

# Trussville City Board of Education

## BASIC FINANCIAL STATEMENTS

September 30, 2020



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**Trussville City Board of Education**  
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**September 30, 2020**

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## **INDEPENDENT AUDITORS' REPORT**

To the Members  
Trussville City Board of Education  
Trussville, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Trussville City Board of Education (the Board), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trussville City Board of Education, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other Required Supplementary Information as listed in the table of contents are to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021, 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 the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

June 30, 2021

**Management  
Discussion  
And  
Analysis  
  
(MD&A)**

Our discussion and analysis of the Trussville City Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the Board's financial statements and notes, which follow this analysis

### **Financial Highlights**

- We experienced increase in ad valorem tax receipts for Fiscal Year 2020. However, we budgeted \$13.13 million dollars. Actual receipts came in at \$13.66 million dollars approximately \$530,000 dollars over budget.
- Each year the Trussville City Board receives an appropriation from the City of Trussville. This appropriation is made up mostly from a one penny sales tax collected by the City of Trussville and appropriated for education. Actual receipts came in at \$2.95 million dollars, approximately \$900,000 over budget and approximately \$50,000 less than the previous year's receipts.
- We also were conservative with expenditures for fiscal year 2020. We budgeted \$12.41 million dollars in our local fund for salary and operating expenditures not covered by other state or federal funding sources. Our actual expenditures and encumbrances were \$11.68 million dollars, approximately \$730,000 less than budgeted.

### **Overview of the Financial Statements**

This discussion and analysis serve 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.

### **Government-wide Statements**

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

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

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

### **Fund Financial Statements**

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



*Governmental funds* - Most 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 a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

### **Financial Analysis of the Board as a Whole**

As noted earlier, the Trussville City Board of Education has no business-type activities. Consequently, all of the Board's net position are reported as Governmental Activities.

The Board's assets exceeded liabilities by \$81.46 million at the close of the fiscal year. The majority of the Board's net position are invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements — are reported as a negative \$45 million at the end of the year due to including a Net Pension liability of \$42 million and Net OPEB liability of \$16 million as required by GASB standards related to pensions and OPEB.

**Table 1 - Summary of Net Position**  
**Fiscal Year Ended September 30, 2020**  
(in millions)

	<b>Current Year</b>		<b>Prior Year</b>	
	Governmental Activities	Percent of Total	Governmental Activities	Percent of Total
Current and other assets	30.51	16.30%	26.45	14.31%
Noncurrent Assets	156.73	83.70%	158.43	85.69%
<b>Total assets</b>	<b>187.24</b>	<b>100.00%</b>	<b>184.88</b>	<b>100.00%</b>
<b>Deferred Outflows of Resources</b>	<b>13.47</b>	<b>100.00%</b>	<b>12.38</b>	<b>100.00%</b>
Current and other liabilities	5.24	5.39%	5.66	5.00%
Long-term liabilities	91.91	94.61%	107.59	95.00%
<b>Total liabilities</b>	<b>97.15</b>	<b>100.00%</b>	<b>113.25</b>	<b>100.00%</b>
<b>Deferred Inflows of Resources</b>	<b>22.10</b>	<b>100.00%</b>	<b>6.19</b>	<b>100.00%</b>
Net Position:				
Invested in capital assets, net of related debt	123.27		123.94	
Restricted	3.51		3.97	
Unrestricted	-45.32		(50.09)	
<b>Total net position</b>	<b>81.46</b>		<b>77.82</b>	

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

**Table 2 - Summary of Changes in Net Position From Operating Results**  
**Fiscal Year Ended September 30, 2020**  
(in millions)

	<b>Current Year</b>		<b>Prior Year</b>	
	Governmental Activities	Percent of Total	Governmental Activities	Percent of Total
<b>Revenues</b>				
Program Revenues:				
Charges for services	\$3.31	5.58%	\$5.66	9.98%
Operating grants and contributions	31.79	53.63%	29.43	51.86%
Capital Grants and Contributions	1.26	2.12%	1.16	2.05%
General Revenues:				
Property taxes for general purposes	13.67	23.06%	12.21	21.52%
Property and sales taxes for capital improvements	8.00	13.50%	7.02	12.37%
Interest	0.11	0.18%	0.19	0.34%
Grants and contributions not restricted for specific programs	0.04	0.07%	0.04	0.08%
Other	1.10	1.86%	1.03	1.81%
<b>Total Revenues</b>	<b>\$59.27</b>	<b>100.00%</b>	<b>\$56.75</b>	<b>100.00%</b>
<b>Expenses</b>				
Instructional services	\$32.22	57.91%	\$32.11	56.43%
Instructional support services	7.37	13.24%	7.39	12.98%
Operation and maintenance services	4.55	8.19%	4.99	8.77%
Auxiliary services	5.43	9.77%	6.34	11.15%
General administration services	3.39	6.09%	3.08	5.41%
Interest and fiscal charges	1.37	2.46%	1.63	2.87%
Other	1.30	2.34%	1.37	2.41%
<b>Total Expenses</b>	<b>\$55.64</b>	<b>100.00%</b>	<b>\$56.91</b>	<b>100.00%</b>
Changes in Net Position	3.64		-0.16	
Net Position - Beginning of the year	77.82		77.98	
Net Position - Ending of the year	<b>\$81.46</b>		<b>\$77.82</b>	

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

- Operating grants and contributions contribute \$31.79 million of program revenues and 53.63% of total revenues. The major sources of revenues in this category are State foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.

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

## **Expenses - Governmental Activities –**

- Instruction service expenses include teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Auxiliary services includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance, and food service expenses such as lunchroom managers, cooks cashiers and servers' salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment and depreciation of food service equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.

### **Financial Analysis of the Board's Funds**

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the Board generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The strong financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$26.61 million (see Balance Sheet-Governmental Funds). Approximately \$12.89 million of this amount constitutes unassigned fund balance of the General fund, which is available as of the end of the fiscal year for spending on future operations.

**General Fund** - The general fund is the primary operating fund of the Board. The general fund balance increased by \$4.93 million.

**Capital Projects Fund** - This fund accounts for financial resources to be used for the acquisition or construction of capital assets. The capital projects fund balance decreased by approximately \$243,000 dollars.

## General Fund Budgetary Highlights

The Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget. The annual budget for FY 2020 was due on or before September 15, 2019. The Board passed the FY 2020 Budget on August 19, 2019. Over the course of the year, the Board revised the annual operating budget on June 11, 2020. The final budget contains necessary accrual of salary expenditures required by the Governmental Accounting Standards Board using the Modified Accrual Basis of Accounting. Both amendments included necessary adjustments to salary lines as well as additional expenditures necessary to get the school system up and running for the succeeding school year.

## Capital Assets and Debt Administration

**Capital Assets** - The Board had approximately \$156 million invested in capital assets including land, construction in progress, buildings, vehicles and equipment. This amount is net of accumulated depreciation of approximately \$47 million. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year.

**Table 3 - Capital Assets (net of depreciation)**  
(in millions)

	<u>Current Year</u>	<u>Prior Year</u>
Land and land improvements	\$6.00	\$4.75
Construction in progress	0.25	5.70
Buildings & Improvements	147.97	145.47
Equipment	0.82	0.93
Vehicles	1.68	1.58
	<u>\$156.73</u>	<u>\$158.43</u>

The additions to capital assets were primarily for the following:

- Increase in Buildings and improvements of \$6,432,614 before depreciation.
- Purchase of school buses totaling \$429,995

**Long-Term Debt** - At year-end, the Board had \$33.46 million in warrants and other long-term debt outstanding.

**Table 4 - Outstanding Long-Term Debt  
Fiscal Year Ended September 30, 2020**

	Governmental Activities (in millions)		
	Current Year	Net Change	Prior Year
Bonds and warrants payable	\$31.45	-\$0.91	\$32.36
Capital leases	0.24	-0.03	0.27
<b>Total</b>	<b>31.69</b>	<b>-0.94</b>	<b>32.63</b>
Unamortized Bond Premium	1.76	-0.09	1.86
<b>Total long-term debt</b>	<b>\$33.46</b>	<b>-\$1.03</b>	<b>\$34.49</b>

The net change for Long-term debt for the year primarily consisted of the following:

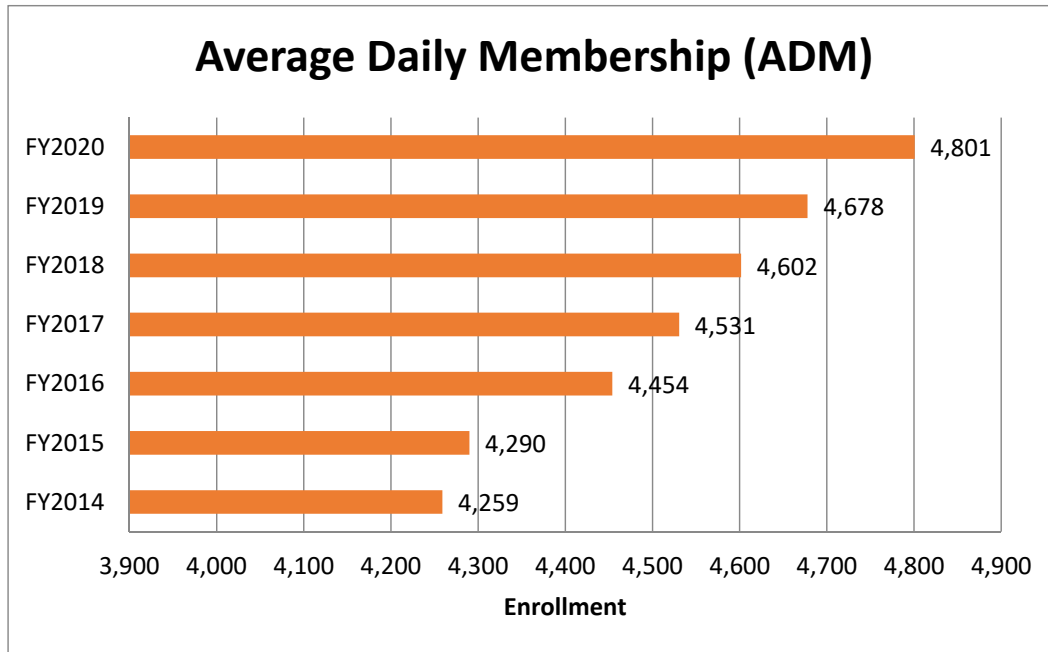
- Principal payment of \$740,000 for the 2015 Construction Warrants leaving a balance of \$23.48 million.
- Principal payment of \$48,050 for the Public School and College Authority 2017A pooled capital outlay warrants leaving a balance of \$1.33 million.
- Principal payment of \$125,000 for the 2018 Construction Warrants leaving a balance \$6.64 million.

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

The following are currently known Trussville City economic factors considered in going into the 2020-2021 fiscal year. Some statistics are shown for the Birmingham Metropolitan Statistical Area.

- The unemployment rate in Birmingham-Hoover Metropolitan Statistical Area for April 2021 is 2.7 percent, which is a slight decrease from last year's rate of 3.0 percent in April 2019. Source is the Bureau of Labor Statistics at [www.bls.gov](http://www.bls.gov).
- The 2020 Census population estimates for Trussville City is 23,048.

**Student Enrollment** - The student enrollment figures reported to the State Department of Education for the FY2020 school year was 4,801 which indicates a small increase in enrollment of approximately 123 students over the FY2019 school year.



### **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 James A. Kirkland, Director of Finance by email at [jim.kirkland@trussvillecityschools.com](mailto:jim.kirkland@trussvillecityschools.com).

**Trussville City Board of Education**  
**Statement of Net Position**

<i>September 30, 2020</i>	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 25,157,866
Nonnegotiable certificates of deposit	3,145,301
Due from other governments	2,071,449
Accounts receivable	25,066
Inventories	114,333
Capital assets	
Nondepreciable	6,251,995
Depreciable, net	150,474,076
<b>Total assets</b>	<b>187,240,086</b>
<b>Deferred Outflows of Resources</b>	
Employer pension contribution subsequent to measurement date	3,484,753
Proportionate share of collective deferred outflows related to net pension liability	5,369,000
Employer OPEB contribution subsequent to measurement date	781,463
Proportionate share of collective deferred outflows related to net OPEB liability	3,831,519
<b>Total deferred outflows of resources</b>	<b>13,466,735</b>
<b>Liabilities</b>	
Accounts payable	93,722
Accrued liabilities	135,187
Salaries and benefits payable	3,543,056
Unearned revenue	134,878
Accrued interest payable	151,996
Current portion of long-term debt	1,189,254
Compensated absences	508,504
Noncurrent portion of long-term debt	32,266,862
Net pension liability	42,384,000
Net OPEB liability	16,746,449
<b>Total liabilities</b>	<b>97,153,908</b>
<b>Deferred Inflows of Resources</b>	
Proportionate share of collective deferred inflows related to net pension liability	2,188,000
Proportionate share of collective deferred inflows related to net OPEB liability	19,908,488
<b>Total deferred inflows of resources</b>	<b>22,096,488</b>
<b>Net Position</b>	
Net investment in capital assets	123,269,955
Restricted	3,510,946
Unrestricted (deficit)	(45,324,476)
<b>Total net position</b>	<b>\$ 81,456,425</b>

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

## Trussville City Board of Education Statement of Activities

*For the year ended September 30, 2020*

Functions/Program	Expenses				Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position Total Governmental Activities
<b>Governmental activities</b>					
Instructional services	\$ 32,219,236	\$ 833,637	\$ 21,545,612	\$ -	\$ (9,839,987)
Instructional support services	7,366,625	331,564	4,741,831	-	(2,293,230)
Operation and maintenance services	4,554,986	196,424	945,327	-	(3,413,235)
Auxiliary services	5,433,949	1,540,089	4,064,585	-	170,725
General administrative services	3,390,705	-	73,720	-	(3,316,985)
Other	1,370,396	405,910	418,016	1,256,201	709,731
Interest and fiscal charges	1,299,253	-	-	-	(1,299,253)
<b>Total governmental activities</b>	<b>\$ 55,635,150</b>	<b>\$ 3,307,624</b>	<b>\$ 31,789,091</b>	<b>\$ 1,256,201</b>	<b>(19,282,234)</b>

General revenues	
Taxes	
Property taxes for general purposes	13,666,386
Property and sales taxes for capital improvements	8,004,078
Local sales tax	806,407
Miscellaneous taxes	1,600
Interest	106,736
Grants and contributions not restricted for specific programs	40,210
Other	294,821
<b>Total general revenues</b>	<b>22,920,238</b>
Change in net position	3,638,004
Net position - beginning of year	77,818,421
<b>Net position - end of year</b>	<b>\$ 81,456,425</b>

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



## Trussville City Board of Education Balance Sheet – Governmental Funds

<i>September 30, 2020</i>	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 15,170,468	\$ 8,210,703	\$ 1,776,695	\$ 25,157,866
Nonnegotiable certificates of deposit	-	3,145,301	-	3,145,301
Due from other funds	-	-	898	898
Due from other governments	1,457,709	117,432	496,308	2,071,449
Accounts receivable	300	24,196	570	25,066
Inventories	-	-	114,333	114,333
<b>Total assets</b>	<b>\$ 16,628,477</b>	<b>\$ 11,497,632</b>	<b>\$ 2,388,804</b>	<b>\$ 30,514,913</b>
<b>Liabilities</b>				
Accounts payable	\$ 58,613	\$ 32,304	\$ 2,805	\$ 93,722
Due to other funds	898	-	-	898
Accrued liabilities	134,244	-	943	135,187
Salaries and benefits payable	3,338,406	-	204,650	3,543,056
Unearned revenues	-	-	134,878	134,878
<b>Total liabilities</b>	<b>3,532,161</b>	<b>32,304</b>	<b>343,276</b>	<b>3,907,741</b>
<b>Fund Balances</b>				
Nonspendable				
Inventories	-	-	114,333	114,333
Restricted for				
Special revenue	-	-	1,931,195	1,931,195
Capital projects	-	1,579,751	-	1,579,751
Assigned	210,781	9,885,577	-	10,096,358
Unassigned	12,885,535	-	-	12,885,535
<b>Total fund balances</b>	<b>13,096,316</b>	<b>11,465,328</b>	<b>2,045,528</b>	<b>26,607,172</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,628,477</b>	<b>\$ 11,497,632</b>	<b>\$ 2,388,804</b>	<b>\$ 30,514,913</b>

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

**Trussville City Board of Education  
Reconciliation of the Balance Sheet – Governmental Funds  
to the Statement of Net Position**

*For the year ended September 30, 2020*

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Total fund balances - governmental funds \$ 26,607,172

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. 156,726,071

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 6,665,753

Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds. (15,295,506)

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year-end consist of:

Accrued interest payable	\$	151,996	
Long-term debt		33,456,116	
Compensated absences		508,504	
Net pension liability		42,384,000	
Net OPEB liability		16,746,449	(93,247,065)

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**Total net position - governmental activities \$ 81,456,425**

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

**Trussville City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**

<i>For the year ended September 30, 2020</i>	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
State	\$ 29,419,585	\$ 1,393,062	\$ 101,240	\$ 30,913,887
Federal	160	-	1,689,595	1,689,755
Local	19,755,560	1,320,332	5,320,285	26,396,177
Other	198,966	-	60,848	259,814
<b>Total revenues</b>	<b>49,374,271</b>	<b>2,713,394</b>	<b>7,171,968</b>	<b>59,259,633</b>
<b>Expenditures</b>				
Instructional services	26,331,828	1,909	1,872,391	28,206,128
Instructional support services	6,510,170	-	748,262	7,258,432
Operation and maintenance services	3,946,885	288,401	266,256	4,501,542
Auxiliary services	2,747,711	-	2,749,847	5,497,558
General administrative services	3,173,421	-	280	3,173,701
Other expenditures	577,951	-	821,126	1,399,077
Capital outlay	458,257	2,240,369	13,040	2,711,666
Debt service				
Principal retirement	83,825	164,781	832,998	1,081,604
Interest and fiscal charges	9,456	262,321	1,130,260	1,402,037
<b>Total expenditures</b>	<b>43,839,504</b>	<b>2,957,781</b>	<b>8,434,460</b>	<b>55,231,745</b>
Excess (deficiency) of revenues over expenditures	5,534,767	(244,387)	(1,262,492)	4,027,888
<b>Other financing sources (uses)</b>				
Transfers in	93,129	-	1,169,232	1,262,361
Transfers out	(1,169,232)	-	(93,129)	(1,262,361)
Capital leases	139,851	-	-	139,851
Indirect cost	332,474	-	-	332,474
Other sources	2,170	1,245	10,106	13,521
<b>Total other financing sources (uses)</b>	<b>(601,608)</b>	<b>1,245</b>	<b>1,086,209</b>	<b>485,846</b>
Net changes in fund balances	4,933,159	(243,142)	(176,283)	4,513,734
Fund balances at beginning of year	8,163,157	11,708,470	2,221,811	22,093,438
<b>Fund balances at end of year</b>	<b>\$ 13,096,316</b>	<b>\$ 11,465,328</b>	<b>\$ 2,045,528</b>	<b>\$ 26,607,172</b>

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

**Trussville City Board of Education**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances – Governmental Funds to the Statement of Activities**

*For the year ended September 30, 2020*

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Net changes in fund balances - total governmental funds	\$	4,513,734
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which net capital outlay exceeds depreciation and loss on disposals in the current period.

Capital outlay	\$ 2,711,666	
Loss on disposals	(1,102)	
Depreciation	<u>(4,417,548)</u>	(1,706,984)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.

Long-term debt issued	(139,851)	
Principal repayments	<u>1,081,604</u>	941,753

Some expenses reported in the statement of activities do not require the use of the current financial resources and are not reported as expenditures in the funds. Furthermore, the amortization of debt premium reduces interest expense in the statement of activities.

Current year increase/(decrease) in pension expense	\$ 1,761,849	
Current year increase/(decrease) in OPEB expense	(1,674,112)	
Current year increase/(decrease) in compensated absences	125,546	
Current year increase/(decrease) in accrued interest	(10,155)	
Amortization of debt premium	<u>(92,629)</u>	(110,499)

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Change in net position of governmental activities	\$	<u>3,638,004</u>
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*The accompanying notes are an integral part of these financial statements.*

**Trussville City Board of Education**  
**Notes to Financial Statements Index**

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## Trussville City Board of Education Notes to Financial Statements

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

The financial statements of the Trussville City Board of Education (the Board) have been prepared in conformity with generally accepted accounting principles (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 Statements No. 14, 39 and 61 establish standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no material component units which should be included as part of the financial reporting entity of the Board.

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

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

##### 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) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

## Trussville City Board of Education Notes to Financial Statements

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

#### *Basis of Presentation, Basis of Accounting (Continued)*

##### Fund Financial Statements

The fund financial statements provide information about the Board's funds, including any fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds. The Board currently has no fiduciary funds.

The Board reports the following major governmental funds:

- 1) General Fund – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board's General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.
- 2) Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

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

- 1) Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for and the payment of the Board’s general long-term debt principal and interest.
- 2) Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Examples of special revenue fund sources are: Federal Vocational, IDEA Part B (Special Education), Child Nutrition, Federal Preschool, and Local School Activity Funds.

#### *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 the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from 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.

## Trussville City Board of Education Notes to Financial Statements

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

#### *Measurement Focus, Basis of Accounting (Continued)*

##### Government-wide Financial Statements (Continued)

Unearned revenues in the government-wide financial statements include amounts received related to lunchroom meal sales that have not yet been earned. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

##### Fund Financial Statements

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within sixty (60) 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. Unearned revenues in the governmental funds include amounts received related to lunchroom meal sales that have not yet been earned.

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.

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

#### *Assets, Liabilities, and Net Position/Fund Balances*

##### Cash and Cash Equivalents and Nonnegotiable Certificates of Deposit

Cash and cash equivalents include cash on hand, demand deposits, overnight repurchase agreements, and short-term investments with original maturities of three months or less from the date of acquisition. Nonnegotiable certificates of deposits are stated at a cost-base value.

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



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

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

***Assets, Liabilities, and Net Position/Fund Balances (Continued)***

Receivables

Receivables are reported as *Accounts receivable* and *Due from other governments* in the government-wide financial statements and as *Accounts receivable*, *Due from other funds*, and *Due from other governments* in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

Property Tax Calendar

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

Inventories

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net position. Donated assets are recorded at their estimated 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 financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Land improvements - exhaustible	\$ 50,000	20 years
Buildings	50,000	50 years
Building improvements	50,000	7 - 30 years
Equipment and furniture	5,000	5 - 20 years
Vehicles	5,000	8 - 10 years

## Trussville City Board of Education Notes to Financial Statements

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

#### *Assets, Liabilities, and Net Position/Fund Balances (Continued)*

##### Long-term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities.

Debt issuance costs include all costs incurred to issue the debt including insurance, financing and other related costs. Debt issuance costs (except for prepaid insurance costs) are recognized as an expense in the period incurred. Premiums and discounts on debt are capitalized and amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported in the statement of net position.

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

##### Compensated Absences

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of a liability as the benefits are earned by the employees, if both of these conditions are met:

- a. The employee's right to receive compensation are 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 is 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 sick leave and may use it as membership service in determining the total years of creditable service in the teachers' retirement system, 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 and support employees may elect to be paid, at the Board's substitute rate, for up to two days of unused personal leave or the unused days may be converted to sick leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

## Trussville City Board of Education Notes to Financial Statements

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

#### *Assets, Liabilities, and Net Position/Fund Balances (Continued)*

All twelve-month employees are allowed two weeks of vacation per year with pay. Up to 50 days of unused vacation leave can be carried over to succeeding years.

#### Net Position/Fund Equity

##### Government-wide Financial Statements

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

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

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

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

#### Fund Statements

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

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

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

*Committed Fund Balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

## Trussville City Board of Education Notes to Financial Statements

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

#### *Assets, Liabilities, and Net Position/Fund Balances (Continued)*

##### Fund Statements (Continued)

*Assigned Fund Balance* – The classification reflects the amounts constrained by the Board’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Board of Education and management have the authority to assign amounts to be used for specific purposes. Assignments cannot exceed the available fund balance in any particular fund.

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

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

##### Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

##### Subsequent Events

The Board has evaluated subsequent events through June 30, 2021, which is the date of issuance of these financial statements.

##### Economic Dependency

The Board depends on financial resources flowing from, or associated with, both the Federal Government and the State of Alabama. Because of this dependency, the Board is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

The Board receives a significant portion of their revenue from the State Foundation program, sales tax revenue, and property tax revenue. The State Foundation revenue was \$28,979,639 or 49% of total revenue in fiscal year 2020. Property tax revenue was \$17,435,731 or 30% of total revenue.

##### Revenue

*Operating revenue* includes activities that have the characteristics of an exchange transaction, such as a) student fees and tuition; b) sales and services; and c) contracts and grants.

*Non-operating revenue* includes activities that have the characteristics of non-exchange transactions, such as a) appropriations, b) taxes, c) gifts, and d) investment income. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

## Trussville City Board of Education Notes to Financial Statements

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

#### *Assets, Liabilities, and Net Position/Fund Balances (Continued)*

##### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

##### Pensions

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

##### Postemployment Benefits Other Than Pension (OPEB)

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan.

### Note 2: RECONCILIATION OF FINANCIAL STATEMENTS

The financial statements include the following summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements:

#### *Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Statement of Net Position*

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.

## Trussville City Board of Education Notes to Financial Statements

### **Note 2: RECONCILIATION OF FINANCIAL STATEMENTS (Continued)**

#### ***Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities***

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

### **Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted for all governmental 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. The Board approved its original 2019-2020 annual budget on August 19, 2019; the budget was amended on June 11, 2020, to adjust prior year fund balances, carryover, and additional allocations.

The city superintendent of education 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.

### **Note 4: DEPOSITS**

Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. As of September 30, 2020, all of the Board's bank deposits (including deposits of the individual schools) and certificates of deposits were secured by collateral through the Security for Alabama Funds Enhancement Program (SAFE Program). Under the SAFE program, all public deposits are protected through a collateral pool administered by the Alabama State Treasurer's office. As of September 30, 2020, the Board also utilized an overnight repurchase agreement which was fully collateralized.

The underlying cash equivalent investment related to the repurchase agreement was a government sponsored enterprise debt security which has an implied AAA credit rating. The weighted average maturity of this repurchase agreement cash equivalent investment was 0.00 years.

As of September 30, 2020, the carrying amount of the Board's bank deposits (including deposits of the individual schools) and the overnight repurchase agreement was \$28,303,167 and the bank balance was \$30,438,833. The \$3,145,301 in nonnegotiable certificates of deposit have redemption terms that do not consider market rates. The balance on the Board's overnight repurchase agreement was \$4,099,847 as of September 30, 2020.

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

**Note 5: AMOUNTS RECEIVABLE FROM GOVERNMENTAL ENTITIES**

The amounts receivable from governmental entities reported on the statement of net position are aggregations of different components. Details of this balance are as follows:

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Amounts receivable from Governmental Entities				
U.S. Department of Education	\$ -	\$ -	\$ 324,596	\$ 324,596
U.S. Department of Agriculture	-	-	171,672	171,672
Local governments and other	1,457,709	117,432	40	1,575,181
<b>Total</b>	<b>\$ 1,457,709</b>	<b>\$ 117,432</b>	<b>\$ 496,308</b>	<b>\$ 2,071,449</b>

**Note 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 9/30/2019	Additions	Transfers and Retirements	Balance 9/30/2020
Capital assets, not being depreciated				
Land and improvements	\$ 4,750,509	\$ 1,253,835	\$ -	\$ 6,004,344
Construction in progress	5,703,479	976,787	(6,432,615)	247,651
<b>Total capital assets, not being depreciated</b>	<b>10,453,988</b>	<b>2,230,622</b>	<b>(6,432,615)</b>	<b>6,251,995</b>
Capital assets being depreciated				
Buildings and improvements	181,977,705	6,432,614	-	188,410,319
Equipment and furniture	4,309,529	51,050	(11,012)	4,349,567
Vehicles	5,340,279	429,995	(123,671)	5,646,603
<b>Total capital assets being depreciated</b>	<b>191,627,513</b>	<b>6,913,659</b>	<b>(134,683)</b>	<b>198,406,489</b>
Less accumulated depreciation for				
Buildings and improvements	36,505,907	3,930,234	-	40,436,141
Equipment and furniture	3,381,793	160,818	(9,911)	3,532,700
Vehicles	3,760,746	326,496	(123,670)	3,963,572
<b>Total accumulated depreciation</b>	<b>43,648,446</b>	<b>4,417,548</b>	<b>(133,581)</b>	<b>47,932,413</b>
<b>Total capital assets being depreciated, net</b>	<b>147,979,067</b>	<b>2,496,111</b>	<b>(1,102)</b>	<b>150,474,076</b>
<b>Total governmental activities capital assets, net</b>	<b>\$ 158,433,055</b>	<b>\$ 4,726,733</b>	<b>\$ (6,433,717)</b>	<b>\$ 156,726,071</b>

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

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

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

Governmental activities		
Instructional services	\$	3,883,122
Instructional support		21,120
Operation and maintenance		67,853
Auxiliary services		415,567
General administration and central support		29,886
<hr/>		
Total depreciation expense - governmental activities	\$	4,417,548
<hr/>		

**Note 7: DEFINED BENEFIT PENSION PLAN**

***Plan Description***

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

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



## Trussville City Board of Education Notes to Financial Statements

### Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

#### *Benefited Provided (Continued)*

Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

#### *Contributions*

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. 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 \$3,484,753 for the year ended September 30, 2020.

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

At September 30, 2020, the Board reported a liability of \$42,384,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the Board's proportion was 0.383328%, which was a decrease of 0.009497% from its proportion measured as of September 30, 2018.

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

**Note 7: DEFINED BENEFIT PENSION PLAN (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

For the year ended September 30, 2020, the Board recognized pension expense of \$5,251,944. At September 30, 2020 the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of of Resources	Deferred Inflows of of Resources
Differences between expected and actual experience	\$ 627,000	\$ 1,406,000
Changes of assumptions	1,306,000	-
Net difference between projected and actual earnings on plan investments	1,476,000	-
Changes in proportion and differences between employer Employer contributions subsequent to the measurement date	1,960,000 3,484,753	782,000 -
<b>Total</b>	<b>\$ 8,853,753</b>	<b>\$ 2,188,000</b>

\$3,484,753 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>For the years ended September 30,</i>	Deferred Outflow/Inflow of Resources
2021	\$ 729,000
2022	652,000
2023	1,036,000
2024	799,000
2025	(35,000)
Thereafter	-
<b>Total</b>	<b>\$ 3,181,000</b>

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

**Note 7: DEFINED BENEFIT PENSION PLAN (Continued)**

***Actuarial Assumptions***

The total pension liability as of September 30, 2019 was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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

\*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

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

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

	Target Allocation	Long-term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Development 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%

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

**Note 7: DEFINED BENEFIT PENSION PLAN (Continued)**

***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 System'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 (dollar amounts in thousands):

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's net pension liability	\$ 57,539,000	\$ 42,384,000	\$ 29,560,000

***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, 2019. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditors' report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**Note 8: OTHER POSTEMPLOYMENT BENEFITS**

***Plan Description***

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

***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.

**Note 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Benefits Provided (Continued)***

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services.

Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare 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).

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. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

***Contributions***

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

## Trussville City Board of Education Notes to Financial Statements

### **Note 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)**

#### ***Contributions (Continued)***

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, 2020, the Board reported a liability of \$16,746,449 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019, the Board's proportion was 0.443877% percent, which was an increase of 0.020402% from its proportion measured as of September 30, 2018.

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

**Note 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)***

For the year ended September 30, 2020, the Board recognized OPEB expense of (\$892,649), with no special funding situations. At September 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 554,490	\$ 12,840,453
Changes of assumptions	800,581	6,936,478
Net difference between projected and actual earnings on OPEB plan investments	34,546	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,441,902	131,557
Employer contributions subsequent to the measurement date	781,463	-
<b>Total</b>	<b>\$ 4,612,982</b>	<b>\$ 19,908,488</b>

\$781,463 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, 2021.

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

<i>For the years ended September 30</i>	Deferred Outflow/Inflow of Resources
2021	\$ (3,288,554)
2022	(3,288,554)
2023	(3,244,672)
2024	(2,693,375)
2025	(3,028,850)
Thereafter	(532,964)
<b>Total</b>	<b>\$(16,076,969)</b>



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

**Note 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)***

***Actuarial Assumptions***

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

Inflation	2.75%
Projected Salary Increases*	3.25%-5.00%
Long-Term Investment Rate of Return**	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate the Measurement Date	5.50%
Single Equivalent Interest Rate the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	***
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

\*Includes 3.00% wage inflation

\*\*Compounded annually, net of investment expense, and includes inflation

\*\*\*Initial Medicare claims are set based on scheduled increases through plan year 2022

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.

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

**Note 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Actuarial Assumptions (Continued)***

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.) were based on the September 30, 2018 valuation, however updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optionals claims costs, and updated participation assumptions were used in this report.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class.

These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.0%	4.4%
US Large Stocks	38.0%	8.0%
US Mid Stocks	8.0%	10.0%
US Small Stocks	4.0%	11.0%
International Developed Mkt Stocks	15.0%	9.5%
Cash	5.0%	1.5%
<b>Total</b>	<b>100.0%</b>	

\*Geometric mean, includes 2.50% inflation

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

**Note 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***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, 2019 was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. 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, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that once benefit payments exceed employer contributions, the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long term rate of return is used until the assets are expected to be depleted in 2055, 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:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
	(5.75% decreasing to 3.75% for pre- Medicare, Known decreasing to 3.75% for Medicare Eligible)	(6.75% decreasing to 4.75% for pre- Medicare, Known decreasing to 4.75% for Medicare Eligible)	(7.75% decreasing to 5.75% for pre- Medicare, Known decreasing to 5.75% for Medicare Eligible)
Employer's proportionate share of the collective net OPEB liability	\$ 13,427,640	\$ 16,746,449	\$ 20,926,339

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

**Note 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued)***

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Employer's proportionate share of the collective net OPEB liability	\$ 20,241,965	\$ 16,746,449	\$ 13,891,765

***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, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Note 9: LONG-TERM DEBT**

As of September 30, 2020, the Board's long-term debt consisted of the following:

PSCA Capital Improvement Bonds, due annually through 2038, interest payable semi-annually at rates ranging from 2.375% to 5.0%	\$ 1,336,488
Note payable-City, due annually through 2039, interest payable semi-annually at rates ranging from 3.0% to 5.0% - direct borrowing	23,475,000
Note payable-City, due annually through 2048, interest payable semi-annually at rates ranging from 3.0% to 5.0% - direct borrowing	6,640,000
Capital leases-direct borrowing	241,114
Unamortized bond premium	1,763,514
Total	\$ 33,456,116

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

**Note 9: LONG-TERM DEBT (Continued)**

The following changes occurred in the Board's long-term liabilities for the year ended September 30, 2020:

	Balance 9/30/2019	Additions	Reductions	Balance 9/30/2020	Amounts Due Within One Year
Warrants payable	\$ 1,384,538	\$ -	\$ (48,050)	\$ 1,336,488	\$ 50,375
Notes payable to City - direct borrowing	30,980,000	-	(865,000)	30,115,000	910,000
Capital leases - direct borrowing	269,817	139,851	(168,554)	241,114	136,250
Unamortized bond premium	1,856,143	-	(92,629)	1,763,514	92,629
<b>Total long-term debt</b>	<b>34,490,498</b>	<b>139,851</b>	<b>(1,174,233)</b>	<b>33,456,116</b>	<b>1,189,254</b>
Compensated absences	382,958	125,546	-	508,504	-
Net pension liability	39,057,000	3,327,000	-	42,384,000	-
Net OPEB liability	34,804,252	-	(18,057,803)	16,746,449	-
<b>Total other long-term liabilities</b>	<b>74,244,210</b>	<b>3,452,546</b>	<b>(18,057,803)</b>	<b>59,638,953</b>	<b>-</b>
<b>Total long-term liabilities</b>	<b>\$ 108,734,708</b>	<b>\$ 3,592,397</b>	<b>\$ (19,232,036)</b>	<b>\$ 93,095,069</b>	<b>\$ 1,189,254</b>

In November 2017, the Board entered into an agreement to participate in the PSCA Series 2017 Pooled Warrants for building construction. The State Department of Education withholds a portion of the Board's PSF Capital Purchase Funds to pay the debt service.

The following is a schedule of future payments on the Board's warrants payable:

<i>For the years ending September 30,</i>	Warrants Payable	
	Principal	Interest
2021	\$ 50,375	\$ 49,270
2022	53,088	46,683
2023	55,800	43,961
2024	58,125	41,694
2025	60,450	39,311
2026-2030	351,075	147,807
2031-2035	421,600	76,901
2036-2038	285,975	13,541
<b>Total</b>	<b>\$ 1,336,488</b>	<b>\$ 459,168</b>

In June 2015, the Board entered into a funding agreement with the City whereby the City issued G.O. School Warrants for the purpose of providing funds to pay the costs of constructing new school facilities. The City provided the Board with the proceeds of the issuance plus an issuance premium. The Board pays the debt service to the City out of 7 mill Education Ad Valorem tax proceeds.

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

**Note 9: LONG-TERM DEBT (Continued)**

In September 2018, the Board entered into a funding agreement with the City whereby the City issued G.O. School Warrants for the purpose of providing funds to pay the costs of constructing new school facilities. The City provided the Board with the proceeds of the issuance plus an issuance premium. The Board pays the debt service to the City out of City appropriations supported by an educational sales tax.

The following is a schedule of future payments on the Board's notes payable to the City:

<i>For the years ending September 30,</i>	Notes Payable to City - Direct Borrowing	
	Principal	Interest
2021	\$ 910,000	\$ 1,293,238
2022	955,000	1,249,338
2023	1,000,000	1,203,288
2024	1,050,000	1,152,163
2025	1,100,000	1,098,538
2026-2030	6,370,000	4,640,445
2031-2035	8,050,000	2,968,912
2036-2040	8,025,000	1,175,375
2041-2045	1,575,000	368,344
2046-2048	1,080,000	79,026
<b>Total</b>	<b>\$ 30,115,000</b>	<b>\$ 15,228,667</b>

During the year, the Board entered into certain leases accounted for as capital leases. These leases were obtained to purchase items below the Board's capitalization threshold.

The following is a schedule of future minimum lease payments:

<i>For the years ending September 30,</i>	Capital Leases - Direct Borrowing	
	Principal	Interest
2021	\$ 136,250	\$ 10,668
2022	61,532	5,733
2023	38,023	2,340
2024	5,309	285
<b>Total</b>	<b>\$ 241,114</b>	<b>\$ 19,026</b>

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

**Note 10: INTERFUND TRANSACTIONS**

The Board generally uses transfers to fund ongoing operations. Interfund transactions are eliminated on the Government-wide financial statements.

Interfund transfers for the fiscal year ended September 30, 2020 consist of the following:

	Transfers In	Transfers Out
General Fund		
Other governmental funds	\$ 93,129	\$ 1,169,232
Total general fund	93,129	1,169,232
Other governmental funds		
General fund	1,169,232	93,129
Total other governmental funds	1,169,232	93,129
<b>Total transfers</b>	<b>\$ 1,262,361</b>	<b>\$ 1,262,361</b>

The \$898 interfund payable from the General Fund to Other Governmental Funds represents school fees deposited in the Board’s bank account to be transferred to the local school bank accounts.

**Note 11: RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board carries traditional insurance coverage for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, 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 a predetermined amount per occurrence. The SIF purchases commercial insurance for claims in excess of that predetermined amount. Errors and omissions insurance is purchased from Alabama Trust Management for Boards of Education (ATMB), a public entity risk pool. The ATMB 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. PEEHIF was established to provide a uniform plan of health insurance for current and retired employees of educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the Plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIF for each employee. The Board contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

## Trussville City Board of Education Notes to Financial Statements

### **Note 11: RISK MANAGEMENT (Continued)**

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 Adjustments. The Board of Adjustments 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.

### **Note 12: CONTINGENT LIABILITIES**

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

### **Note 13: DONATED FOOD PROGRAM**

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated and consumed was approximately \$133,716 for 2020.

### **Note 14: PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES**

Certain payments or services are furnished by the State and the City of Trussville on behalf of the Board. These include payments on City bond issues for school purposes, use of City property for Board purposes, etc. Payments by the City on City bond issues for school purposes are reflected on the City's books and records.

### **Note 15: RELATED PARTY TRANSACTIONS**

The members of the Trussville City Board of Education are appointed by the Trussville City Council. Revenues received by the Board from the City for the year ended September 30, 2020 amounted to approximately \$4,229,733.



## Trussville City Board of Education Notes to Financial Statements

### **Note 16: FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Fiduciary activities;
- Leases;
- Accounting for interest cost incurred before the end of a construction period;
- Conduit debt obligations;
- Various practice issues (omnibus);
- Public-private and public-public partnerships and availability payment arrangements; and
- Subscription-based information technology arrangements.

The Board is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

### **Note 17: SUBSEQUENT EVENTS**

In November 2020, the Board received a \$5,957,053 allocation for Public School & College Authority (PSCA) funded projects. The Board will use these funds for two projects: \$5,546,271 toward a new central office building, and \$410,782 toward new tennis courts.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Trussville City Board of Education**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances –**  
**Budget to Actual – General Fund**

<i>For the year ended September 30, 2020</i>	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary Basis	
<b>Revenues</b>				
State	\$ 27,687,585	\$ 28,186,199	\$ 29,419,585	\$ 1,233,386
Federal	340	340	160	(180)
Local	16,727,487	17,120,041	19,755,560	2,635,519
Other	145,115	185,615	198,966	13,351
<b>Total revenues</b>	<b>44,560,527</b>	<b>45,492,195</b>	<b>49,374,271</b>	<b>3,882,076</b>
<b>Expenditures</b>				
<b>Current</b>				
Instructional services	26,938,954	27,138,853	26,329,731	809,122
Instructional support services	6,268,405	6,735,468	6,477,044	258,424
Operation and maintenance services	4,193,747	4,476,207	3,949,243	526,964
Auxiliary services	2,158,643	2,898,035	2,736,546	161,489
General administrative services	2,941,792	2,972,533	3,166,554	(194,021)
Other expenditures	741,535	758,134	602,268	155,866
Capital Outlay	458,763	458,763	458,257	506
Debt service	93,282	93,282	93,281	1
<b>Total expenditures</b>	<b>43,795,121</b>	<b>45,531,275</b>	<b>43,812,924</b>	<b>1,718,351</b>
Excess (deficiency) of revenues over expenditures	765,406	(39,080)	5,561,347	5,600,427
<b>Other financing sources (uses)</b>				
Other financing sources	519,851	519,611	567,624	48,013
Other financing uses	(1,245,120)	(1,271,495)	(1,169,232)	102,263
<b>Total other financing sources (uses)</b>	<b>(725,269)</b>	<b>(751,884)</b>	<b>(601,608)</b>	<b>150,276</b>
<b>Net change in fund balance</b>	<b>40,137</b>	<b>(790,964)</b>	<b>4,959,739</b>	<b>5,750,703</b>
<b>Fund balance at beginning of year</b>	<b>8,186,384</b>	<b>11,474,745</b>	<b>11,474,983</b>	<b>238</b>
<b>Fund balance at end of year</b>	<b>\$ 8,226,521</b>	<b>\$ 10,683,781</b>	<b>\$ 16,434,722</b>	<b>\$ 5,750,941</b>

**Trussville City Board of Education**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances –**  
**Budgetary Basis to GAAP Basis – General Fund**

<i>For the year ended September 30, 2020</i>	Actual Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
<b>Revenues</b>			
State	\$ 29,419,585	\$ -	\$ 29,419,585
Federal	160	-	160
Local	19,755,560	-	19,755,560
Other	198,966	-	198,966
<b>Total revenues</b>	<b>49,374,271</b>	<b>-</b>	<b>49,374,271</b>
<b>Expenditures</b>			
<b>Current</b>			
Instructional services	26,329,731	2,097	26,331,828
Instructional support services	6,477,044	33,126	6,510,170
Operation and maintenance services	3,949,243	(2,358)	3,946,885
Auxiliary services	2,736,546	11,165	2,747,711
General administrative services	3,166,554	6,867	3,173,421
Other expenditures	602,268	(24,317)	577,951
Capital outlay	458,257	-	458,257
Debt service	93,281	-	93,281
<b>Total expenditures</b>	<b>43,812,924</b>	<b>26,580</b>	<b>43,839,504</b>
Excess (deficiency) of revenues over expenditures	5,561,347	(26,580)	5,534,767
<b>Other financing sources (uses)</b>			
Other financing sources	567,624	-	567,624
Other financing uses	(1,169,232)	-	(1,169,232)
<b>Total other financing sources (uses)</b>	<b>(601,608)</b>	<b>-</b>	<b>(601,608)</b>
<b>Net change in fund balance</b>	<b>4,959,739</b>	<b>(26,580)</b>	<b>4,933,159</b>
<b>Fund balance at beginning of year</b>	<b>11,474,983</b>	<b>(3,311,826)</b>	<b>8,163,157</b>
<b>Fund balance at end of year</b>	<b>\$ 16,434,722</b>	<b>\$ (3,338,406)</b>	<b>\$ 13,096,316</b>

*Explanation of difference:* The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.

**Trussville City Board of Education**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Teachers' Retirement System of Alabama**  
**as of Measurement Date\* (dollar amounts in thousands)**

	2020	2019	2018	2017	2016	2015
Board's proportion of the collective net pension liability	<b>0.383328%</b>	0.392825%	0.377008%	0.360380%	0.350992%	0.346304%
Board's proportionate share of the collective net pension liability	<b>\$ 42,384</b>	\$ 39,057	\$ 37,054	\$ 39,014	\$ 36,734	\$ 31,460
Board's covered payroll during measurement period*	<b>\$ 27,341</b>	\$ 26,255	\$ 25,110	\$ 22,928	\$ 21,976	\$ 22,298
Board's proportionate share of the collective net pension liability as a percentage of its covered payroll	<b>155.02%</b>	148.76%	147.57%	170.16%	167.16%	141.09%
Plan fiduciary net position as a percentage of the total pension liability	<b>69.85%</b>	72.29%	71.50%	67.93%	67.51%	71.01%

\* Board's covered payroll during the measurement period is the total of those employees who are participating in the pension plan. For the year ended September 30, 2020, the measurement period is October 1, 2018 through September 30, 2019.

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

**Trussville City Board of Education  
Schedule of Contributions – Net Pension Liability  
Teachers’ Retirement System of Alabama  
as of Fiscal Year End (dollar amounts in thousands)**

	<b>2020</b>	2019	2018	2017	2016	2015
Contractually required contribution	\$ <b>3,485</b>	\$ 3,333	\$ 3,153	\$ 2,970	\$ 2,590	\$ 2,488
Contributions in relation to the contractually required contribution	<b>3,485</b>	3,333	3,153	2,970	2,590	2,488
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll*	\$ <b>28,697</b>	\$ 27,341	\$ 26,255	\$ 25,110	\$ 22,928	\$ 21,976
Contributions as a percentage of covered payroll	<b>12.14%</b>	12.19%	12.01%	11.83%	11.30%	11.32%

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

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

**Trussville City Board of Education  
Schedule of Proportionate Share of Net OPEB Liability  
Alabama Retired Education Employees' Health Care Trust  
As of Measurement Date\* (dollar amounts in thousands)**

	2020	2019	2018
Board's proportion of the collective net OPEB liability	<b>0.443877%</b>	0.423475%	0.405782%
Board's proportionate share of the collective net OPEB liability	\$ <b>16,746</b>	\$ 34,804	\$ 30,139
Board's covered-employee payroll during measurement period*	\$ <b>27,537</b>	\$ 26,372	\$ 25,231
Board's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	<b>60.81%</b>	131.97%	119.45%
Plan fiduciary net position as a percentage of the total OPEB liability	<b>28.14%</b>	14.81%	15.37%

\*Board's covered-employee payroll during the measurement period is the total of those employees who are participating in the OPEB plan. For the year ended September 30, 2020, the measurement period is October 1, 2018 through September 30, 2019.

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

**Trussville City Board of Education  
Schedule of Contributions – Net OPEB Liability  
Alabama Retired Education Employees’ Health Care Trust  
as of Fiscal Year End (dollar amounts in thousands)**

	<b>2020</b>	2019	2018
Contractually required contribution	\$ <b>781</b>	\$ 1,264	\$ 1,049
Contributions in relation to the contractually required contribution	<b>781</b>	1,264	1,049
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Board's covered-employee payroll*	\$ <b>28,817</b>	\$ 27,537	\$ 26,372
Contributions as a percentage of covered-employee payroll	<b>2.71%</b>	4.59%	3.98%

\*Board's covered-employee payroll is the total payroll of those employees who are participating in the OPEB plan.

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



## Trussville City Board of Education Notes to the Required Supplementary Information

### Note 1: NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

#### *Schedules of Changes in the Net Pension Liability and Related Ratios*

The total pension liability presented in this schedule was provided by the Systems' actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less plan fiduciary net position. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

#### *Schedules of Employer Contributions*

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The employer contribution rates for fiscal year 2020 were 12.43% and 11.34% for Tier 1 and Tier 2, respectively.

#### *Actuarial Assumptions*

The actuarially determined contribution rates in the schedules of employer contributions are calculated as of September 30, 2017, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule.

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	5-year smoothed market
Amortization Method	Level percent closed
Remaining Amortization Period	28.8 years
Actuarial Assumptions:	
Investment Rate of Return *	7.75%
Projected Salary Increases **	3.25%-5.00%
Cost of Living Adjustments	None

\* Net of pension plan investment expense

\*\* Includes inflation of 2.75%

#### Changes to Retirement Benefit Terms

Member contribution rates for Tier 1/Tier 2 employees increased from 7.25% to 7.50% of earnable compensation effective October 1, 2012.

Members hired on or after January 1, 2013, are covered under a new benefit structure.

## Trussville City Board of Education Notes to the Required Supplementary Information

### **Note 1: NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES (Continued)**

#### ***Actuarial Assumptions (Continued)***

##### Changes of Assumptions

In December 2018, the Board of Control adopted new discounts rates. The new discount rate was 7.70%.

In 2016, rates of withdrawal, retirement, disability, and mortality 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 males and 112% for females age 78 and older.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

### **Note 2: NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**

#### ***Changes to Benefit Terms***

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

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

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

#### ***Changes of Assumptions***

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

In 2016, rates of withdrawal, retirement, disability, mortality 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.

**Trussville City Board of Education  
Notes to the Required Supplementary Information**

**Note 2: NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES (Continued)**

***Actuarial Assumptions***

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2017 three years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	24 years
Asset Valuation Method	Market value of assets
Inflation	2.75%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible*	5.00% (beginning in 2019)
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of ultimate trend rate	2026 for pre-Medicare eligible 2024 for Medicare eligible
Investment Rate of Return	5.00%, including inflation

\*Initial Medicare claims are set based on scheduled increases through plan year 2019.

## **SUPPLEMENTARY INFORMATION**

## Trussville City Board of Education Supplementary Schedule of Expenditures of Federal Awards

For the year ended September 30, 2020

Description	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Education Passed through				
State Department of Education				
<i>Special Education (IDEA) Cluster</i>				
Special Education Grants to States	84.027	16-9100050, 69, 16-2070060	\$ 793,239	\$ -
Special Education Grants to States	84.027	16-2070190	79,620	-
Special Education Preschool Grants	84.173	16-9100039, 30, 49	10,042	-
<i>Total Special Education (IDEA) Cluster</i>			882,901	-
Career and Technical Education--Basic Grants to States	84.048	23-9100030	26,692	-
Career and Technical Education--Basic Grants to States	84.048	23-9100060	8,555	-
<i>Total CFDA 84.048</i>			35,247	-
Student Support and Academic Enrichment Program	84.424	15-9100180	4,788	-
<b>Total U.S. Department of Education</b>			<b>922,936</b>	<b>-</b>
U.S. Department of the Treasury Passed through				
State Department of Education				
COVID-19- Coronavirus Relief Fund	21.019	25-9100180	29,001	-
COVID-19- Coronavirus Relief Fund	21.019	25-9100170	151,743	-
<i>Total CFDA 21.019</i>			180,744	-
<b>Total U.S. Department of the Treasury</b>			<b>180,744</b>	<b>-</b>
Social Security Administration Passed through				
State Department of Education				
<i>Disability Insurance/SSI Cluster</i>				
Social Security Disability Insurance	96.001	31-9203019, 10	160	-
<i>Total Disability Insurance/SSI Cluster</i>			160	-
<b>Total Social Security Administration</b>			<b>160</b>	<b>-</b>
U.S. Department of Agriculture Passed Through				
State Department of Education				
<i>Child Nutrition Cluster</i>				
National School Lunch Program Commodities Received*	10.555		133,716	-
School Breakfast Program	10.553	28-9100039, 30	31,438	-
National School Lunch Program	10.555	28-9100019, 10	199,610	-
COVID-19- Summer Food Service Program for Children	10.559	28-9120030, 80	214,294	-
<i>Total Child Nutrition Cluster</i>			579,058	-
State Administrative Expenses for Child Nutrition	10.560	28-9100099	6,857	-
<b>Total U.S. Department of Agriculture</b>			<b>585,915</b>	<b>-</b>
<b>Total Federal Funds Passed Through State Department of Education</b>			<b>1,689,755</b>	<b>-</b>
<b>Total Federal Awards</b>			<b>\$ 1,689,755</b>	<b>\$ -</b>

\* Commodities only were received.

## Trussville City Board of Education Notes to Supplementary Schedule of Expenditures of Federal Awards

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

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Trussville City Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Board, it is not intended to and does not represent the financial position of the Board.

### **Note 2: INDIRECT COST RATE**

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended September 30, 2020, the Board did not elect to use this rate.

### **Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES**

The Board did not have any federal loans or loan guarantees outstanding during the year ended September 30, 2020.

### **NOTE 4: SUB-RECIPIENTS**

During the year ended September 30, 2020 the Board had no sub-recipients.

### **Note 5: 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 experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board.

### **Note 6: 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.

**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***

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

To the Members  
Trussville City Board of Education  
Trussville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Trussville City Board of Education (the "Board"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 30, 2021.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **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, LLC

Birmingham, Alabama

June 30, 2021

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

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To the Members  
Trussville City Board of Education  
Trussville, Alabama

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

We have audited the Trussville City Board of Education's (the Board's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2020. 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, 2020.

## 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 a 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.*

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Birmingham, Alabama  
June 30, 2021

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Trussville City Board of Education  
Schedule of Findings and Questioned Costs  
For the year ended September 30, 2020**

**SECTION I—SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(es) identified?  yes  none noted

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(es) identified?  yes  none noted

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)?  yes  none noted

Identification of major federal programs:

Federal CFDA Number	Federal Program or Cluster
84.027, 84.173	Special Education (IDEA) Cluster

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes?  yes  no

**SECTION II—FINANCIAL STATEMENT FINDINGS**

There were no matters to be reported.

**SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no matters to be reported.