,350.72)
Balance Deferred Outflows on Refunding and Premium	<u>\$ 90,108.11</u>	<u>\$123,507.10</u>

Defeased Debt

The Alabama Public School and College Authority (PSCA) issued \$47,610,000 in Capital Improvement Pool Refunding Bonds Series 2015-B (Series 2015 B) with interest rates ranging from 3% to 5% to partially refund \$29,790,000 of outstanding Capital Improvement Bonds Series 2008 (Series 2008) with interest rates ranging from 3.25% to 4.25% and \$22,415,000 of outstanding Capital Improvement Bonds Series 2009-C (Series 2009-C) with interest rates ranging from 3% to 4%. The net proceeds of \$56,648,455.46 (after a premium of \$9,310,250.60 and payment of \$271,795.14 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the Series 2009-C bonds are considered to be partially decreased and the liability for the decreased portion has been removed. The Board had 1.8572% participation in the 2015-Bonds which resulted in the Board being obligated for \$884,212.54 of the total principal of \$47,610,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$126,131.35. The difference is netted against the new debt and amortized over 14 years. The advanced refunding resulted in an economic gain for the Board in the amount of \$49,409.34.

NOTE 7 – RISK MANAGEMENT AND LITIGATION

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$2.5 million per occurrence and purchases commercial insurance for claims in excess of \$2.5 million. Errors and omissions insurance is purchased from the Alabama School Boards Insurance Trust (ASBIT), a public entity risk pool. The ASBIT collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants.

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

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

The Board does not have insurance coverage for job-related injuries. If claims occur as a result of employee job related injuries, the claim may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitation) and the funds are paid by the State Department of Education.

The Board's attorney estimates that the amount of actual or potential claims against the Board as of September 30, 2019, will not materially affect the financial condition of the Board. Therefore, the General Fund contains no provision for estimated claims.

**Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

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

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rates for the year ended September 30, 2018, were 12.24% of annual pay for Tier 1 members and 11.01% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board for the years ended September 30, 2019, September 30, 2018, and September 30, 2017, were \$1,112,748, \$1,088,646, and \$1,087,647, respectively.

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

At September 30, 2019, the Board reported a liability of \$13,482,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the collective net pension liability was based on the employers' share of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2018, the Board's proportion was 0.135598%, which was a decrease of 0.003144% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized pension expense of \$1,049,000.00. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Tallahassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 291,000.00	\$ 411,000.00
Changes of assumptions	749,000.00	
Net differences between projected and actual earnings on pension plan investments		1,018,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,000.00	392,000.00
Employer contributions subsequent to the measurement date	1,112,747.72	
Total	<u>\$ 2,222,747.72</u>	<u>\$ 1,821,000.00</u>

The \$1,112,747.72 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2020	71,000.00
2021	(373,000.00)
2022	(349,000.00)
2022	(71,000.00)
2024	(11,000.00)

Actuarial Assumptions

The total pension liability as of September 30, 2018 was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return*	7.70%
Projected salary increases	3.25% - 5.00%

*Net of pension plan investment expenses

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

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

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

Intentionally Left Blank

**Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

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

*Includes assumed rate of inflation of 2.50%

Discount Rate

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

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

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board's proportionate share of collective net pension liability	\$18,767	\$13,482	\$9,012

(Dollar amounts in thousands)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 9—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 (PEEHIP) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

**Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

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 PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

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

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

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

Contributions

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

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a

Tallahassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019

retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

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

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

At September 20, 2019, the Board reported a liability of \$12,600,458.00 for its proportionate share of net OPEB liability. The net OPEB liability was measured as of September 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, the Board's proportion was 0.153314%, which was a decrease of 0.004852% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized OPEB expense of \$574,666.00 with no special funding situations. At September 30, 2019, the System 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	\$ 237,228.00	\$ 613,759.00
Changes of assumptions		
Net difference between projected and actual earnings on OPEB plan investments		67,513.00
Changes in proportion and differences between employer contributions and proportionate share of contributions		974,133.00
Employer contributions subsequent to the measurement date	445,261.00	
Total	\$ 682,489.00	\$ 1,655,405.00

The \$682,489.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2020.

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

Year ended September 30	
2020	(350,685)
2021	(350,685)
2022	(350,685)
2023	(335,528)
2024	(39,563)
Thereafter	8,969

Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019

Actuarial Assumptions

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

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

¹Includes 3.00% wage inflation

²Compounded annually, net of investments expense, and includes inflation

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

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

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

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

Tallahassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019

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	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

*Geometric mean, includes 2.5% inflation

Discount Rate

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

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

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

	1% Decrease (6.00% decreasing to 3.75% for pre- Medicare and 4% decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.75% for pre-Medicare, 5% decreasing to 4.75% for Medicare Eligible)	1% Increase (8.00% decreasing to 5.75% for pre- Medicare, 6.00% decreasing to 5.75% for Medicare Eligible)
Board's proportionate share of collective net OPEB liability	\$10,357,864	\$12,600,458	\$15,455,594

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

	1% Decrease (3.44%)	Current Discount Rate (4.44%)	1% Increase (5.44%)
Board's proportionate share of collective net OPEB liability	\$15,052,200	\$12,600,458	\$10,622,776

**Tallassee City Board of Education
Notes to the Financial Statements
For the Year Ended September 30, 2019**

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 11 – CONTINGENT LIABILITIES

The Board receives federal grants and state appropriations for specific purposes that are subject to review and audit by the appropriate grantor agency. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant or appropriation. The amount of the questioned costs, if any, which may be disallowed by the federal agency, cannot be determined at this time, but the Board believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on the overall financial position of the Board.

NOTE 12 – SUBSEQUENT EVENTS

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

Required

Supplementary

Information

Tallassee City Board of Education
Schedule of Employer's Proportionate Share of the
Collective Net Pension Liability
For the Year Ended September 30, 2019

	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.135598%	0.138742%	0.140308%	0.141129%	0.138592%
Employer's proportionate share of the collective net pension liability	\$13,482,000.00	\$13,636,000.00	\$15,190,000.00	\$14,770,000.00	\$12,590,000.00
Employer's covered-employee payroll during the measurement period *	\$9,049,074.63	\$9,196,592.84	\$8,933,694.40	\$ 8,934,393.46	\$ 8,800,873.64
Employer's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	148.99%	148.27%	170.03%	165.32%	143.06%
Plan fiduciary net position as a percentage of the total collective pension liability	72.29%	71.50%	67.93%	67.51%	71.01%

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

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

Tallassee City Board of Education
Schedule of the Employer's Contributions
For the Year Ended September 30, 2019

	2019	2018	2017	2016	2015
Contractually required contribution	\$1,112,747.72	\$1,087,380.77	\$1,087,646.60	\$1,056,275.49	\$1,009,325.11
Contributions in relation to the contractually required contribution	<u>\$1,112,747.72</u>	<u>\$1,087,380.77</u>	<u>\$1,087,646.60</u>	<u>\$1,056,275.49</u>	<u>\$1,009,325.11</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Employer's covered-employee payroll	\$9,124,266.40	\$9,049,074.63	\$9,196,592.84	\$8,933,694.40	\$8,934,393.46
Contributions as a percentage of covered-employee payroll	12.20%	12.01%	11.83%	11.82%	11.30%

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

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

	2019	2018
Employer's proportion of the collective net OPEB liability	0.153314%	0.158166%
Employer's proportionate share of the collective net OPEB liability	\$12,600,458.00	\$11,747,667.00
Employer's covered-employee payroll during the measurement period *	\$9,049,074.63	\$9,196,592.84
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	139.25%	127.73%
Plan fiduciary net position as a percentage of the total collective OPEB liability	14.81%	15.37%

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

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

**Tallassee City Board of Education
 Schedule of the Employer's Contributions –
 Other Postemployment Benefits (OPEB)
 Alabama Retired Education Employees' Health Care Trust
 For the Year Ended September 30, 2019**

	2019	2018
Contractually required contribution	\$1,836,504.65	\$1,837,119.07
Contributions in relation to the contractually required contribution	<u>\$1,836,504.65</u>	<u>\$1,837,119.07</u>
Contribution deficiency (excess)	<u>\$</u> <u> </u> <u>-</u>	<u>\$</u> <u> </u> <u>-</u>
Employer's covered-employee payroll	\$9,124,266.40	\$9,049,074.63
Contributions as a percentage of covered-employee payroll	20.13%	20.30%

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

**Tallassee City Board of Education
Notes to the Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2019**

NOTE 1 – CHANGES IN ACTUARIAL ASSUMPTIONS

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

NOTE 2 – RECENT PLAN CHANGES

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

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

NOTE 3 – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARILY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, 2016, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

**Tallassee City Board of Education
Budgetary Comparison Schedule
General Fund**
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-- Positive (Negative)
	Original	Final		
Revenues				
State	\$ 10,359,658.00	\$ 10,564,123.49	\$ 11,092,908.30	\$ 528,784.81
Federal	1,800.00	1,800.00	1,180.00	(620.00)
Local	4,482,468.00	4,497,299.00	4,619,015.46	121,716.46
Other	17,000.00	17,000.00	16,642.04	(357.96)
Total revenues	14,860,926.00	15,080,222.49	15,729,745.80	649,523.31
Expenditures				
Current:				
Instructional	8,816,003.00	8,905,846.15	9,118,209.18	(212,363.03)
Instructional support	2,320,825.00	2,272,180.49	2,155,941.35	116,239.14
Operation and maintenance	1,038,765.87	1,081,865.87	1,245,653.24	(163,787.37)
Auxiliary services:				
Student transportation	169,676.00	168,533.00	274,762.11	(106,229.11)
General administrative	1,194,962.00	1,254,962.00	1,276,601.17	(21,639.17)
Other	296,483.00	513,803.00	507,597.49	6,205.51
Capital outlay	-	1,200,000.00	500,492.53	699,507.47
Total expenditures	13,836,714.87	15,397,190.51	15,079,257.07	317,933.44
Excess (deficiency) of revenues over expenditures	1,024,211.13	(316,968.02)	650,488.73	967,456.75
Other Financing Sources (Uses)				
Indirect cost	95,320.00	95,320.00	-	(95,320.00)
Transfers in	605,097.00	1,034,398.00	1,059,476.19	25,078.19
Other financing sources	-	-	9,000.00	9,000.00
Transfers out	(1,027,684.13)	(1,472,548.13)	(1,481,633.55)	(9,085.42)
Total other financing sources (uses)	(327,267.13)	(342,830.13)	(413,157.36)	(70,327.23)
Net change in fund balances	696,944.00	(659,798.15)	237,331.37	897,129.52
Fund balances - beginning of year	5,282,640.86	5,310,356.47	5,450,626.32	140,269.85
Fund balances - end of year	\$ 5,979,584.86	\$ 4,650,558.32	\$ 5,687,957.69	\$ 1,037,399.37

**Tallahassee City Board of Education
Budgetary Comparison Schedule
Child Nutrition Program
For the Year Ended September 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget--
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Federal	\$ 483,000.00	\$ 476,000.00	\$ 606,996.04	\$ 130,996.04
Local	117,470.00	134,770.00	170,026.14	35,256.14
Other	12,000.00	12,000.00	10,245.09	(1,754.91)
Total revenues	<u>612,470.00</u>	<u>622,770.00</u>	<u>787,267.27</u>	<u>164,497.27</u>
Expenditures				
Food service	1,016,028.00	1,113,128.00	1,048,634.76	64,493.24
Capital outlay	-	-	-	-
Total expenditures	<u>1,016,028.00</u>	<u>1,113,128.00</u>	<u>1,048,634.76</u>	<u>64,493.24</u>
Excess (deficiency) of revenues over expenditures	<u>(403,558.00)</u>	<u>(490,358.00)</u>	<u>(261,367.49)</u>	<u>228,990.51</u>
Other Financing Sources (Uses)				
Transfers in	389,932.13	389,932.13	355,419.35	(34,512.78)
Sale of capital assets	-	-	1,000.00	1,000.00
Total other financing sources (uses)	<u>389,932.13</u>	<u>389,932.13</u>	<u>356,419.35</u>	<u>(33,512.78)</u>
Net change in fund balances	(13,625.87)	(100,425.87)	95,051.86	195,477.73
Fund balances - beginning of year	152,159.55	188,664.71	224,461.15	35,796.44
Fund balances - end of year	<u>\$ 138,533.68</u>	<u>\$ 88,238.84</u>	<u>\$ 319,513.01</u>	<u>\$ 231,274.17</u>

Tallahassee City Board of Education
Note to Required Supplementary Information
For the Year Ended September 30, 2019

Note A-Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	General Fund	CNP Fund
Sources/inflows of resources Actual amounts (budgetary basis) available for appropriation shown as <i>Total Revenues</i> on the budgetary comparison schedule	\$ 15,729,745.80	\$ 787,267.27
Differences--budget to GAAP Local taxes are not budgeted as revenues unless available in time to pay budgeted expenditures	-	-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds	<u>\$ 15,729,745.80</u>	<u>\$ 787,267.27</u>
Uses/outflows of resources Actual amounts (budgetary basis) available for expenditures shown as <i>Total Expenditures</i> on the budgetary comparison schedule	\$ 15,079,257.07	\$ 1,048,634.76
Differences--budget to GAAP Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements.	89,579.25	(464.43)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds.	<u>\$ 15,168,836.32</u>	<u>\$ 1,048,170.33</u>

Additional

Information

PATTERSON & DUKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1714 GILMER AVENUE

TALLASSEE, ALABAMA 36078

TASHA D. PATTERSON, CPA
PAULA J. DUKE, CPA

PHONE: 334-283-4455
FAX: 334-991-4700

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

To the Superintendent and Board Members
Tallassee City Board of Education
Tallassee, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tallassee City Board of Education (the "Board"), Tallassee, Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 25, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Patterson & Duke

Patterson & Duke, P.C.

Tallassee, Alabama

June 25, 2020

PATTERSON & DUKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1714 GILMER AVENUE

TALLASSEE, ALABAMA 36078

TASHA D. PATTERSON, CPA

PAULA J. DUKE, CPA

PHONE: 334-283-4455

FAX: 334-991-4700

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Superintendent and Board Members
Tallassee City Board of Education
Tallassee, Alabama

Report on Compliance for Each Major Federal Program

We have audited Tallassee City Board of Education's (the "Board"), Tallassee, Alabama, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2019. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001. Our opinion on each major program is not modified with respect to these matters.

The Board's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

The Board's response to the internal controls over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Patterson & Duke
Patterson & Duke, P.C.
Tallassee, Alabama 36078
June 25, 2020

Tallassee City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Passed Through Alabama Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N.A.	N.A.	\$ 109,244.89
National School Lunch Program:				
Cash Assistance	10.555	N.A.	N.A.	445,068.88
Non-Cash Assistance (Commodities)	10.555	N.A.	N.A.	52,682.27
Sub-Total National School Lunch Program				497,751.15
Total Child Nutrition Cluster				606,996.04
Child Nutrition Discretionary Grants Limited Availability	10.579	N.A.	N.A.	<u>111,228.00</u>
Total of U.S. Department of Agriculture				<u>718,224.04</u>
<u>U.S. Department of Education</u>				
Passed Through Alabama Department of Education				
Special Education Cluster:				
Special Education - Grants to States	84.027	N.A.	N.A.	371,070.03
Special Education - Preschool Grants	84.173	N.A.	N.A.	13,758.16
Sub-Total Special Education Cluster				384,828.19
Title I Grants to Local Educational Agencies	84.010	N.A.	N.A.	377,955.09
Career and Technical Education	84.048	N.A.	N.A.	21,027.00
Improving Teacher Quality State Grants	84.367	N.A.	N.A.	63,430.84
Student Support and Academic Enrichment Grants	84.424	N.A.	N.A.	23,500.34
Rural Education	84.358	N.A.	N.A.	35,709.00
Total of U.S. Department of Education				<u>906,450.46</u>
<u>Social Security Administration</u>				
Passed Through Alabama Department of Education				
Social Security - Disability Insurance	96.001	N.A.	N.A.	1,180.00
<u>U.S. Department of Health and Human Services</u>				
Passed Through Alabama Medicaid				
HHS Medical Assistance Program (M)	93.778	N.A.	N.A.	43,121,844.22
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 44,747,698.72

(M) - Major Program

N.A. - Not Available or Not Applicable

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

Tallassee City Board of Education
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Tallassee City Board of Education, Tallassee, Alabama, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Tallassee City Board of Education, it is not intended to and does not present the financial position or changes in net position of the Tallassee City Board of Education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Tallassee City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of opinion issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Type of opinion issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.778	HHS-Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B program: \$ 1,342,431

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

INTENTIONALLY LEFT BLANK

**Tallassee City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Reference No. 2019-001

HHS Medical Assistance Program – CFDA No. 93.778 – Assistance Period: FYE
September 30, 2019.

Criteria: Compliance requirements for the program as shown on the *Matrix of Compliance Requirements-OMB Compliance Supplement* and Alabama Medicaid Administrative Claim Program (MAC) *Public Assistance Cost Allocation Plan*.

Condition: Expenditures submitted for the Alabama Medicaid Administrative Claiming program included expenditures supported by federal funds.

Questioned Costs: \$3,420,275. \$451,848 relates to duplication of federal funds for individual participant salary and benefit costs. \$2,805,413 relates to duplication of federal funds in the allocated costs reported on the claim. \$163,014 relates to costs paid with non-federal funds that were not properly documented. This amount was determined by inspecting documents used to complete claim for reimbursement.

Context: 5% of the school districts participating in the MAC program were examined. Of the 7 examined, 3 claimed expenditures that were supported by federal funds. The sample was a statistically valid sample. The claim quarters paid during the fiscal year were: July-September 2018, October-December 2018, January-March 2019 and April-June 2019.

Effect: Duplication of federal funds.

Cause: Lack of reconciliation and review procedures applied by participating school district MAC Program Coordinators to claim data prior to submission for payment.

Recommendation: We recommend that Tallassee City Board of Education develop reconciliation and review procedures to be applied by the participating school districts prior to the quarterly claim submission. We also recommend that participating district MAC Program Coordinators be required to participate in training specific to the MAC claims process on an annual basis. New coordinators should be required to complete the training prior to submitting claims for reimbursement.

Response: Tallassee City Board of Education agrees with the finding and will immediately begin to develop additional procedures and policies based on the recommendations and disseminate the information to the participating districts.



Tallassee City Schools

308 King Street · Tallassee, Alabama 36078

(334) 283-6864 Phone

(334) 283-4338 Fax

Mr. Wade Shipman, Superintendent

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2019

As required by the Office of Management and Budget (OMB) Uniform Guidance, the Tallassee City Board of Education has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2019.

Finding Ref. No.	Status of Prior Audit Finding
2015-001	Status: Corrected
2016-001	Status: Federal funds continue to be included in Medicaid reimbursement claims. Corrective Action: Management will implement policies and procedures to incentivize participating districts to develop reconciliation and review procedures to ensure that federal funds are not included in expenditures claimed for reimbursement.
2017-001	Status: Federal funds continue to be included in Medicaid reimbursement claims. Corrective Action: Management will implement additional policies and procedures to incentivize participating districts to develop reconciliation and review procedures to ensure that federal funds are not included in expenditures claimed for reimbursement.
2018-001	Status: Federal funds continue to be included in Medicaid reimbursement claims. Corrective Action: Management will implement additional policies and procedures to incentivize participating districts to develop reconciliation and review procedures to ensure that federal funds are not included in expenditures claimed for reimbursement.

Sincerely,

Wade Shipman
Superintendent



Tallahassee City Schools

308 King Street - Tallahassee, Alabama 36078

(334) 283-6864 Phone

(334) 283-4338 Fax

Mr. Wade Shipman, Superintendent

*Corrective Action Plan
For the Year Ended September 30, 2019*

As required by the Office of Management and Budget (OMB) Uniform Guidance, the Tallahassee City Board of Education has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2019.

Finding Ref. No.	Corrective Action Plan Details
2019-001	<p>Expenditures submitted for the Alabama Medicaid Administrative Claiming program included expenditures supported by federal funds.</p> <p>Contact Person: Mr. Wade Shipman, Superintendent</p> <p>Corrective Action: Claims will be adjusted to correct the duplication of federal funds. Policies and procedures will be implemented according to the recommendations found in the Schedule of Findings and Questioned Costs.</p> <p>Proposed Completion Date: Prior to the submission of the July – September 2020 claim.</p>

Sincerely,

Wade Shipman
Superintendent