

**Troy City Board  
of Education**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2019**



**CRI** CARR  
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**Troy City Board of Education  
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September 30, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

Members of the Board  
Troy City Board of Education  
Troy, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy City Board of Education (the "Board"), a component unit of the City of Troy, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of September 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Child Nutrition Fund 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 on pages 4 – 10, and pension and OPEB schedules on pages 54 – 58, 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 (GASB), 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 Board'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 also 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 September 8, 2020, on our consideration of the Board'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 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 Board's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

September 8, 2020

### ***Introduction***

The Management's Discussion and Analysis (MD&A) of Troy City Board of Education's (Board) 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 Board's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

### ***Summary of Significant Accounting Policies***

The Board is a public educational agency operating under the applicable laws and regulations of the State of Alabama. A five member Board appointed by the City Council of the City of Troy, Alabama, governs it. The Board prepares its basic financial statements as set forth by the Alabama State Department of Education's financial planning, budgeting and reporting guidelines and the requirements of grants of federal agencies from which it receives funds.

### ***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 themselves.

The first two statements are government-wide financial statements — the *Statement of Net Position* (page 11) and the *Statement of Activities* (page 12). 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 result 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.

## Management's Discussion and Analysis (MD&A)

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 basis of 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 (major) 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 are presented in the fund financial statements.

Governmental funds: All of 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. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

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 budgetary comparison schedules for the General Fund and the Child Nutrition Program (CNP) that is prepared on a budgetary basis of accounting that differs from GAAP. Note 2 to the financial statements includes a schedule (page 30) 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 Board has no business-type activities. Consequently, the Board's net position is reported as governmental activities. Program revenues, specifically operating grants and contributions, are the largest component of total revenues.

Following is a condensed financial analysis, presented in comparative format, of the government-wide net position of the Board as of September 30, 2019:



## Management's Discussion and Analysis (MD&A)

| <i>September 30,</i>                        | <b>2019</b>            | 2018            |
|---|------------------------|-----------------|
| <b>Assets</b>                               |                        |                 |
| Current and other assets                    | \$ 6,078,779           | \$ 4,939,560    |
| Capital assets, net of depreciation         | <b>20,345,119</b>      | 20,603,079      |
| <b>Total assets</b>                         | <b>26,423,898</b>      | 25,542,639      |
| <b>Deferred Outflows of Resources</b>       |                        |                 |
| Deferred loss on refunding of debt          | <b>2,477,171</b>       | 2,611,428       |
| Deferred outflows related to pension        | <b>2,443,292</b>       | 2,167,460       |
| Deferred outflows related to OPEB           | <b>1,057,566</b>       | 451,747         |
| <b>Total deferred outflows of resources</b> | <b>5,978,029</b>       | 5,230,635       |
| <b>Liabilities</b>                          |                        |                 |
| Current liabilities                         | <b>1,579,447</b>       | 2,233,232       |
| Noncurrent liabilities                      | <b>55,218,089</b>      | 53,790,100      |
| <b>Total liabilities</b>                    | <b>56,797,536</b>      | 56,023,332      |
| <b>Deferred Inflows of Resources</b>        |                        |                 |
| Unearned property taxes                     | <b>1,755,616</b>       | 1,353,461       |
| Deferred inflows related to pension         | <b>2,246,000</b>       | 2,275,000       |
| Deferred inflows related to OPEB            | <b>1,609,579</b>       | 2,439,428       |
| <b>Total deferred inflows of resources</b>  | <b>5,611,195</b>       | 6,067,889       |
| <b>Net Position</b>                         |                        |                 |
| Net investment in capital assets            | <b>(1,719,140)</b>     | (1,508,978)     |
| Restricted                                  | <b>1,143,409</b>       | 433,979         |
| Unrestricted (deficit)                      | <b>(29,431,073)</b>    | (30,242,948)    |
| <b>Total net position</b>                   | <b>\$ (30,006,804)</b> | \$ (31,317,947) |

The Board's liabilities and deferred inflows exceeded its assets and deferred outflows by \$30,006,804 at the close of FY 2019 resulting in a deficit in net position due largely to the adoption of GASB 75 during FY 2018. Net investment in capital assets has a deficit balance due primarily to the refunding of a portion of the 2011 bond issue in a prior year.

It is important to note that the decrease in Total Net Position from fiscal years 2015 to 2018 is largely due to the impact of GASB 68 which became effective in 2015 and GASB 75, which became effective in 2018. GASB 68 requires state and local governments and their related entities that participate in a defined benefit pension plan to disclose their proportionate share of any unfunded pension liability on their financial statements. GASB 75 established accounting and financial reporting requirements for governmental employers who provide Other Post-Employment Benefits (OPEB) to their employees through a trust. GASB 68 and 75 address only financial reporting requirements and have no impact on the funding requirements for pension and OPEB plans.

## Management's Discussion and Analysis (MD&A)

Readers of the financial statements must understand that these new reporting requirements do not change the Board's cash position, credit worthiness, or overall financial health. The Board's financial ability to fund daily operations, meet debt obligations and allocate resources to achieve goals and objectives is unchanged. More detailed information regarding the calculations and reporting requirements of GASB 68 and GASB 75 can be found in the Notes to the Financial Statements.

Restricted net position, consisting of those net assets restricted by debt covenants, federal program compliance, and future capital projects, is \$1,143,409 at September 30, 2019.

Following is a condensed schedule of revenues and expenses from the governmental activities for the year ended September 30, 2019, presented with comparative data for the previous year:

### Summary of Changes in Net Position From Operating Results

| <i>Years ended September 30,</i>                              | <b>2019</b>            | 2018            |
|---|------------------------|-----------------|
| <b>Program Revenues</b>                                       |                        |                 |
| Charges for services  | \$ 1,781,442           | \$ 1,682,506    |
| Operating grants and contributions                            | 12,695,642             | 11,748,631      |
| Capital grants  | 475,411                | 451,695         |
| <b>General Revenues</b>                                       |                        |                 |
| Local property taxes  | 1,705,638              | 1,682,830       |
| Sales and use taxes   | 3,960,913              | 3,324,377       |
| Grants and contributions not restricted for specific programs | 90,000                 | 90,000          |
| Other taxes   | 65,357                 | 65,751          |
| Other   | 370,669                | 566,142         |
| <b>Total revenues</b>   | <b>21,145,072</b>      | 19,611,932      |
| <b>Expenses</b>   |                        |                 |
| Instructional   | 11,708,321             | 11,970,553      |
| Instructional support   | 2,833,196              | 2,692,731       |
| Operation and maintenance                                     | 1,356,991              | 1,470,180       |
| Transportation  | 196,005                | 199,915         |
| Food service  | 1,107,598              | 975,133         |
| General administration and central support                    | 1,124,021              | 1,087,657       |
| Interest on long-term debt                                    | 1,021,169              | 1,027,116       |
| Other   | 486,628                | 567,674         |
| <b>Total expenses</b>   | <b>19,833,929</b>      | 19,990,959      |
| Change in net position  | 1,311,143              | (379,027)       |
| Net position (deficit) - beginning                            | (31,317,947)           | (30,938,920)    |
| <b>Net position (deficit) - ending</b>                        | <b>\$ (30,006,804)</b> | \$ (31,317,947) |

## Management's Discussion and Analysis (MD&A)

Program revenues, specifically operating grants and contributions, are the largest component of the total revenues.

- Operating grants and contributions contribute 85% of program revenues and 60% 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 fleet renewal funds to replace bus fleet.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.
- General revenues primarily property taxes, sales taxes, and impact aid funds, are used to provide for expenses not covered by program revenues.

Instructional services and instructional support expenses 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, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Unallocated depreciation is used to report depreciation expense only for those assets that are used by multiple functions.
- Student transportation services include salaries and benefits for the bus mechanic, transportation director, bus drivers and transportation secretary. These funds also include depreciation of buses, bus maintenance supplies, fuel, bus cell phones, and fleet insurance.
- Food services include salaries and benefits for cooks, servers, cashiers, lunchroom managers, the program director and secretary, as well as professional development for the program staff, donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, lunchroom vehicle 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, office supplies, printing costs, and depreciation of central office equipment and facilities.
- Debt service includes interest and principal on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for preschool teachers and aides, extended day personnel, and community education coordinator.

### 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 financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the FY19, the Board's combined governmental funds reported ending fund balances of \$2,807,836 which is an increase over the FY18 ending fund balances of \$1,393,924.

**General Fund** – The General Fund is the primary operating fund of the Board. The General Fund balance increased by \$404,522. Each school system is required to have a one-month general fund operating balance. Troy City Schools met this requirement for FY 2019.

**Child Nutrition Program Fund** – The Child Nutrition Program is funded primarily by a USDA grant. Funds are received based on the number of free and reduced meals served. On average, 61% of our students receive free and reduced price meals. The summer feeding program continued in 2019. Anyone under the age of 18 is eligible to participate for free.

### General Fund Budgetary Highlights

The original 2019 fiscal year budget, adopted on September 17, 2018, was based on guaranteed revenues, estimates of local tax/fee revenues and necessary expenditures. Amendment #1 includes incorporating the actual beginning balances, carry-over funds for federal programs and budgeting some state and federal programs that had not been authorized at the time the original budget was due. There were also some changes in various funds to bring the budget more in line with actual expenditures. The Troy City Board of Education approved amendment #1 on April 15, 2019. The comparison of General Fund original budget to the final amended budget is on page 17.

### Capital Assets and Debt Administration

**Capital Assets** – At September 30, 2019, the Board had \$20,345,119 invested in capital assets including land, buildings, and equipment costing \$5,000 or more. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year and depreciation of depreciable assets for the year. Note 6 to the financial statements provides information on these assets.

**Capital Projects** – The Board invested \$380,173 in capital expense during fiscal year 2019. This was predominately used to complete the improvements on the High School baseball stadium, complete construction of the High School football practice field, and to purchase a new walk in freezer at the Troy Elementary School.

**Long-Term Debt** – At year-end, the Board owed \$24,689,447 in outstanding bonds, net of unamortized bond discounts/premiums and \$62,813 in outstanding capital leases for various computer and office equipment.

## Management’s Discussion and Analysis (MD&A)

**Estimated Capital Needs** – As of September 30, 2019, the Board's Five-Year Capital Plan, based upon critical needs, totaled approximately \$16 million throughout the system. These estimated capital needs include renovations to Troy Elementary to enhance building security, update/replace technology at all schools, and renovations at Charles Henderson High School. School administration intends to direct a portion of the savings resulting from refinanced lower interest rates toward financing some of the capital needs for the school system.

### Economic Factors Affecting Next Fiscal Year

#### **Student Enrollment**

The student enrollment figure as of the twenty days after Labor Day Report for the 2018-2019 school year was 1,815, which indicates a decline in enrollment of approximately 78 students for the 2019 fiscal year.

| <u>Fiscal Year</u> | <u>Enrollment</u> |
|--------------------|-------------------|
| 2019               | 1,815             |
| 2018               | 1,893             |
| 2017               | 1,899             |
| 2016               | 2,018             |
| 2015               | 2,040             |
| 2014               | 2,100             |
| 2013               | 2,076             |
| 2012               | 2,116             |
| 2011               | 2,161             |

#### **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. If you have any questions about this report or need additional financial information, contact Patricia Norman, Chief Financial Officer, Troy City Board of Education, 358 Elba Highway, Troy, AL 36079 or by calling (334) 566-3741.

**Troy City Board of Education**  
**Statement of Net Position**  
**September 30, 2019**

|                                       | <b>Governmental<br/>Activities</b> |
|---------------------------------------|------------------------------------|
| <b>Assets</b>                         |                                    |
| Cash and cash equivalents             | \$ 1,881,372                       |
| Investments                           | 18,000                             |
| Receivables                           | 2,423,330                          |
| Inventories                           | 50,315                             |
| Restricted assets:                    |                                    |
| Cash and cash equivalents             | 1,418,359                          |
| Prepaid expenses                      | 76,573                             |
| Unamortized bond insurance            | 210,830                            |
| Capital assets, not being depreciated | 892,701                            |
| Capital assets, net of depreciation   | 19,452,418                         |
| Total assets                          | 26,423,898                         |
| <b>Deferred Outflows of Resources</b> |                                    |
| Deferred loss on refunding of debt    | 2,477,171                          |
| Deferred outflows related to pension  | 2,443,292                          |
| Deferred outflows related to OPEB     | 1,057,566                          |
| Total deferred outflows of resources  | 5,978,029                          |
| <b>Liabilities</b>                    |                                    |
| Accounts payable                      | 21,396                             |
| Salaries and benefits payable         | 1,278,439                          |
| Accrued interest payable              | 274,950                            |
| Unearned revenue                      | 4,662                              |
| Long-term liabilities                 |                                    |
| Net pension liability                 | 15,394,000                         |
| Net OPEB liability                    | 15,071,829                         |
| Due and payable within one year       | 746,181                            |
| Due and payable after one year        | 24,006,079                         |
| Total liabilities                     | 56,797,536                         |
| <b>Deferred Inflows of Resources</b>  |                                    |
| Unearned property taxes               | 1,755,616                          |
| Deferred inflows related to pension   | 2,246,000                          |
| Deferred inflows related to OPEB      | 1,609,579                          |
| Total deferred inflows of resources   | 5,611,195                          |
| <b>Net Position</b>                   |                                    |
| Net investment in capital assets      | (1,719,140)                        |
| Restricted for debt service           | 1,143,409                          |
| Unrestricted (deficit)                | (29,431,073)                       |
| Total net position (deficit)          | \$ (30,006,804)                    |

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

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

| <b>Functions / Programs</b>        | <b>Expenses</b> |                   |
|------------------------------------|-----------------|-------------------|
| Instructional services             | \$              | 11,708,321        |
| Instructional support services     |                 | 2,833,196         |
| Operation and maintenance services |                 | 1,356,991         |
| Student transportation services    |                 | 196,005           |
| Food services                      |                 | 1,107,598         |
| General administrative services    |                 | 1,124,021         |
| Interest and fiscal charges        |                 | 1,021,169         |
| Other expenses                     |                 | 486,628           |
| <b>Total</b>                       | <b>\$</b>       | <b>19,833,929</b> |

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

| Charges<br>For<br>Services | Program Revenues                         |  | Net (Expenses)<br>Revenues and<br>Changes In<br>Net Position<br>Governmental<br>Activities |
|----------------------------|--|--|--|
|                            | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| \$ 318,511                 | \$ 9,473,150                             | \$ 468,302                             | \$ (1,448,358)   |
| 267,140                    | 2,123,313                                | -                                      | (442,743)  |
| 28,457                     | 779,212                                  | -                                      | (549,322)  |
| 21,707                     | 76,552                                   | 7,109                                  | (90,637)   |
| 873,513                    | 62,823                                   | -                                      | (171,262)  |
| 47,024                     | 152,864                                  | -                                      | (924,133)  |
| -                          | -  | -                                      | (1,021,169)  |
| 225,090                    | 27,728                                   | -                                      | (233,810)  |
| <b>\$ 1,781,442</b>        | <b>\$ 12,695,642</b>                     | <b>\$ 475,411</b>                      | <b>(4,881,434)</b>   |

#### General Revenues

##### Taxes:

|   |                  |
|---|------------------|
| Property taxes for general purposes                           | 1,705,638        |
| Local sales tax   | 3,960,913        |
| Other taxes   | 65,357           |
| Grants and contributions not restricted for specific programs | 90,000           |
| Investment earnings   | 11,398           |
| Miscellaneous   | 359,271          |
| <b>Total general revenues</b>                                 | <b>6,192,577</b> |
| Change in net position  | 1,311,143        |
| Net position (deficit) - beginning                            | (31,317,947)     |
| Net position (deficit) - ending                               | \$ (30,006,804)  |



**Troy City Board of Education  
Balance Sheet – Governmental Funds  
September 30, 2019**

|  | <b>General<br/>Fund</b> | <b>Child<br/>Nutrition Fund</b> |
|--|-------------------------|---------------------------------|
| <b>Assets</b>  |                         |                                 |
| Cash and cash equivalents  | \$ 1,278,729            | \$ 145,509                      |
| Investments  | -                       | -                               |
| Receivables  | 2,250,780               | 85,640                          |
| Due from other funds   | 31,049                  | -                               |
| Inventories  | -                       | 50,315                          |
| Prepaid expenses   | 76,573                  | -                               |
| Restricted assets:   |                         |                                 |
| Cash and cash equivalents  | -                       | -                               |
| <b>Total assets</b>  | <b>\$ 3,637,131</b>     | <b>\$ 281,464</b>               |
| <b>Liabilities</b>   |                         |                                 |
| Accounts payable   | \$ 18,743               | \$ -                            |
| Due to other funds   | -                       | -                               |
| Salaries and benefits payable  | 1,094,469               | 43,150                          |
| Unearned revenue   | 2,800                   | -                               |
| <b>Total liabilities</b>   | <b>1,116,012</b>        | <b>43,150</b>                   |
| <b>Deferred Inflows of Resources</b>   |                         |                                 |
| Unearned revenue - property taxes  | 1,755,616               | -                               |
| <b>Fund Balances</b>   |                         |                                 |
| Nonspendable   | 76,573                  | 50,315                          |
| Restricted   | -                       | -                               |
| Assigned   | -                       | 187,999                         |
| Unassigned   | 688,930                 | -                               |
| <b>Total fund balances</b>   | <b>765,503</b>          | <b>238,314</b>                  |
| <b>Total liabilities, deferred inflows of resources,<br/>and fund balances</b> | <b>\$ 3,637,131</b>     | <b>\$ 281,464</b>               |

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

| Debt<br>Service Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------|--------------------------------|--------------------------------|
| \$ -                 | \$ 457,134                     | \$ 1,881,372                   |
| -                    | 18,000                         | 18,000                         |
| -                    | 86,910                         | 2,423,330                      |
| -                    | -                              | 31,049                         |
| -                    | -                              | 50,315                         |
| -                    | -                              | 76,573                         |
| 1,418,359            | -                              | 1,418,359                      |
| <u>\$ 1,418,359</u>  | <u>\$ 562,044</u>              | <u>\$ 5,898,998</u>            |
| \$ -                 | \$ 2,653                       | \$ 21,396                      |
| -                    | 31,049                         | 31,049                         |
| -                    | 140,820                        | 1,278,439                      |
| -                    | 1,862                          | 4,662                          |
| -                    | 176,384                        | 1,335,546                      |
| -                    | -                              | 1,755,616                      |
| -                    | -                              | 126,888                        |
| 1,418,359            | -                              | 1,418,359                      |
| -                    | 385,660                        | 573,659                        |
| -                    | -                              | 688,930                        |
| 1,418,359            | 385,660                        | 2,807,836                      |
| <u>\$ 1,418,359</u>  | <u>\$ 562,044</u>              | <u>\$ 5,898,998</u>            |

**Troy City Board of Education  
Reconciliation of Balance Sheet of Governmental  
Funds to Statement of Net Position  
For the Year Ended September 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position on page 11 are different because:

|   |    |           |
|---|----|-----------|
| Total fund balance - governmental funds | \$ | 2,807,836 |
|---|----|-----------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

|                          |              |            |
|--------------------------|--------------|------------|
| Cost of capital assets   | 32,463,210   |            |
| Accumulated depreciation | (12,118,091) | 20,345,119 |
| <hr/>                    |              |            |

|   |  |         |
|---|--|---------|
| Other long-term assets are not available to pay for current period expenditures and therefore, are deferred on the statement of net position. |  | 210,830 |
|---|--|---------|

Deferred inflows and outflows represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.

|                                      |             |           |
|--------------------------------------|-------------|-----------|
| Deferred loss on refunding           | 2,477,171   |           |
| Deferred outflows related to pension | 2,443,292   |           |
| Deferred outflows related to OPEB    | 1,057,566   |           |
| Deferred inflows related to pension  | (2,246,000) |           |
| Deferred inflows related to OPEB     | (1,609,579) | 2,122,450 |
| <hr/>                                |             |           |

Long-term liabilities, including bonds payable, bond discounts, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

|                                       |              |              |
|---------------------------------------|--------------|--------------|
| Accrued interest payable              | (274,950)    |              |
| Net pension liability                 | (15,394,000) |              |
| Net OPEB liability                    | (15,071,829) |              |
| Current portion of long-term debt     | (746,181)    |              |
| Non-current portion of long-term debt | (24,006,079) | (55,493,039) |
| <hr/>                                 |              |              |

|  |    |              |
|--|----|--------------|
| Total net position - governmental activities | \$ | (30,006,804) |
|--|----|--------------|

---

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

**Troy City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**September 30, 2019**

|  | General<br>Fund   | Child<br>Nutrition Fund |
|--|-------------------|-------------------------|
| <b>Revenues</b>  |                   |                         |
| State revenues   | \$ 10,084,536     | \$ -                    |
| Federal revenues   | 76,366            | 717,516                 |
| Local revenues   | 4,664,926         | 238,190                 |
| Other revenues   | 45,828            | 11,557                  |
| <b>Total revenues</b>  | <b>14,871,656</b> | <b>967,263</b>          |
| <b>Expenditures</b>  |                   |                         |
| Instructional services                                       | 9,653,618         | -                       |
| Instructional support services                               | 2,284,112         | -                       |
| Operation and maintenance services                           | 1,276,709         | -                       |
| Student transportation services                              | 169,029           | -                       |
| Food services  | -                 | 1,225,057               |
| General administrative services                              | 990,009           | -                       |
| Capital outlay   | 1,335             | -                       |
| Debt service:  |                   |                         |
| Principal  | 45,849            | -                       |
| Interest   | 11,567            | -                       |
| Other expenses   | 264,433           | 39,070                  |
| <b>Total expenditures</b>                                    | <b>14,696,661</b> | <b>1,264,127</b>        |
| Excess (deficiency) of revenues over<br>(under) expenditures | 174,995           | (296,864)               |
| <b>Other Financing Sources (Uses)</b>                        |                   |                         |
| Indirect cost  | 136,460           | -                       |
| Long-term debt issued  | 192,000           | -                       |
| Transfers in   | 200,415           | 287,773                 |
| Transfers out  | (299,348)         | -                       |
| <b>Total other financing sources (uses)</b>                  | <b>229,527</b>    | <b>287,773</b>          |
| Net change in fund balances                                  | 404,522           | (9,091)                 |
| <b>Fund Balances - beginning</b>                             | <b>360,981</b>    | <b>247,405</b>          |
| <b>Fund Balances - ending</b>                                | <b>\$ 765,503</b> | <b>\$ 238,314</b>       |

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

| Debt<br>Service Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------|--------------------------------|--------------------------------|
| \$ -                 | \$ 1,079,934                   | \$ 11,164,470                  |
| -                    | 1,853,644                      | 2,647,526                      |
| 1,314,931            | 1,044,545                      | 7,262,592                      |
| -                    | -                              | 57,385                         |
| <b>1,314,931</b>     | <b>3,978,123</b>               | <b>21,131,973</b>              |
| -                    | 1,606,683                      | 11,260,301                     |
| -                    | 538,667                        | 2,822,779                      |
| -                    | 63,965                         | 1,340,674                      |
| -                    | 5,761                          | 174,790                        |
| -                    | -                              | 1,225,057                      |
| -                    | 164,284                        | 1,154,293                      |
| -                    | 323,824                        | 325,159                        |
| 70,000               | 261,429                        | 377,278                        |
| 542,270              | 346,465                        | 900,302                        |
| -                    | 182,373                        | 485,876                        |
| <b>612,270</b>       | <b>3,493,451</b>               | <b>20,066,509</b>              |
| <b>702,661</b>       | <b>484,672</b>                 | <b>1,065,464</b>               |
| -                    | -                              | 136,460                        |
| -                    | -                              | 192,000                        |
| -                    | 10,103                         | 498,291                        |
| -                    | (198,943)                      | (498,291)                      |
| -                    | (188,840)                      | 328,460                        |
| 702,661              | 295,832                        | 1,393,924                      |
| 715,698              | 89,828                         | 1,413,912                      |
| <b>\$ 1,418,359</b>  | <b>\$ 385,660</b>              | <b>\$ 2,807,836</b>            |

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

Amounts reported for governmental activities in the Statement of Activities on page 12 are different because:

|  |  |              |
|--|--|--------------|
| Total net change in fund balances - governmental funds |  | \$ 1,393,924 |
|--|--|--------------|

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 useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

|                      |           |           |
|----------------------|-----------|-----------|
| Capital outlays      | 380,173   |           |
| Depreciation expense | (641,376) | (261,203) |

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.

|                                      |  |         |
|--------------------------------------|--|---------|
| Principal payments on long-term debt |  | 377,278 |
|--------------------------------------|--|---------|

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.

(192,000)

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.

|   |           |          |
|---|-----------|----------|
| Current year decrease in accrued interest expense                 | 6,769     |          |
| Current year decrease in pension expense                          | 409,832   |          |
| Current year decrease in OPEB expense                             | (289,220) |          |
| Amortization of discounts/premiums and deferred loss on refunding | (137,480) | (10,099) |

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.

(9,856)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

|                |  |        |
|----------------|--|--------|
| Donated Assets |  | 13,099 |
|----------------|--|--------|

|   |  |              |
|---|--|--------------|
| Change in net position of governmental activities |  | \$ 1,311,143 |
|---|--|--------------|

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

**Troy City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund**  
**For the Year Ended September 30, 2019**

|  | Budgeted Amounts  |                   | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget |
|--|-------------------|-------------------|--------------------------------|----------------------------------|
|  | Original          | Final             |                                |                                  |
| <b>Revenues</b>  |                   |                   |                                |                                  |
| State revenues   | \$ 10,056,779     | \$ 10,071,757     | \$ 10,084,536                  | \$ 12,779                        |
| Federal revenues   | 68,002            | 68,002            | 76,366                         | 8,364                            |
| Local revenues   | 4,002,439         | 4,012,073         | 4,664,926                      | 652,853                          |
| Other revenues   | 44,700            | 44,700            | 45,828                         | 1,128                            |
| <b>Total revenues</b>  | <b>14,171,920</b> | <b>14,196,532</b> | <b>14,871,656</b>              | <b>675,124</b>                   |
| <b>Expenditures</b>  |                   |                   |                                |                                  |
| Instructional services                                       | 9,722,717         | 9,749,076         | 9,655,512                      | 93,564                           |
| Instructional support services                               | 2,210,637         | 2,210,423         | 2,282,937                      | (72,514)                         |
| Operation and maintenance services                           | 1,364,574         | 1,373,376         | 1,282,734                      | 90,642                           |
| Student transportation services                              | 144,191           | 144,191           | 169,154                        | (24,963)                         |
| General administrative services                              | 931,682           | 931,682           | 990,009                        | (58,327)                         |
| Debt service:  |                   |                   |                                |                                  |
| Principal  | 45,849            | 45,849            | 45,849                         | -                                |
| Interest   | 7,728             | 7,728             | 11,567                         | (3,839)                          |
| Other expenses   | 262,887           | 262,887           | 259,448                        | 3,439                            |
| <b>Total expenditures</b>                                    | <b>14,690,265</b> | <b>14,725,212</b> | <b>14,698,545</b>              | <b>26,667</b>                    |
| Excess (deficiency) of revenues over<br>(under) expenditures | (518,345)         | (528,680)         | 173,111                        | 701,791                          |
| <b>Other Financing Sources (Uses)</b>                        |                   |                   |                                |                                  |
| Indirect cost  | 143,886           | 145,118           | 136,460                        | (8,658)                          |
| Long-term debt issued  | 411,807           | 411,807           | 192,000                        | (219,807)                        |
| Transfers in   | 238,288           | 308,626           | 200,415                        | (108,211)                        |
| Transfers out  | (290,490)         | (360,828)         | (299,348)                      | 61,480                           |
| <b>Total other financing sources (uses)</b>                  | <b>503,491</b>    | <b>504,723</b>    | <b>229,527</b>                 | <b>(275,196)</b>                 |
| Net change in fund balance                                   | (14,854)          | (23,957)          | 402,638                        | 426,595                          |
| <b>Fund Balance - beginning</b>                              | <b>360,981</b>    | <b>360,981</b>    | <b>360,981</b>                 | <b>-</b>                         |
| <b>Fund Balance - ending</b>                                 | <b>\$ 346,127</b> | <b>\$ 337,024</b> | <b>\$ 763,619</b>              | <b>\$ 426,595</b>                |

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

**Troy City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Child Nutrition Fund**  
**For the Year Ended September 30, 2019**

|  | Budgeted Amounts |            | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget |
|--|------------------|------------|--------------------------------|----------------------------------|
|  | Original         | Final      |                                |                                  |
| <b>Revenues</b>                              |                  |            |                                |                                  |
| Federal revenues                             | \$ 734,800       | \$ 734,800 | \$ 717,516                     | \$ (17,284)                      |
| Local revenues                               | 319,950          | 319,950    | 238,190                        | (81,760)                         |
| Other revenues                               | 18,000           | 18,000     | 11,557                         | (6,443)                          |
| Total revenues                               | 1,072,750        | 1,072,750  | 967,263                        | (105,487)                        |
| <b>Expenditures</b>                          |                  |            |                                |                                  |
| Food services                                | 1,274,130        | 1,274,130  | 1,228,807                      | 45,323                           |
| Other expenses                               | 33,310           | 33,310     | 39,070                         | (5,760)                          |
| Total expenditures                           | 1,307,440        | 1,307,440  | 1,267,877                      | 39,563                           |
| Deficiency of revenues under<br>expenditures | (234,690)        | (234,690)  | (300,614)                      | (65,924)                         |
| <b>Other Financing Sources</b>               |                  |            |                                |                                  |
| Transfers in                                 | 286,589          | 286,589    | 287,773                        | 1,184                            |
| Net change in fund balance                   | 51,899           | 51,899     | (12,841)                       | (64,740)                         |
| <b>Fund Balance</b> - beginning              | 247,405          | 247,405    | 247,405                        | -                                |
| <b>Fund Balance</b> - ending                 | \$ 299,304       | \$ 299,304 | \$ 234,564                     | \$ (64,740)                      |

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



## **Troy City Board of Education Notes to Financial Statements**

### **NOTE**

1. Summary of Significant Accounting Policies
2. Stewardship, Compliance and Accountability
3. Cash, Cash Equivalents and Investments
4. Receivables
5. Interfund Activity
6. Capital Assets
7. Unearned Revenue and Deferred Inflows of Resources
8. Long-Term Debt
9. Employee Retirement Plan
10. Postemployment Benefits Other than Pension (OPEB)
11. Commitments and Contingencies
12. Pledge Revenues
13. Risk Management
14. Subsequent Events

# Troy City Board of Education Notes to Financial Statements

## **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***Reporting Entity***

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

The Board is a legally separate agency of the State of Alabama. The financial statements of the Board include local school activity funds and other funds under the control of school principals. These funds are reported on a reporting period ended September 30, 2019 as a special revenue fund.

### ***Basis of Presentation, Basis of Accounting***

#### **Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

## Troy City Board of Education Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Fund Financial Statements:* The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental funds:

**General Fund** is the Board's primary operating fund accounts for all financial resources, except those required to be accounted for in another fund. The Board's General Fund primarily receives revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the Board on a formula basis.

**Child Nutrition** fund accounts for the funds received from the State Department of Education and received from other sources which are to be used to provide breakfast and lunch to students.

**Debt Service** fund accounts for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

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

**Special Revenue Funds** account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following:

1. IDEA – Part B
2. IDEA – High Cost Fund
3. Preschool Ages 3 – 5 Part B
4. Vocational Education – Basic Grant
5. Vocational Education – Program Improvement
6. Vocational Rehab - Other
7. Title I Part A
8. Title II Part A Teacher and Principal Training
9. Title IV Part A – Safe & Drug Free
10. Title VI Part B – Low Income Program
11. Food and Nutrition Fund
12. Local school activity funds

**Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities.

## Troy City Board of Education Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Other Debt Service Funds** account for the accumulation of resources for, and the payment of, the Board's principal and interest payments on long-term debt.

#### ***Measurement Focus, Basis of Accounting***

*Government-wide 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. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

#### ***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position***

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Board. Investments are stated at amortized cost.

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

**Receivables** - Receivables are reported as *receivables* in the government-wide financial statements and as *receivables* in the fund financial statements. Receivables include amounts due from grantors or grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

## Troy City Board of Education Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property Tax Calendar** - The Pike County Commission (the "Commission") levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

**Inventories** - Inventories are valued at cost using the first-in/first-out (FIFO) method. GAAP requires only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund.

**Prepaid Items** - Prepaid items, such as insurance premiums, are accounted for using the interperiod allocation method for both the government-wide financial statements and the governmental funds financial statements. Under this method, the cash outlay is reported as an asset in the governmental funds balance sheet and amortized ratably over the number of months the payment benefits.

**Interfund Loans and Transfers** - Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds"

**Restricted Assets** - Restricted assets at September 30, 2019 consist of cash and cash equivalents which are restricted by debt agreements for debt service payments. Cash and cash equivalents restricted for debt service payments totaled \$1,418,359.

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

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

| <b>Asset Class</b>              | <b>Capitalization<br/>Threshold</b> | <b>Estimated<br/>Useful Life</b> |
|---------------------------------|-------------------------------------|----------------------------------|
| Land improvements – exhaustible | \$ 50,000                           | 20 years                         |
| Buildings                       | 50,000                              | 50 years                         |
| Building improvements           | 50,000                              | 7 - 30 years                     |
| Equipment                       | 5,000                               | 5 - 20 years                     |
| Equipment under lease           | 5,000                               | 5 - 20 years                     |
| Vehicles                        | 5,000                               | 8 - 10 years                     |

## Troy City Board of Education Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The capitalization threshold for land, construction in progress, and inexhaustible land improvements is \$1 or more. However, these capital assets are not depreciated.

**Long-Term Obligations** - In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. For warrants (bonds) and other long-term debt issued after October 1, 2003, the related premiums and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported as an addition or deduction from the related debt on the statement of net position.

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as other financing sources. Debt issuance costs are not deducted from the amount reported as other financial sources but are reported as debt service expenditures. Any discount resulting from a disparity between the market rate and the stated rate of interest is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payments are made. At the inception of a capital lease, an amount equal to the present value of the net minimum lease payments is reported as an other financing source and as an expenditure. The balance sheet does not reflect a liability for long-term debt.

**Compensated Absences** - For vacation leave and other compensated absences with similar characteristics, GASB Codification Section 60, Paragraph 104 requires the accrual of a liability (as the benefits are earned by the employees), if both of these conditions are met:

- a. The employees' right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Professional and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the Teachers' Retirement System of Alabama, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Professional and support personnel are provided two days of personal leave per year with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to two days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

## Troy City Board of Education Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Certain employees are allowed two weeks of vacation per year with pay. Personnel considered full time support personnel and instructional personnel contracted for the fiscal year are eligible for vacation leave. Because unused vacation leave is not paid out upon termination, no liability for unpaid leave is accrued in the financial statements.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has three items that qualify for reporting in this category, deferred loss on refunding of debt, deferred outflows related to pension, and deferred outflows related to OPEB. A deferred loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension and OPEB result from pension and OPEB contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has three items that qualify for reporting in this category, unearned property taxes, deferred inflows related to pension and deferred inflows related to OPEB. Deferred inflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, changes in projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions.

**Unamortized Bond Insurance** - Unamortized debt expense related to bond insurance is amortized by using the outstanding principal method over the life of the related debt and is reported as unamortized bond insurance on the statement of net position. Other bond issuance costs are expensed as incurred.

**Net Position and Fund Balances** - Net positions are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net position categories:

*Net Investment in Capital Assets* - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

## Troy City Board of Education Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund balances are reported in the fund financial statements in accordance with GASB 54. The intent of GASB 54 is to provide a more structured classification of fund balances and to improve the usefulness of fund balance reporting to the users of the Board's financial statements. The reporting standard established a hierarchy for fund balance classifications and the constraints imposed on the users of those resources. In governmental funds, the Board's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

*Nonspendable* - Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* - Amounts that can be used only for specific purposes determined by a formal action of the Board, the highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

*Assigned* - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's policy, only the Superintendent may assign amounts for specific purposes.

*Unassigned* - All other spendable amounts.



**Troy City Board of Education  
Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund balances at September 30, 2019 are as follows:

|                  | General Fund      | Child<br>Nutrition | Debt Service        | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------|-------------------|--------------------|---------------------|--------------------------------|--------------------------------|
| Nonspendable:    |                   |                    |                     |                                |                                |
| Inventories      | \$ -              | \$ 50,315          | \$ -                | \$ -                           | \$ 50,315                      |
| Prepaid expenses | 76,573            | -                  | -                   | -                              | 76,573                         |
| Restricted:      |                   |                    |                     |                                |                                |
| Debt service     | -                 | -                  | 1,418,359           | -                              | 1,418,359                      |
| Assigned:        |                   |                    |                     |                                |                                |
| Child Nutrition  | -                 | 187,999            | -                   | 385,660                        | 573,659                        |
| Unassigned       | 688,930           | -                  | -                   | -                              | 688,930                        |
|                  | <u>\$ 765,503</u> | <u>\$ 238,314</u>  | <u>\$ 1,418,359</u> | <u>\$ 385,660</u>              | <u>\$ 2,807,836</u>            |

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. The governmental fund balance sheet is followed by a reconciliation between *Total fund balance - governmental funds* and *Total net position - governmental activities* as reported in the government-wide statement of net position.

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between *Total net change in fund balances - governmental funds* and *Change in net position of governmental activities* as reported in the government-wide statement of activities.

***Management Estimates and Assumptions***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Impact of Recently Issued Accounting Pronouncements***

In Fiscal Year 2019, the Board adopted three new statements of financial accounting standards issued by the GASB:

- Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83)
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88)
- Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance* (GASB 95)

## Troy City Board of Education Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 83 establishes standards of accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of certain tangible capital assets. State and local governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the regulation of GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2019. The Board elected to early implement GASB 83. GASB 83 had no impact on the Board's financial statements.

GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant subjective acceleration clauses. GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2019. The Board elected to early implement GASB 88. See Note 8 for additional disclosures related to GASB 88.

GASB 95 extends the effective date of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of GASB 95 apply to the financial statements of all state and local governments. The primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of GASB 95 are effective immediately.

#### ***Pronouncements Issued But Not Yet Effective***

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Board upon implementation. Management has not yet evaluated the effect of implementation of these standards.

| GASB<br>Statement No. | GASB Accounting Standard   | Effective<br>Fiscal Year |
|-----------------------|--|--------------------------|
| 84                    | <i>Fiduciary Activities</i>  | 2020                     |
| 87                    | <i>Leases</i>  | 2021                     |
| 89                    | <i>Accounting for Interest Cost Incurred before the End<br/>of a Construction Period</i> | 2021                     |
| 90                    | <i>Majority Equity Interest an amendment of GASB<br/>Statements No. 14 and No. 61</i>    | 2020                     |
| 91                    | Conduit Debt Obligation  | 2022                     |
| 92                    | Omnibus 2020   | 2021                     |
| 93                    | Replacement of Interbank Offered Rates   | 2023                     |

## Troy City Board of Education Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

|    |  |      |
|----|--|------|
| 94 | Public-Private and Public-Public Partnerships and Availability<br>Payment Requirements   | 2023 |
| 96 | Subscription-based Information Technology Arrangements   | 2023 |
| 97 | Certain Component Unit Criteria and Accounting and<br>Financial Reporting for Internal Revenue Code Section<br>457 Deferred Compensation Plans | 2022 |

### Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### ***Budgets***

Annual budgets are adopted for all governmental funds except the permanent funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2019 fiscal year was September 17, 2018. The Board approved and submitted its original 2019 annual budget on September 17, 2018.

The 2019 budget was amended in April 2019 primarily to budget carryover federal funds, adjust federal allocations, and budget additional state and other grant funds that became available after submission of the original budget.

The City Superintendent of Education (the "Superintendent") or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The Superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The Superintendent may approve amendments to program budgets without Board approval.

The budget is prepared under a budgetary basis of accounting that differs from GAAP. Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve month period. Expenditures for salaries (and related fringe benefits) and interest expense 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. Similarly, interest expense incurred but not paid as of year-end is reported as an expenditure on the financial statements.

Adjustments to convert the results of operations of the General Fund at the end of the year from the budgetary basis of accounting to the GAAP basis of accounting are as follows:

**Troy City Board of Education  
Notes to Financial Statements**

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

|   | <b>Total Expenditures</b> |                             |
|---|---------------------------|-----------------------------|
|   | <b>General Fund</b>       | <b>Child Nutrition Fund</b> |
| Budget basis                                      | \$ 14,698,545             | \$ 1,267,877                |
| Non-budgeted accrued salaries and fringe benefits |                           |                             |
| Instructional services                            | (1,894)                   | -                           |
| Instructional support services                    | 1,175                     | -                           |
| Operations and maintenance                        | (6,025)                   | -                           |
| Student transportation services                   | (125)                     | -                           |
| Food services                                     | -                         | (3,750)                     |
| Other expenditures                                | 4,985                     | -                           |
| <b>GAAP basis</b>                                 | <b>\$ 14,696,661</b>      | <b>\$ 1,264,127</b>         |

**Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS**

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to recover 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 deposit insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14.

Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits with original maturities of greater than three months. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Board's sole investment is in a certificate of deposit with a maturity of March 31, 2024. This certificate of deposit is classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

**Troy City Board of Education  
Notes to Financial Statements**

**Note 4: RECEIVABLES**

Receivables at September 30, 2019 consist of the following:

|                                  | General             | Child<br>Nutrition | Other Non-<br>major | Total               |
|----------------------------------|---------------------|--------------------|---------------------|---------------------|
| State Department of Education    |                     |                    |                     |                     |
| IDEA-Part B                      | \$ -                | \$ -               | \$ 8,898            | \$ 8,898            |
| Pre-School Ages 3-5-Part B       | -                   | -                  | 40                  | 40                  |
| Basic Grant                      | -                   | -                  | 22,617              | 22,617              |
| Vocational Rehab                 | -                   | -                  | 5,133               | 5,133               |
| Title I, Part A                  | -                   | -                  | 12,335              | 12,335              |
| Title IV, Part A                 | -                   | -                  | 27,542              | 27,542              |
| Title IV, Rural Ed Initiative    | -                   | -                  | 1,965               | 1,965               |
| AL Workforce Development Area    | -                   | -                  | 8,380               | 8,380               |
| Pike County Rev Commissioner     | 1,755,616           | -                  | -                   | 1,755,616           |
| Pike County Board of Education   | 350,694             | -                  | -                   | 350,694             |
| School Lunch Program             | -                   | 85,640             | -                   | 85,640              |
| Phoenix City Board of Education  | 13,316              | -                  | -                   | 13,316              |
| Tallasee City Board of Education | 70,275              | -                  | -                   | 70,275              |
| Pike County Probate Judge        | 40,301              | -                  | -                   | 40,301              |
| Other                            | 20,578              | -                  | -                   | 20,578              |
| <b>Total receivables</b>         | <b>\$ 2,250,780</b> | <b>\$ 85,640</b>   | <b>\$ 86,910</b>    | <b>\$ 2,423,330</b> |

All receivables are considered fully collectible and, accordingly, no allowance for uncollectible accounts has been recorded.

**Note 5: INTERFUND ACTIVITY**

Due to/from other funds at September 30, 2019 consisted of the following amounts:

| <b>Due from</b>       | <b>Due to<br/>General Fund</b> | <b>Total</b> |
|-----------------------|--------------------------------|--------------|
| Nonmajor governmental | \$ 31,049                      | \$ 31,049    |

Amounts due to the general fund are for reimbursement of expenses.

**Troy City Board of Education  
Notes to Financial Statements**

**Note 5: INTERFUND ACTIVITY (Continued)**

Interfund transfers consisted of the following for the year ended September 30, 2019:

| Transfers Out         | Transfers In |                 |                       | Total      |
|-----------------------|--------------|-----------------|-----------------------|------------|
|                       | General      | Child Nutrition | Nonmajor Governmental |            |
| General               | \$ 25,759    | \$ 273,589      | \$ -                  | \$ 299,348 |
| Nonmajor governmental | 174,656      | 14,184          | 10,103                | 198,943    |
|                       | \$ 200,415   | \$ 287,773      | \$ 10,103             | \$ 498,291 |

**Note 6: CAPITAL ASSETS**

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

|   | Beginning Balance | Additions | Deductions | Ending Balance |
|---|-------------------|-----------|------------|----------------|
| <b>Governmental Activities:</b>                   |                   |           |            |                |
| Capital assets, not being depreciated:            |                   |           |            |                |
| Land and land improvements                        | \$ 892,701        | \$ -      | \$ -       | \$ 892,701     |
| Construction in progress                          | 21,383            | 325,158   | 346,541    | -              |
| Total capital assets, not being depreciated       | 914,084           | 325,158   | 346,541    | 892,701        |
| Other capital assets:                             |                   |           |            |                |
| Buildings   | 24,334,770        | -         | -          | 24,334,770     |
| Building improvements                             | 4,026,071         | -         | -          | 4,026,071      |
| Land improvements                                 | 608,023           | 346,541   | -          | 954,564        |
| Equipment   | 1,265,166         | 68,114    | 10,560     | 1,322,720      |
| Vehicles  | 1,001,318         | -         | 68,935     | 932,383        |
| Total other capital assets at historical cost     | 31,235,348        | 414,655   | 79,495     | 31,570,508     |
| Less accumulated depreciation for:                |                   |           |            |                |
| Buildings   | 8,213,406         | 441,910   | -          | 8,655,316      |
| Building improvements                             | 1,023,068         | 101,761   | -          | 1,124,829      |
| Land improvements                                 | 554,837           | 13,112    | -          | 567,949        |
| Equipment   | 824,156           | 58,662    | 704        | 882,114        |
| Vehicles  | 930,886           | 25,931    | 68,935     | 887,882        |
| Total accumulated depreciation                    | 11,546,353        | 641,376   | 69,639     | 12,118,090     |
| Capital assets, net of depreciation               | 19,688,995        | (226,721) | 9,856      | 19,452,418     |
| Total governmental activities capital assets, net | \$ 20,603,079     | \$ 98,437 | \$ 356,397 | \$ 20,345,119  |

**Troy City Board of Education  
Notes to Financial Statements**

**Note 6: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

|  |    |         |
|--|----|---------|
| Instructional services                             | \$ | 537,316 |
| Instructional support services                     |    | 42,903  |
| Operation and maintenance services                 |    | 21,026  |
| Student transportation services                    |    | 19,313  |
| Food services                                      |    | 20,818  |
| <hr/>  |    |         |
| Total governmental activities depreciation expense | \$ | 641,376 |
| <hr/>  |    |         |

**Note 7: UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES**

|  | General<br>Fund | Other<br>Governmental<br>Funds |
|--|-----------------|--------------------------------|
| <hr/>  |                 |                                |
| <b>Property Taxes</b> – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end. | \$ 1,755,616    | \$ -                           |
| <b>Unearned Grant Revenue</b> – Grant funds received but not yet expended represent revenues that will be used for future grant expenses subsequent to year end.   | -               | 1,862                          |
| <b>Unearned Revenue</b> – Deposits made by students of the Board's Pre-K program that will recognized in the future as tuition is due.   | 2,800           | -                              |
| <hr/>  |                 |                                |
|  | \$ 1,758,416    | \$ 1,862                       |
| <hr/>  |                 |                                |

As discussed in Note 1, unearned revenue related to property taxes is classified as a deferred inflow of resources on the statement of net position.

**Troy City Board of Education**  
**Notes to Financial Statements**

**Note 8: LONG-TERM DEBT**

During the year ended September 30, 2019, the following changes occurred in long-term liabilities reported in the statement of net position:

|  | Balance<br>October 1,<br>2018 | Proceeds          | Refunding   | Retirements         | Balance<br>September 30,<br>2019 | Amounts Due<br>Within One<br>Year |
|--|-------------------------------|-------------------|-------------|---------------------|----------------------------------|-----------------------------------|
| Capital Improvement<br>Pool Series 2009-B              | \$ 96,429                     | \$ -              | \$ -        | \$ (96,429)         | \$ -                             | \$ -                              |
| Educational Facilities<br>Revenue Bonds<br>Series 2011 | 4,915,000                     | -                 | -           | (75,000)            | 4,840,000                        | 535,000                           |
| School Tax Warrants<br>Series 2013                     | 2,400,000                     | -                 | -           | -                   | 2,400,000                        | -                                 |
| School Tax Refunding<br>Warrants Series 2016           | 9,270,000                     | -                 | -           | (65,000)            | 9,205,000                        | 65,000                            |
| School Tax Refunding<br>Warrants Series 2017           | 8,015,000                     | -                 | -           | (95,000)            | 7,920,000                        | 100,000                           |
| Unamortized<br>bond discounts                          | (340,124)                     | -                 | -           | 14,997              | (325,127)                        | (14,997)                          |
| Unamortized<br>bond premiums                           | 479,192                       | -                 | -           | (21,618)            | 457,574                          | 21,618                            |
| <b>Direct Borrowings:</b>                              |                               |                   |             |                     |                                  |                                   |
| School Tax Warrant<br>Series 2018 Line of Credit       | -                             | 192,000           | -           | -                   | 192,000                          | -                                 |
| <b>Total bonds payable</b>                             | <b>24,835,497</b>             | <b>192,000</b>    | <b>-</b>    | <b>(338,050)</b>    | <b>24,689,447</b>                | <b>706,621</b>                    |
| Other liabilities                                      |                               |                   |             |                     |                                  |                                   |
| Capital leases   |                               |                   |             |                     |                                  |                                   |
| Computer equipment                                     | 12,875                        | -                 | -           | (12,875)            | -                                | -                                 |
| Computer equipment                                     | 30,257                        | -                 | -           | (12,385)            | 17,872                           | 17,872                            |
| Phone equipment  | 65,169                        | -                 | -           | (20,228)            | 44,941                           | 21,688                            |
| Duplicator   | 361                           | -                 | -           | (361)               | -                                | -                                 |
| <b>Total other liabilities</b>                         | <b>108,662</b>                | <b>-</b>          | <b>-</b>    | <b>(45,849)</b>     | <b>62,813</b>                    | <b>39,560</b>                     |
| <b>Total long-term liabilities</b>                     | <b>\$ 24,944,159</b>          | <b>\$ 192,000</b> | <b>\$ -</b> | <b>\$ (383,899)</b> | <b>\$ 24,752,260</b>             | <b>\$ 746,181</b>                 |

**Capital Improvement Pool Bonds, Series 2009-B**

Pursuant to Act 1998-373 and 2009-813 enacted by the Alabama Legislature, the Alabama Public School and College Authority (PSCA) issued the Series 2009-B Capital Improvement Pool Bonds to loan funds to participating local school boards for the purpose of funding capital improvements approved by the Authority and State Superintendent of Education. The Board received the loan during the year ended September 30, 2010.



## Troy City Board of Education Notes to Financial Statements

### **Note 8: LONG-TERM DEBT (Continued)**

The loan is scheduled to be paid back through a reduction of annual Public School Fund allocations received from the Alabama Department of Education. Principal payments are due annually on May 1, and interest payments are due semi-annually May 1 and November 1. Interest rates range from 4% to 5% of the original amount borrowed. The loan was retired during FY 2019.

#### ***Educational Facilities Revenue Bonds Series 2011***

On March 1, 2011, The Public Building Authority of the City of Troy, Alabama (the "Authority"), in its role as conduit debt issuer for the Board, issued \$22,125,000 of Educational Facilities Revenue Bonds Series 2011. The Series 2011 bonds are payable in annual installments of principal and bi-annual interest payments, ranging from 3% to 5.25%, beginning June 1, 2011 with maturity of December 1, 2040. The Authority was formed to act as a vehicle to issue and collectively guarantee payment of the Series 2011 bonds. The mechanism for payment of the bonds by the Board is a long-term lease agreement dated March 1, 2011 between the Board and the Authority, whereby the Board agreed to pay all bond payments of principal and interest to the Authority as they become due to the trust agent, and the Authority assigned their rights to receive such payments under the lease directly to Regions Trust Department. Proceeds of the bonds were used to refund the Board's Series 2001, 2002, and 2004 bonds; pay issuance costs; and make available \$15,000,000 for capital improvements of the Board, which has been exhausted to date. In conjunction with the Series 2011 bonds, the Board pledged certain sales and use taxes as well as certain ad valorem taxes levied by Pike County and remitted to the Board. See Note 12.

As a result, the Series 2001, 2002, and 2004 bonds are considered to be defeased and the liabilities for those bonds have been removed from the financial statements. The outstanding principal of the defeased bonds is \$2,410,000 at September 30, 2019.

As required by GASB Statement No. 23 and No. 65, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as a deferred loss on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The Board has recorded a deferred outflow of resources of \$217,215 in the government-wide Statement of Net Position. The unamortized portion of these costs as of September 30, 2019 was \$60,689. The total amount amortized for the year ended September 30, 2019 was \$18,236 and was reported as part of interest expense.

**Troy City Board of Education  
Notes to Financial Statements**

**Note 8: LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the Educational Facilities Revenue Bonds Series 2011 are payable as follows:

| <b>Fiscal Year Ending<br/>September 30,</b> | <b>Principal</b>    | <b>Interest</b>     |
|---|---------------------|---------------------|
| 2020  | \$ 535,000          | \$ 205,186          |
| 2021  | 555,000             | 186,503             |
| 2022  | 575,000             | 165,013             |
| 2023  | 90,000              | 151,713             |
| 2024  | 625,000             | 137,100             |
| 2025-2029                                   | 525,000             | 565,138             |
| 2030-2034                                   | 665,000             | 422,453             |
| 2035-2039                                   | 860,000             | 224,963             |
| 2040-2041                                   | 410,000             | 21,788              |
|   | <b>\$ 4,840,000</b> | <b>\$ 2,079,857</b> |

Bond discount expense on the Series 2011 bonds for the year ended September 30, 2019 was \$7,623.

***School Tax Warrants Series 2013***

On December 1, 2013, the Board issued \$2,400,000 of School Tax Warrants Series 2013 to refund \$2,095,000 of the Board's Educational Facilities Revenue Bonds Series 2011 dated March 1, 2011 and pay issuance costs and discounts incurred. The Series 2013 warrants are payable in bi-annual interest payments at 4.75% beginning June 1, 2014 with principal due beginning December 1, 2041. The warrants series matures December 1, 2042. In conjunction with the Series 2013 warrants, the Board continued its pledge of certain sales and use taxes as well as certain ad valorem taxes levied by Pike County and remitted to the Board. See Note 12.

The portion of the Educational Facilities Revenue Bonds Series 2011 bonds refunded is considered to be defeased and the liabilities for those bonds have been removed from the financial statements. The outstanding principal of the defeased bonds is fully matured at September 30, 2019.

As required by GASB Statement No. 23 and No. 65, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as a deferred loss on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The Board has recorded a deferred outflow of resources of \$186,224 in the government-wide Statement of Net Position. The unamortized portion of these costs as of September 30, 2019 was \$145,991. The total amount amortized for the year ended September 30, 2019 was \$6,897 and was reported as part of interest expense.

**Troy City Board of Education  
Notes to Financial Statements**

**Note 8: LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the School Tax Warrants Series 2013 are payable as follows:

| <b>Fiscal Year Ending<br/>September 30,</b> | <b>Principal</b>    | <b>Interest</b>     |
|---|---------------------|---------------------|
| 2020  | \$ -                | \$ 114,000          |
| 2021  | -                   | 114,000             |
| 2022  | -                   | 114,000             |
| 2023  | -                   | 114,000             |
| 2024  | -                   | 114,000             |
| 2025-2029                                   | -                   | 570,000             |
| 2030-2034                                   | -                   | 570,000             |
| 2035-2039                                   | -                   | 570,000             |
| 2040-2043                                   | 2,400,000           | 326,800             |
|   | <b>\$ 2,400,000</b> | <b>\$ 2,606,800</b> |

Bond discount expense on the Series 2013 bonds for the year ended September 30, 2019 was \$2,905.

***School Tax Refunding Warrants Series 2016***

On March 1, 2016, the Board issued \$9,330,000 of School Tax Refunding Warrants Series 2016 to refund \$8,210,000 of the Board's Educational Facilities Revenue Bonds Series 2011 dated March 1, 2011 and pay issuance costs, net of original issue premium of the new issue. The Series 2016 warrants are payable in annual installments of principal and bi-annual interest payments, ranging from 1.25% to 4%, beginning December 1, 2016 with maturity of December 1, 2040. The Board in conjunction with the Series 2016 warrants, the Board continued its pledge of certain sales and use taxes as well as certain ad valorem taxes levied by Pike County and remitted to the Board. See Note 12.

The portion of the Educational Facilities Revenue Bonds Series 2016 bonds refunded is considered to be defeased and the liabilities for those bonds have been removed from the financial statements. The outstanding principal of the defeased bonds is \$8,120,000 at September 30, 2019.

As required by GASB Statement No. 23 and No. 65, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred loss on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The Board has recorded a deferred outflow of resources of \$1,728,192 in the government-wide Statement of Net Position. The unamortized portion of these costs as of September 30, 2019 was \$1,477,982. The total amount amortized for the year ended September 30, 2019 was \$69,826 and was reported as part of interest expense.

**Troy City Board of Education  
Notes to Financial Statements**

**Note 8: LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the School Tax Refunding Warrants Series 2016 are payable as follows:

| <b>Fiscal Year Ending<br/>September 30,</b> | <b>Principal</b>    | <b>Interest</b>     |
|---|---------------------|---------------------|
| 2020  | \$ 65,000           | \$ 331,655          |
| 2021  | 65,000              | 330,721             |
| 2022  | 65,000              | 329,664             |
| 2023  | 65,000              | 328,486             |
| 2024  | 70,000              | 327,136             |
| 2025-2029                                   | 365,000             | 1,611,256           |
| 2030-2034                                   | 3,480,000           | 1,352,087           |
| 2035-2039                                   | 2,940,000           | 546,950             |
| 2040-2041                                   | 2,090,000           | 79,275              |
|   | <b>\$ 9,205,000</b> | <b>\$ 5,237,230</b> |

Bond premium amortization on the Series 2016 bonds for the year ended September 30, 2019 was \$21,618.

***School Tax Refunding Warrants Series 2017***

On March 1, 2017, the Board issued \$8,055,000 of School Tax Refunding Warrants Series 2017 to refund \$6,715,000 of the Board's Educational Facilities Revenue Bonds Series 2011 dated March 1, 2011 and pay issuance costs, net of original issue discount of the new issue. The Series 2017 warrants are payable in annual installments of principal and bi-annual interest payments, ranging from 1.9% to 3.5%, beginning December 1, 2017 with maturity of December 1, 2039. The Board in conjunction with the Series 2017 warrants, the Board continued its pledge of certain sales and use taxes as well as certain ad valorem taxes levied by Pike County and remitted to the Board. See Note 12.

The portion of the Educational Facilities Revenue Bonds Series 2017 bonds refunded is considered to be defeased and the liabilities for those bonds have been removed from the financial statements. The outstanding principal of the defeased bonds is \$6,715,000 at September 30, 2019.

As required by GASB Statement No. 23 and No. 65, the carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred loss on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The Board has recorded a deferred outflow of resources of \$894,029 in the government-wide Statement of Net Position. The unamortized portion of these costs as of September 30, 2019 was \$792,509. The total amount amortized for the year ended September 30, 2019 was \$39,298 and was reported as part of interest expense.

**Troy City Board of Education  
Notes to Financial Statements**

**Note 8: LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the School Tax Refunding Warrants Series 2017 are payable as follows:

| <b>September 30,</b> | <b>Principal</b>    | <b>Interest</b>     |
|----------------------|---------------------|---------------------|
| 2020                 | \$ 100,000          | \$ 225,955          |
| 2021                 | 100,000             | 224,255             |
| 2022                 | 100,000             | 222,555             |
| 2023                 | 605,000             | 215,958             |
| 2024                 | 95,000              | 209,082             |
| 2025-2029            | 3,395,000           | 830,548             |
| 2030-2034            | 885,000             | 487,481             |
| 2035-2039            | 2,335,000           | 370,388             |
| 2040                 | 305,000             | 5,338               |
|                      | <b>\$ 7,920,000</b> | <b>\$ 2,791,560</b> |

Bond discount amortization on the Series 2017 bonds for the year ended September 30, 2019 was \$4,469.

**Direct Borrowings**

**Regions Bank** – The Board has a secured warrant with Regions Bank with a maximum amount available to advance of \$2,000,000. \$1,808,000 was available to advance as of September 30, 2019. The warrant was dated November 20, 2018 and has an advance period through November 30, 2023. Annual principal payments shall be payable beginning December 1, 2023, annually, and any outstanding balance is payable at maturity on December 1, 2038. Interest, at a variable rate, is due semiannually on each June 1 and December 1 beginning on June 1, 2019. The warrant is secured by a pledge of the following taxes: privilege, license and excise taxes levied and collected by the governing body. \$ 192,000

Annual debt service requirements to maturity are payable as follows:

| <b>Fiscal Year Ending September 30,</b> | <b>Principal</b>  |
|---|-------------------|
| 2020                                    | \$ -              |
| 2021                                    | -                 |
| 2022                                    | -                 |
| 2023                                    | 85,000            |
| 2024                                    | 85,000            |
| 2025                                    | 22,000            |
|   | <b>\$ 192,000</b> |

**Troy City Board of Education  
Notes to Financial Statements**

**Note 8: LONG-TERM DEBT (Continued)**

***Capital Leases***

The Board has entered into a lease agreement as lessee for financing the acquisition of computer equipment. This lease agreement qualifies as a capital lease for accounting purposes (fair market value of the computer equipment equals the net present value of lease payments and the fair market value purchase at lease end will be minimal) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception. The interest rate on this lease is 6.699%.

The Board has entered into a lease agreement as lessee for financing the acquisition of a duplicator. This lease agreement qualifies as a capital lease for accounting purposes (fair market value of the duplicator equals the net present value of lease payments and the Board has a nominal purchase option at the end of the lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception. The interest rate on this lease is 17.496%.

The Board has entered into a lease agreement as lessee for financing the acquisition of computer equipment. This lease agreement qualifies as a capital lease for accounting purposes (fair market value of the computer equipment equals the net present value of lease payments and the fair market value purchase at lease end will be minimal) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception. The interest rate on this lease is 7.000%.

The Board has entered into a lease agreement as lessee for financing the acquisition of phone equipment. This lease agreement qualifies as a capital lease for accounting purposes (fair market value of the computer equipment equals the net present value of lease payments and the fair market value purchase at lease end will be minimal) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception. The interest rate on this lease is 6.990%.

No capital assets under the above capital lease met the Board's capitalization threshold and were therefore expensed upon purchase in the government-wide Statement of Net Position.

The following is a schedule of the future minimum lease payments due under the Board's capital lease obligations:

| <b>Fiscal Year Ending<br/>September 30,</b>      | <b>Total</b> |
|--|--------------|
| 2020   | \$ 44,055    |
| 2021   | 24,932       |
| Total minimum lease payments                     | 68,987       |
| Less: Amount representing interest               | 6,174        |
| Present value of future minimum lease payments   | 62,813       |
| Less: Current portion                            | 39,560       |
| Capital lease obligation, net of current portion | \$ 23,253    |

## Troy City Board of Education Notes to Financial Statements

### Note 9: EMPLOYEE RETIREMENT PLAN

#### *Summary of Significant Accounting Policies for the Pension Plan*

*Pensions.* The Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the 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.

#### *General Information about the Pension Plan*

*Plan description.* The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operating of TRS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board on Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://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 employees who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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

## Troy City Board of Education Notes to Financial Statements

### Note 9: EMPLOYEE RETIREMENT PLAN (Continued)

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2019 was 12.41% of annual pay for Tier 1 members and 11.35% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$1,255,292 for the year ended September 30, 2019.

*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 \$15,394,000 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' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2018, the System's proportion was 0.154827%, which was a decrease of 0.002863% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized pension expense of \$845,460. At September 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**Troy City Board of Education  
Notes to Financial Statements**

**Note 9: EMPLOYEE RETIREMENT PLAN (Continued)**

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 332,000                           | \$ 469,000                          |
| Changes of assumptions  | 856,000                              | -                                   |
| Net difference between projected and actual earnings on pension plan investments                              | -                                    | 1,162,000                           |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | -                                    | 615,000                             |
| Employer contributions subsequent to the measurement date   | 1,255,292                            | -                                   |
| <b>Total</b>  | <b>\$ 2,443,292</b>                  | <b>\$ 2,246,000</b>                 |

\$1,255,292 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's expense as follows:

**Year Ended  
September 30,**

|            |              |
|------------|--------------|
| 2020       | \$ (169,000) |
| 2021       | (450,000)    |
| 2022       | (385,000)    |
| 2023       | (72,000)     |
| 2024       | 18,000       |
| Thereafter | -0-          |

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

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

\* Net of pension plan investment expense

The actuarial assumptions used in the 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.

**Troy City Board of Education  
Notes to Financial Statements**

**Note 9: EMPLOYEE RETIREMENT PLAN (Continued)**

Mortality rates for TRS were based on the White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females 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:

|                                       | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected Rate<br/>of Return*</b> |
|---------------------------------------|------------------------------|---|
| 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%   |
| <b>Total</b>                          | <b>100.00%</b>               |   |

\* 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:

**Troy City Board of Education  
Notes to Financial Statements**

**Note 9: EMPLOYEE RETIREMENT PLAN (Continued)**

|  | 1%<br>Decrease<br>(6.70%) | Current<br>Discount Rate<br>(7.70%) | 1%<br>Increase<br>(8.70%) |
|--|---------------------------|-------------------------------------|---------------------------|
| Board's proportionate share of<br>collective net pension liability | \$ 21,428,000             | \$ 15,394,000                       | \$ 10,290,000             |

*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](http://www.rsa-al.gov).

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

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

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the 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.

## Troy City Board of Education Notes to Financial Statements

### **Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

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

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

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

## Troy City Board of Education Notes to Financial Statements

### **Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

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

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

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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At September 30, 2019, the Board reported a liability of \$15,071,829 for its proportionate share of the net OPEB liability. The net OPEB liability 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 0.183384%, which was an increase of 0.003686% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the System recognized OPEB expense of \$808,044, 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:

**Troy City Board of Education  
Notes to Financial Statements**

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

|   | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 283,756                                    | \$ -   |
| Changes of assumptions  | -   | 734,137                                      |
| Net difference between projected and actual earnings on OPEB plan investments                                 | -   | 80,755                                       |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 254,986                                       | 794,687                                      |
| Employer contributions subsequent to the measurement date   | 518,824                                       | -  |
| <b>Total</b>  | <b>\$ 1,057,566</b>                           | <b>\$ 1,609,579</b>                          |

\$518,824 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       | \$ (300,255) |
| 2021       | (300,255)    |
| 2022       | (300,255)    |
| 2023       | (282,126)    |
| 2024       | 77,338       |
| Thereafter | 34,716       |

*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 <sup>1</sup>                        | 3.25% - 5.00% |
| Long-term investment rate of return <sup>2</sup>               | 7.25%         |
| Municipal Bond Index rate at the measurement date              | 4.18%         |
| Municipal Bond Index rate at the prior measurement date        | 3.57%         |
| Projected year for fiduciary net position (FNP) to be depleted | 2029          |
| Single equivalent interest rate the measurement date           | 4.44%         |
| Single equivalent interest rate the prior measurement date     | 4.63%         |

## Troy City Board of Education Notes to Financial Statements

### Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

|                            |                         |               |
|----------------------------|-------------------------|---------------|
| 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 |

<sup>1</sup> Includes 3.00% wage inflation.

<sup>2</sup> Compounded annually, net of investment expense, and includes inflation.

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

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

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

**Troy City Board of Education  
Notes to Financial Statements**

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

|                                       | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected Rate<br/>of Return*</b> |
|---------------------------------------|------------------------------|---|
| 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%   |
| <b>Total</b>                          | <b>100.00%</b>               |   |

\*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 2116. 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 net OPEB liability to changes in the healthcare cost trend rates.* The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:



**Troy City Board of Education  
Notes to Financial Statements**

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

|                    | <b>1% Decrease<br/>(6% decreasing to<br/>3.75% for pre-<br/>Medicare and 4%<br/>decreasing to 3.75%<br/>for Medicare eligible)</b> | <b>Current Healthcare<br/>Trend Rate (7%<br/>decreasing to 4.75% for<br/>pre-Medicare and 5%<br/>decreasing to 4.75% for<br/>Medicare eligible)</b> | <b>1% Increase<br/>(8% decreasing to<br/>5.75% for pre-<br/>Medicare and 6%<br/>decreasing to 5.75%<br/>for Medicare eligible)</b> |
|--------------------|--|---|--|
| Net OPEB liability | \$ 12,389,387  | \$ 15,071,829   | \$ 18,486,953  |

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

|                    | <b>1% Decrease<br/>(3.44%)</b> | <b>Current Discount Rate<br/>(4.44%)</b> | <b>1% Increase<br/>(5.44%)</b> |
|--------------------|--------------------------------|--|--------------------------------|
| Net OPEB liability | \$ 18,004,440                  | \$ 15,071,829                            | \$ 12,706,257                  |

*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 No. 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Note 11: COMMITMENTS AND CONTINGENCIES**

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

The Board is subject to 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. The amount, if any, of which the Board is liable for noncompliance cannot be determined at this time although the Board expects such amount, if any, to be immaterial.

The Board is involved in various claims and litigation arising in the ordinary course of operations. In the opinion of legal counsel, the range of potential recoveries or liabilities in excess of insurance coverage, if any, is not determinable.

## Troy City Board of Education Notes to Financial Statements

### **Note 12: PLEDGED REVENUES**

As discussed in Note 8, certain bonds payable of the Board are collateralized by certain sales and use tax revenues. Pledged revenues recognized for the year ended September 30, 2019 were \$5,731,908 while total debt service collateralized was \$1,123,812.

### **Note 13: RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF), 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. The SIF is self-insured up to \$3.5 million per occurrence. The SIF purchases commercial insurance for claims, which in the aggregate exceed \$3.5 million. Errors and omissions insurance is purchased from Alabama Risk Management for Schools (ARMS), a public entity risk pool. ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for vehicle liability and fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. 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 set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board. No claims or related settlements have occurred in the past three years.

## **Troy City Board of Education Notes to Financial Statements**

### **Note 14: SUBSEQUENT EVENTS**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Board. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The Board has evaluated subsequent events between September 30, 2019 and September 8, 2020, the date the financials were available to be issued, and except for the item noted above, there were none to disclose.

**Troy City Board of Education  
Required Supplementary Information  
Schedule of the Employer's Proportionate Share of the Net Pension Liability  
Teachers' Retirement System of Alabama**

| <i>As of September 30,</i>  | <b>2018</b>          | 2017          | 2016          | 2015          | 2014          |
|---|----------------------|---------------|---------------|---------------|---------------|
| Employer's proportion of the collective net pension liability   | <b>0.154827%</b>     | 0.157690%     | 0.159713%     | 0.160140%     | 0.169204%     |
| Employer's proportionate share of the collective net pension liability  | <b>\$ 15,394,000</b> | \$ 15,499,000 | \$ 17,291,000 | \$ 16,760,000 | \$ 15,371,000 |
| Employer's covered payroll*   | <b>\$ 10,364,906</b> | \$ 10,774,800 | \$ 10,135,066 | \$ 10,143,132 | \$ 10,738,350 |
| Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll | <b>148.52%</b>       | 143.84%       | 170.61%       | 165.23%       | 143.14%       |
| Plan fiduciary net position as a percentage of the total pension liability                                    | <b>72.29%</b>        | 71.50%        | 67.93%        | 67.51%        | 71.01%        |

\* Employer's covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For FY 2019, the measurement period is October 1, 2017 through September 30, 2018.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See Independent Auditors' Report.*

**Troy City Board of Education  
Required Supplementary Information  
Schedule of Employer Contributions  
Teachers' Retirement System of Alabama**

| <i>For the year ended September 30,</i>                              | <b>2019</b>          | 2018          | 2017          | 2016          | 2015          |
|--|----------------------|---------------|---------------|---------------|---------------|
| Contractually required contribution**                                | \$ <b>1,255,292</b>  | \$ 1,242,460  | \$ 1,234,363  | \$ 1,199,428  | \$ 1,181,735  |
| Contributions in relation to the actuarially determined contribution | <b>1,255,292</b>     | 1,242,460     | 1,234,363     | 1,199,428     | 1,181,735     |
| Contribution deficiency (excess)                                     | \$ -                 | \$ -          | \$ -          | \$ -          | \$ -          |
| Employer's covered payroll*  | \$ <b>10,579,086</b> | \$ 10,364,906 | \$ 10,774,800 | \$ 10,135,066 | \$ 10,143,132 |
| Contributions as a percentage of covered payroll                     | <b>11.87%</b>        | 11.99%        | 11.46%        | 11.83%        | 11.65%        |

\* Employer's covered payroll is the total payroll on which contributions to the pension plan are based for those employees who are participating in the pension plan.

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

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**Troy City Board of Education  
Required Supplementary Information  
Schedule of the Employer's Proportionate Share of the Net OPEB Liability  
Alabama Retired Education Employees' Health Care Trust**

| <i>As of September 30,</i>  | <b>2019</b>          | 2018          |
|---|----------------------|---------------|
| Employer's proportion of the collective net pension liability   | <b>0.183384%</b>     | 0.179698%     |
| Employer's proportionate share of the collective net pension liability  | <b>\$ 15,071,829</b> | \$ 13,346,941 |
| Employer's covered-employee payroll during the measurement period*  | <b>\$ 10,364,906</b> | \$ 10,774,800 |
| Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | <b>145.41%</b>       | 123.87%       |
| Plan fiduciary net position as a percentage of the total collective OPEB liability                                  | <b>14.81%</b>        | 15.37%        |

\*Employer's covered payroll during the measurement period is the total covered payroll. For FY 2019, the measurement period is October 1, 2017 through September 30, 2018.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**Troy City Board of Education  
Required Supplementary Information  
Schedule of the Employer Contribution-OPEB  
Alabama Retired Education Employees' Health Care Trust**

| <i>For the year ended September 30,</i>                              | <b>2019</b>    | 2018          |
|--|----------------|---------------|
| Contractually required contribution                                  | \$ 518,824     | \$ 451,747    |
| Contributions in relation to the actuarially determined contribution | <b>518,824</b> | 451,747       |
| Contribution deficiency (excess)                                     | \$ -           | \$ -          |
| Employer's covered-employee payroll*                                 | \$ 10,579,086  | \$ 10,364,906 |
| Contributions as a percentage of covered-employee payroll            | <b>4.90%</b>   | 4.36%         |

\*Employer's covered payroll is the total payroll of those employees who are participating in the plan.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

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

*Recent Plan Changes.* Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan. The Health Plan was changed in 2017 to reflect the ACA maximum annual out-of-pocket amounts.

*Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2015 three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

|                               |                        |
|-------------------------------|------------------------|
| Actuarial Cost Method         | Projected Unit Credit  |
| Amortization Method           | Level percent of pay   |
| Remaining Amortization Period | 26 years, closed       |
| Asset Valuation Method        | Market Value of Assets |
| Inflation                     | 3.00%                  |

-Continued-

*See Independent Auditors' Report.*

**Troy City Board of Education  
 Required Supplementary Information  
 Schedule of the Employer Contribution-OPEB (Continued)  
 Alabama Retired Education Employees' Health Care Trust**

|                             |  |
|-----------------------------|--|
| 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 | 2021 for Pre-Medicare Eligible<br>2018 for Medicare Eligible |
| Investment Rate of Return   | 5.00%, including inflation                                   |



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

Members of the Board  
Troy City Board of Education  
Troy, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Troy City Board of Education (the "Board") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 8, 2020.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain other matters that we reported to the Board's management in a separate letter dated September 8, 2020.

## **The Boards' Response to Findings**

The Board's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

## **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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

September 8, 2020

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

Members of the Board  
Troy City Board of Education  
Troy, Alabama

**Report on Compliance for Each Major Federal Program**

We have audited Troy City Board of Education's (the "Board's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have 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.

### **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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.  
Enterprise, Alabama  
September 8, 2020

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

| Federal Grantor/Pass-Through<br>Grantor Program Title   | Federal<br>CFDA No. | Pass Through<br>Grantor's<br>Number | Passed Through<br>to Subrecipients | Expenditures |
|---|---------------------|-------------------------------------|------------------------------------|--------------|
| <b>Social Security Administration</b>                   |                     |                                     |                                    |              |
| Direct Program  |                     |                                     |                                    |              |
| Disability/SSI Cluster                                  |                     |                                     |                                    |              |
| Social Security Disability Insurance                    | 96.001              | N/A                                 | \$ -                               | \$ 1,320     |
| <b>U.S. Department of Education</b>                     |                     |                                     |                                    |              |
| Passed through State Department of Education            |                     |                                     |                                    |              |
| Title I Grants to Local Educational Agencies            | 84.010              | 199                                 | -                                  | 983,777      |
| Supporting Effective Instruction State Grant            | 84.367              | 199                                 | -                                  | 135,439      |
| Rural Education   | 84.358              | 199                                 | -                                  | 31,669       |
| Rehabilitation Services                                 |                     |                                     |                                    |              |
| Vocational Rehabilitation Grants to States              | 84.126              | 199                                 | -                                  | 30,764       |
| Student Support and Academic Enrichment Program         | 84.424A             | 199                                 | -                                  | 59,013       |
| Career and Technical Education – Basic Grants to States | 84.048              | 199                                 | -                                  | 46,150       |
| Subtotal  |                     |                                     | -                                  | 1,286,812    |
| Special Education Cluster                               |                     |                                     |                                    |              |
| Special Education Grants to States                      | 84.027              | 199                                 | -                                  | 541,379      |
| Special Education Preschool Grants                      | 84.173              | 199                                 | -                                  | 17,072       |
| Subtotal Special Education Cluster (IDEA)               |                     |                                     | -                                  | 558,451      |
| Passed through Phoenix City Board of Education          |                     |                                     |                                    |              |
| Title I Grants to Local Educational Agencies            | 84.010              | N/A                                 | -                                  | 10,948       |
| English Language Acquisition State Grants               | 84.365              | N/A                                 | -                                  | 2,857        |
| Subtotal  |                     |                                     | -                                  | 13,805       |
| Total U.S. Department of Education                      |                     |                                     | -                                  | 1,859,068    |
| <b>U.S. Department of Agriculture</b>                   |                     |                                     |                                    |              |
| Passed through State Department of Education            |                     |                                     |                                    |              |
| Child Nutrition Cluster                                 |                     |                                     |                                    |              |
| School Breakfast Program (SBP)                          | 10.553              | 199                                 | -                                  | 147,606      |
| National School Lunch Program*                          | 10.555              | 199                                 | -                                  | 61,321       |
| National School Lunch Program                           | 10.555              | 199                                 | -                                  | 502,230      |
| Subtotal Child Nutrition Cluster                        |                     |                                     | -                                  | 711,157      |
| Child and Adult Food Program                            | 10.558              | 199                                 | -                                  | 2,860        |
| State Administrative Expenses for Child Nutrition       | 10.560              | 199                                 | -                                  | 3,497        |
| Total U.S. Department of Agriculture                    |                     |                                     | -                                  | 717,514      |

(Continued)

*See independent auditors' report and accompanying notes to the schedule of expenditures of federal awards.*

**Troy City Board of Education  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended September 30, 2019**

| <b>Federal Grantor/Pass-Through<br/>Grantor Program Title</b> | <b>Federal<br/>CFDA No.</b> | <b>Pass Through<br/>Grantor's<br/>Number</b> | <b>Passed Through<br/>to Subrecipients</b> | <b>Expenditures</b>   |
|---|-----------------------------|--|--|-----------------------|
| <b>U.S. Department of Defense</b>                             |                             |  |  |                       |
| Direct Programs   |                             |  |  |                       |
| ROTC Language and Cultural Training Grants                    | 12.357                      | N/A  | -  | 61,241                |
| <b>U.S. Department of Labor</b>                               |                             |  |  |                       |
| Passed through State Department of Commerce                   |                             |  |  |                       |
| WIOA Youth Activities   | 17.259                      | N/A  | -  | 8,380                 |
| <b>Total expenditures of federal awards</b>                   |                             |  | <b>\$</b>                                  | <b>- \$ 2,647,523</b> |

\*USDA Food Distribution Program and Fresh Fruit and Vegetable Program - No actual cash transactions.

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

**Note 1: BASIS OF ACCOUNTING**

This SEFA was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the Board's federal grants.

**Note 2: INDIRECT COSTS**

The Board has not elected to use the 10% de Minimis indirect cost rate.

**Note 3: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) summarizes the federal expenditures of the Board under programs of the federal government for the year ended September 30, 2019. The amounts reported as federal expenditures were obtained from the Board's general ledger. Because the SEFA presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position and changes in net position of the Board.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. The Board has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Three clusters are separately identified in the SEFA and are the following:

**Child Nutrition Cluster** - The cluster includes awards that assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and encourages the domestic consumption of nutritious agricultural commodities.

**Special Education Cluster** - The cluster includes awards that helps ensure that all children with disabilities have available to them a free appropriate public education (FAPE) which emphasizes special education and related services designed to meet their unique needs; ensure that the rights of children with disabilities and their parents or guardians are protected; assist States, localities, educational service agencies and Federal agencies to provide for the education of all children with disabilities; and assess and ensure the effectiveness of efforts to educate children with disabilities.

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

**Note 3: BASIS OF PRESENTATION (Continued)**

**Disability Insurance/SSI Cluster** - This cluster includes awards that provide benefits to disabled wage earners and their families in the event the family wage earner becomes disabled. These awards provide payments to financially needy individuals who are aged, blind, or disabled.

**Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding Federal, State and/or pass-through agencies and the SEFA may differ. Some of the factors that may account for any difference include the following:

- The Board's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year-end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Board's financial statements and as expenditures in the program financial reports.

**Note 5: FEDERAL PASS-THROUGH FUNDS**

The Board is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct and will be designated accordingly.

**Note 6: SCHOOL-WIDE PROGRAM**

The Board utilizes its funding under Title I to operate a "school-wide program". School-wide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to a targeted group of students.

**Note 7: CONTINGENCIES**

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of September 8, 2020, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.



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

**Note 8: NONCASH ASSISTANCE**

The Board received federal noncash assistance in the form of commodities for the period ended September 30, 2019 in the amount of \$61,321. The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements.

**Note 9: LOANS AND LOAN GUARANTEES**

The Board did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ending September 30, 2019.

**Note 10: SUBRECIPIENTS**

The Board did not provide federal funds to subrecipients for the fiscal year ending September 30, 2019.

**Note 11: FEDERALLY FUNDED INSURANCE**

The Board did not have any federally funded insurance required to be reported on the schedule for fiscal year ending September 30, 2019.

**Troy 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***

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to the financial statements noted?                     | No         |

***Federal Awards***

- |  |            |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs  | Unmodified |
| 2. Internal control over major programs:   |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses?                             | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No         |

4. Identification of major programs

| CFDA Number       | Federal Program                              |
|-------------------|--|
| 84.027 and 84.173 | Special Education Cluster (IDEA)             |
| 84.010            | Title I Grants to Local Educational Agencies |

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520                        | No        |

**Section II: Financial Statements Findings**

**2019-001 Procurement (Repeat 2016-005)**

**Condition:** Our audit procedures revealed the following:

In a test of 40 local school disbursements, we noted 8 instances in which the date of the supporting purchase order was after the date of purchase and 2 instances in which the purchase order was not approved by the principal prior to purchase.

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

**Criteria:** The purchase order is the Board's primary control over purchase authorization. Monitoring the use of purchase orders reduces the possibility of unauthorized purchases and maintains control over the purchasing environment. A purchase order process documents the individual requesting the purchase, need, quantity, time frame, and department approval prior to the issuance of a purchase order.

**Cause:** The Board of Education's policies and procedures require that purchase orders have approval of the administrator, CSFO and/or superintendent; approved purchase orders be obtained prior to placing a procurement order; and proper cancellation of the purchase orders is documented. This Policy has multiple functions, including documenting the authorized individual requisitioning the purchase, the person approving the transaction, helping to ensure the price paid and vendor utilized was approved, and ensuring purchases orders are not paid more than once.

**Effect:** Monitoring is an essential detection measure in any purchase order system. Requisitions and initiator signatures also play a key role in an effective procurement system of control. If requisitions or initiator signatures are not required, the authorizer has the ability to unilaterally initiate and authorize a transaction.

**Recommendation:** We recommend all departments and schools follow the Board policy of documentation and approval for those employees responsible for initiating and approving purchase orders in a timely manner (before the invoice date). Controls within the purchasing process reduce the likelihood of fraud and abuse, and provide written evidence as to the authorization and execution of each purchase.

**Views of Responsible Officials and Planned Corrective Action Plan:** See corrective action plan on page 72.

**2019-002 Receipting of Local School Deposits**

**Condition:** Internal controls and procedures were not in place to ensure only one master receipt book was being used at a time. During fiscal year 2019, funds collected and receipted by a former employee were not recorded in the School's accounting records or deposited into the School's bank account in the amount of \$28,925.

**Criteria:** The Policy Manual for the Troy City Board of Education states that the School Bookkeeper shall receive and account for all school funds in accordance with the procedures prescribed by the Alabama State Department of Education. The Alabama State Department of Education's Financial Procedures for Local Schools recommends only one master receipt book or record be in use at a time and that all pre-numbered receipts in a receipt book or record should be issued before another master receipt book or record is put into use. Furthermore, the Board's policies require the bookkeeper or the Principal's designee balance the master receipt book and make deposits daily.

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

**Cause:** Lack of oversight and monitoring of cash receipts.

**Effect:** Resulted in undeposited funds of \$28,925.

**Recommendation:** CRI recommends management implement the necessary controls to ensure only one master receipt book is used at a time and that deposits are properly receipted, recorded and deposited in accordance with Board policy.

**Views of Responsible Officials:** See corrective action plan on page 72.

**Section III: Federal Award Findings and Questioned Costs**

No such findings in the current year.

**Troy City Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2019**

358 Elba Highway  
Troy, Alabama 36079  
Mailing Address:  
P. O. Box 529  
Troy, Alabama 36081-0529  
Phone: (334) 566-3741  
Fax: (334) 566-1425  
www.troyschools.net

**Troy City Board of Education**



**Financial Statement Findings**

**2016-005** – Repeated in current year

**Federal Award Findings**

**2018-001** – Corrective action was taken

**Troy City Board of Education  
Corrective Action Plan  
For the Year Ended September 30, 2018**

358 Elba Highway  
Troy, Alabama 36079  
Mailing Address:  
P. O. Box 529  
Troy, Alabama 36081-0529  
Phone: (334) 566-3741  
Fax: (334) 566-1425  
www.troyschools.net

**Troy City Board of Education**



**2019-001 Procurement (Repeat 2016-005)**

**Finding** – In a test of 40 local school disbursements, we noted 8 instances in which the date of the supporting purchase order was after the date of purchase and 2 instances in which the purchase order was not approved by the principal prior to purchase.

**Management Response** – Management agrees with the finding and has policies in place regarding internal controls over the procurement/purchase order process. The Board will review the policies with employees providing training as needed to strengthen internal controls over procurement. CSFO will be responsible for the corrective action and anticipates completion of corrective action will be taken before 9/30/20.

**2019-002 Receipting of Local School Deposits**

**Finding** – Internal controls and procedures were not in place to ensure only one master receipt book was being used at a time. During fiscal year 2019, funds collected and receipted by a former employee were not recorded in the School’s accounting records or deposited into the School’s bank account in the amount of \$28,925.

**Management Response** – Management agrees with the finding and has policies in place regarding internal controls over the receipting of local school deposits. The Board plans to strengthen policies and procedures and will review with employees providing training as needed to provide adequate internal controls over receipting procedures. CSFO will be responsible for the corrective action and anticipates completion of corrective action will be taken before 9/30/20.

## MANAGEMENT LETTER

Members of the Board  
Troy City Board of Education  
Troy, Alabama

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy City Board of Education (the "Board"), a component unit of the City of Troy, Alabama for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2019-001 and 2019-002 to be significant deficiencies.

During our audit, we also became aware of the matters noted below that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Board's internal control in our letter dated September 8, 2020. This letter does not affect our report dated September 8, 2020 on the financial statements of the Board.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with management, and we will be pleased to discuss the comments in further detail at your convenience or to perform any additional study of these matters. Our comments are summarized as follows:

**2019-003 Deposit Reconciliation** – The Board does not have a policy in place to reconcile daily receipt logs to bank deposits at the central office or local school locations. We recommend that policies and procedures be put into place to reconcile daily receipts of cash and checks to the deposits made at each bank by someone other than the employee reconciling the bank accounts monthly.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

September 8, 2020