

**CITY OF TUSKEGEE, ALABAMA**  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**  
**September 30, 2020**

**CITY OF TUSKEGEE, ALABAMA**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Manager and City Council  
City of Tuskegee, Alabama

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining governmental fund information, and the respective budgetary comparisons for the General Fund and Head Start Fund of the City of Tuskegee, Alabama (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City'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.

### Auditor's 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 of material misstatement.

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

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

### Opinions

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



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3-9, schedule of changes in net pension liability, and schedule of employer contributions on pages 40-41 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 State 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 City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2021 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Birmingham, Alabama  
September 15, 2021

*Bank, Finley White & Co.*

## **CITY OF TUSKEGEE, ALABAMA MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Tuskegee, Alabama's (the "City") management discussion and analysis presents an overview of the City's financial activities for the two fiscal years ended September 30, 2020 and September 30, 2019. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Please read it in conjunction with the City's financial statements beginning on page 10.

### ***Financial Highlights***

The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources at September 30, 2020, by \$4,366,866 (net position) and by \$2,864,799 in 2019. The net investment in capital assets reported a deficit of \$2,194,914 in 2020, compared to \$2,607,126 in 2019. The City had an unrestricted surplus of \$5,506,357 in 2020, compared to \$4,416,502 in 2019.

The City's total net position **increased** by \$1,502,067 during the year ended September 30, 2020.

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

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### ***Government-wide Financial Statements***

The government-wide financial statements, which consist of the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City's assets, and deferred outflows of resources, less liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. It focuses on the gross and net costs of various activities, which are provided by general taxes and other revenues. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes or earned but not used vacation leave).

The governmental activities of the City include general government, public safety, public works, culture and recreation, and education.

## CITY OF TUSKEGEE, ALABAMA MANAGEMENT'S DISCUSSION AND ANALYSIS

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The government-wide financial statements can be found on pages 10-11 of this report.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are classified as governmental funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is similar to the manner in which the budget is developed. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of government-wide financial statements. It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Head Start Fund, and Occupational Tax Fund which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The City adopts an annual appropriated budget for its General Fund. The Head Start Fund budget is prepared by the City and approved by the federal grantor agency. A budgetary comparison statement has been provided for the General Fund and Head Start Fund to demonstrate budgetary compliance.

The basic governmental funds financial statements and the budgetary comparison statements can be found on pages 12-18 of this report.

### ***Notes to the Financial Statements***

The notes 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 can be found on pages 19-39 of this report.

**CITY OF TUSKEGEE, ALABAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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***Government-Wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,366,866 at September 30, 2020, and by \$2,864,799 at September 30, 2019. This is calculated as follows:

**NET POSITION**  
**GOVERNMENTAL ACTIVITIES**  
**September 30, 2020 and 2019**

	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>ASSETS</b>		
Current and other assets	\$ 9,785,325	\$ 9,337,300
Capital assets	<u>6,464,732</u>	<u>6,733,069</u>
Total assets	<u>16,250,057</u>	<u>16,070,369</u>
Total deferred outflows of resources	<u>860,859</u>	<u>1,312,112</u>
<b>LIABILITIES</b>		
Long-term liabilities outstanding	9,485,848	10,050,055
Other liabilities	<u>1,271,084</u>	<u>1,300,413</u>
Total liabilities	<u>10,756,932</u>	<u>11,350,468</u>
Total deferred inflows of resources	<u>1,987,118</u>	<u>2,385,316</u>
<b>NET POSITION</b>		
Net investment in capital assets	(2,194,914)	(2,607,126)
Restricted	1,055,423	1,055,423
Unrestricted	<u>5,506,357</u>	<u>4,416,502</u>
Total net position	<u><u>\$ 4,366,866</u></u>	<u><u>\$ 2,864,799</u></u>

**CITY OF TUSKEGEE, ALABAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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***Governmental Activities***

Governmental activities increased net position by \$1,502,067 and \$1,573,736, in 2020 and 2019, respectively. The following schedule compares the revenue to expenses for the current year to the prior year:

**CHANGES IN NET POSITION**  
**GOVERNMENTAL ACTIVITIES**  
**For the years ended September 30, 2020 and 2019**

	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>REVENUES</b>		
<b>Program revenues:</b>		
Charges for services	\$ 1,857,694	\$ 1,961,958
Operating grants and contributions	4,062,725	3,831,718
Capital grants and contributions	230,114	1,148,520
<b>General revenues:</b>		
Sales taxes	2,801,170	2,495,629
Property taxes	307,372	270,155
Other taxes	3,831,619	3,869,618
Other	<u>236,167</u>	<u>163,030</u>
Total revenues	<u>13,326,861</u>	<u>13,740,628</u>
 <b>EXPENSES</b>		
General government	2,859,572	2,768,706
Public works	1,581,782	2,258,065
Public safety	3,601,291	3,487,809
Culture and recreation	146,707	160,948
Education	3,208,489	3,056,354
Interest on long-term debt	<u>426,953</u>	<u>435,010</u>
Total expenses	<u>11,824,794</u>	<u>12,166,892</u>
 Change in net position	<u>1,502,067</u>	<u>1,573,736</u>
 Net position - beginning	<u>2,864,799</u>	<u>1,291,063</u>
 Net position - ending	<u><u>\$ 4,366,866</u></u>	<u><u>\$ 2,864,799</u></u>

***Financial Analysis of the City's Funds***

This section provides an analysis of the balances and transactions of individual funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



**CITY OF TUSKEGEE, ALABAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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***Governmental Funds***

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, spendable fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2020, the City's governmental funds reported combined ending fund balances of \$2,779,194. Of this amount, \$536,218 was reported as a surplus in the General Fund, \$345,824 was reported as a surplus in Head Start, \$710,028 as a surplus in the Occupational Tax Fund, and a surplus of \$1,187,124 in the combined nonmajor governmental funds.

***General Fund Budgetary Highlights***

Actual General Fund revenues were below budgeted revenues by \$642,458 and General Fund expenditures were below budgeted expenditures by \$76,456.

***Capital Asset and Debt Administration***

The City's investment in capital assets for its governmental activities as of September 30, 2020, amounted to \$6,464,732 and at September 30, 2019, amounted to \$6,733,069 (net of accumulated depreciation).

This investment in capital assets includes land, buildings, improvement, vehicles and equipment, furniture and office equipment, heavy equipment and infrastructure. Capital asset additions for the year ended September 30, 2020, included \$77,836 for vehicles and equipment.

**Capital Assets (Net of Depreciation)**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Land	\$ 702,625	\$ 702,625
Buildings	3,945,838	3,976,872
Improvements	508,406	616,531
Vehicles and equipment	615,708	694,398
Furniture and office equipment	36,664	44,954
Heavy equipment	369,608	402,705
Infrastructure	<u>285,883</u>	<u>294,984</u>
Total	<b><u>\$ 6,464,732</u></b>	<b><u>\$ 6,733,069</u></b>

Additional information on the City's capital assets can be found in Note 7 on page 29.

**CITY OF TUSKEGEE, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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***Long-Term Debt***

At September 30, the City's outstanding debt consisted of the following:

	<u><b>2020</b></u>	<u><b>2019</b></u>
General Obligation Bonds, net	\$ 9,183,323	\$ 9,548,323
Capital Lease Obligations	9,160	38,555
Notes Payable	<u>326,659</u>	<u>400,000</u>
 Total	 <u><u><b>\$ 9,519,142</b></u></u>	 <u><u><b>\$ 9,986,878</b></u></u>

Additional information on the City's long-term debt can be found in Note 9 beginning on page 30.

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

- The general ad valorem tax rate for fiscal year 2020 was 10 mills and remains unchanged for fiscal year 2021.
- The Tuskegee Airmen Museum, although closed for a period of time due to COVID-19, continues to attract visitors and bring in a moderate increase in revenue to the City's economy.
- Exit 38 developments are in process; the main infrastructure of the water and sewer lines has been completed. The full service travel center which includes franchises of Huddle House, Little Caesars Pizza, Krispy Krunchy Chicken and a Greyhound bus terminal were largely affected by COVID-19 on its completion and the opening date is expected soon. A Popeye's Chicken restaurant has also opened for business in the area. According to the Macon County Economic Development Authority Director many retailers continue to express serious interest in locating at this site. With these franchises, a significant increase in sales tax and fuel tax revenue is expected. A family style restaurant and a hotel chain is also expected to locate at this exit in the near future.
- The City's Commerce Park is another site that continues to generate interest. A number of auto industry suppliers are looking into the site for manufacturing or distribution operations and a number of robotic related enterprises.
- Downtown development activity is expected to start soon. This will include repairs and rehabilitation of dilapidated buildings, and beautification efforts. The city continues to work towards becoming an Alabama Main Street Certified City.
- Economic development plans include specific initiatives to increase tourism traffic, revenue and efforts to grow the current population base.

**CITY OF TUSKEGEE, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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- The City received funds from the American Rescue Plan which will allow for premium pay for essential workers and water line upgrades as we prepare to pave some of our streets.
- The City will also receive a \$3,000,000 grant from the U.S. Department of Health and Human Services. This grant allows for partnership with many health-related agencies in our county along with other counties of the Black Belt area of the state. The grant is for the purpose of bringing about awareness of the many health issues that affect the community and also to educate citizens on the need for COVID vaccinations.
- The City received a major set back in losing one of its retail stores, Roses. This is expected to have an impact on tax revenues for the fiscal years 2021 and 2022.
- COVID-19 continues to impact many businesses in the area, although the extent is not currently known at this time.

***Request for Information***

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the City's Finance Director at 101 Fonville Street, Tuskegee, Alabama 36083. Additional information can be found on the City's web site at <http://www.tuskegeealabama.org>.

**CITY OF TUSKEGEE, ALABAMA**  
**STATEMENT OF NET POSITION**  
**September 30, 2020**

**ASSETS**

Cash and cash equivalents	\$ 2,316,803
Receivables	259,882
Due from other governments	574,824
Money market accounts - restricted	519,832
Net pension asset	5,995,872
Other assets	118,112
Land and other nondepreciable assets	702,625
Capital assets, net of depreciation	<u>5,762,107</u>
 Total assets	 <u>16,250,057</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows - pension	847,786
Deferred outflows - contributions subsequent to measurement date	<u>13,073</u>
 Deferred outflows - contributions subsequent to measurement date	 <u>860,859</u>

**LIABILITIES**

Accounts payable	380,604
Accrued payroll and payroll liabilities	299,470
Accrued interest payable	122,135
Due to other governments	3,051
Noncurrent liabilities	
Due within one year:	
Notes payable	76,664
Bonds payable	380,000
Capital lease obligations	9,160
Due in more than one year:	
Notes payable	249,995
Bonds payable	8,803,323
Capital lease obligations	-
Compensated absences	<u>432,530</u>
 Total liabilities	 <u>10,756,932</u>

**DEFERRED INFLOWS OF RESOURCES**

Unearned revenue - property taxes	409,912
Deferred inflows - pension	<u>1,577,206</u>
 Total deferred inflows of resources	 <u>1,987,118</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	(2,194,914)
Restricted for:	
Capital projects	381,528
Debt service	402,966
Special projects	270,929
Unrestricted	<u>5,506,357</u>
 Total net position (deficit)	 <u>\$ 4,366,866</u>

**CITY OF TUSKEGEE, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2020**

Functions/Programs	Expenses	Program	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities:</b>			
General government	\$ 2,859,572	\$ 702,481	\$ 195,305
Public works	1,581,782	1,129,693	111,351
Public safety	3,601,291	6,794	310,102
Culture and recreation	146,707	18,726	-
Education	3,208,489	-	3,445,967
Interest	<u>426,953</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 11,824,794</u>	<u>\$ 1,857,694</u>	<u>\$ 4,062,725</u>

**General Revenues**

Taxes:

Sales taxes

Property taxes

Gasoline taxes

Other taxes

Miscellaneous

Investment earnings

Total general revenues

Change in net position

Net position - beginning, as restated

Net position - ending

<b>Revenues</b>		
<b>Capital Grants and Contributions</b>		<b>Net (Expenses) Revenues and Expenses in Net Position</b>
\$ 230,114		\$ (1,731,672)
-		(340,738)
-		(3,284,395)
-		(127,981)
-		237,478
-		(426,953)
<u>\$ 230,114</u>		<u>(5,674,261)</u>

2,801,170  
 307,372  
 266,735  
 3,564,884  
 232,326  
3,841  
7,176,328  
1,502,067  
2,864,799  
\$ 4,366,866

**CITY OF TUSKEGEE, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2020**

	<b>General Fund</b>	<b>Head Start</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 648,753	\$ 268,861
Receivables	180,416	-
Due from other governments	574,824	78,085
Due from other funds	17,178	-
Other assets	118,112	-
Money market accounts - restricted	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,539,283</u>	<u>\$ 346,946</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 377,582	\$ -
Accrued payroll and payroll liabilities	298,348	1,122
Due to other funds	-	-
Due to other governments	<u>-</u>	<u>-</u>
Total liabilities	<u>675,930</u>	<u>1,122</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	<u>327,135</u>	<u>-</u>
Total deferred inflows of resources	<u>327,135</u>	<u>-</u>
<b>FUND BALANCES</b>		
Restricted	-	345,824
Unassigned	<u>536,218</u>	<u>-</u>
Total fund balances	<u>536,218</u>	<u>345,824</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,539,283</u>	<u>\$ 346,946</u>

<b>Occupational Tax</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 708,648	\$ 599,053	\$ 2,225,315
1,380	-	181,796
-	-	652,909
-	-	17,178
-	-	118,112
-	611,320	611,320
<u>710,028</u>	<u>1,210,373</u>	<u>3,806,630</u>
\$ -	\$ 3,020	\$ 380,602
-	-	299,470
-	17,178	17,178
-	3,051	3,051
<u>-</u>	<u>23,249</u>	<u>700,301</u>
<u>-</u>	<u>-</u>	<u>327,135</u>
<u>-</u>	<u>-</u>	<u>327,135</u>
-	1,187,124	1,532,948
710,028	-	1,246,246
<u>710,028</u>	<u>1,187,124</u>	<u>2,779,194</u>
<u>710,028</u>	<u>1,210,373</u>	<u>3,806,630</u>



**CITY OF TUSKEGEE, ALABAMA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**September 30, 2020**

Amounts reported for governmental activities in the statement of net position (page 10) are different because:

Total fund balances - governmental funds (page 12)	\$ 2,779,194
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	6,464,732
Employer contributions to the defined benefit pension plan are recorded as expenditures in governmental funds when paid. Net employer contributions in excess of the actuarially determined total pension liability are reported as an asset in the Statement of Net Pension.	5,995,872
Deferred inflows and outflows related to pension represent an acquisition or consumption of net position, respectively, that applies to a future period and therefore are not reported as liabilities or assets in the governmental funds.	(716,347)
Unearned revenue are not available to pay current expenditures and therefore not reported in the governmental funds.	(82,778)
Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(10,073,807)</u>
Net position-governmental activities (page 10)	<u><u>\$ 4,366,866</u></u>

**CITY OF TUSKEGEE, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2020**

	<b>General Fund</b>	<b>Head Start</b>
<b>REVENUES</b>		
Taxes	\$ 4,169,418	\$ -
Licenses and permits	545,935	-
Intergovernmental	352,675	2,995,031
Charges for services	1,172,925	-
Fines and forfeitures	128,624	-
Interest	398	107
Donated services and space	-	450,936
Miscellaneous	<u>247,519</u>	<u>5,493</u>
Total revenues	<u>6,617,494</u>	<u>3,451,567</u>
<b>EXPENDITURES</b>		
Current:		
General government	2,828,424	-
Public works	1,398,843	-
Public safety	3,648,821	-
Culture and recreation	146,821	-
Education	-	3,195,312
Capital outlay	-	-
Debt service:		
Principal	102,425	-
Interest	<u>17,631</u>	<u>-</u>
Total expenditures	<u>8,142,965</u>	<u>3,195,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,525,471)</u>	<u>256,255</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	2,262,613	-
Transfers out	<u>(680,744)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,581,869</u>	<u>-</u>
Net change in fund balances	56,398	256,255
Fund balances - beginning	<u>479,816</u>	<u>89,569</u>
Fund balances - ending	<u><u>\$ 536,214</u></u>	<u><u>\$ 345,824</u></u>

<b>Occupational Tax</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,585,097	\$ 185,645	\$ 6,940,160
-	449,515	995,450
-	4,963	3,352,669
-	-	1,172,925
-	-	128,624
-	1,199	1,704
-	-	450,936
<u>(135)</u>	<u>29,377</u>	<u>282,254</u>
<u>2,584,962</u>	<u>670,699</u>	<u>13,324,722</u>
83	48,943	2,877,450
-	277,440	1,676,283
-	15,716	3,664,537
-	-	146,821
-	-	3,195,312
-	3,400	3,400
-	365,000	467,425
<u>-</u>	<u>409,632</u>	<u>427,263</u>
<u>83</u>	<u>1,120,131</u>	<u>12,458,491</u>
<u>2,584,879</u>	<u>(449,432)</u>	<u>866,231</u>
-	674,101	2,936,714
<u>(2,251,237)</u>	<u>(4,733)</u>	<u>(2,936,714)</u>
<u>(2,251,237)</u>	<u>669,368</u>	<u>-</u>
333,642	219,936	866,231
<u>376,389</u>	<u>965,050</u>	<u>1,910,824</u>
<u>\$ 710,031</u>	<u>\$ 1,184,986</u>	<u>\$ 2,777,055</u>

**CITY OF TUSKEGEE, ALABAMA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2020**

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ 866,231
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	(268,337)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. These amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	467,736
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Certain items reported as expenditures in governmental funds are allocable to future accounting periods and therefore are not reported as expenses in the Statement of Activities. These items include:	
Current year decrease in pension expense	336,914

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	99,523
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Change in net position of governmental activities (page 11)	<u>\$ 1,502,067</u>
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**CITY OF TUSKEGEE, ALABAMA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the year ended September 30, 2020**

	<b>Budget Amounts</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Taxes	\$ 3,829,586	\$ 3,829,586	\$ 4,169,418	\$ 339,832
Licenses and permits	605,000	605,000	545,935	(59,065)
Intergovernmental	69,900	69,900	352,675	282,775
Charges for services	1,125,600	1,125,600	1,172,925	47,325
Fines and forfeitures	200,000	200,000	128,624	(71,376)
Interest	-	-	398	398
Miscellaneous	<u>144,950</u>	<u>144,950</u>	<u>247,519</u>	<u>102,569</u>
Total revenues	<u>5,975,036</u>	<u>5,975,036</u>	<u>6,617,494</u>	<u>642,458</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,030,757	3,030,757	2,847,236	183,521
Public works	1,708,036	1,708,036	1,398,843	309,193
Public safety	3,567,118	3,567,118	3,929,725	(362,607)
Culture and recreation	213,226	213,226	146,821	66,405
Debt service:				
Principal	-	-	102,425	(102,425)
Interest	<u>-</u>	<u>-</u>	<u>17,631</u>	<u>(17,631)</u>
Total expenditures	8,519,137	8,519,137	8,442,681	76,456
Excess revenues under expenditures	(2,544,101)	(2,544,101)	(1,825,187)	4,703
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,944,000	2,944,000	2,262,613	(175,000)
Transfers out	<u>(794,332)</u>	<u>(794,332)</u>	<u>(680,744)</u>	<u>(113,588)</u>
Total other financing sources (uses)	<u>2,149,668</u>	<u>2,149,668</u>	<u>1,581,869</u>	<u>(853,442)</u>
Net change in fund balance	(394,433)	(394,433)	(243,318)	(848,739)
Fund balance - beginning	<u>479,816</u>	<u>479,816</u>	<u>479,816</u>	<u>479,816</u>
Fund balance - ending	<u>\$ 85,383</u>	<u>\$ 85,383</u>	<u>\$ 236,498</u>	<u>\$ (368,923)</u>

**CITY OF TUSKEGEE, ALABAMA**  
**HEAD START**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**(Contract Period November 1, 2019 - October 31, 2020)**  
**For the year ended September 30, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budgetary Basis</b>		<b>Variance With Final Budget- Positive (Negative)</b>
			<b>PY Actual</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>					
Intergovernmental	\$ 2,857,819	\$ 2,857,819	\$ 3,027,871	\$ 2,901,362	\$ 43,543
Interest	-	-	217	278	278
Donated services and space	400,000	400,000	412,028	400,000	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>4,269</u>	<u>5,493</u>	<u>5,493</u>
Total revenues	<u>3,257,819</u>	<u>3,257,819</u>	<u>3,444,385</u>	<u>3,307,133</u>	<u>49,314</u>
<b>EXPENDITURES</b>					
Education					
Personnel	1,749,022	1,749,022	1,487,454	1,749,023	1
Fringe	340,559	340,559	393,315	363,111	22,552
Travel	1,216	1,216	-	1,216	-
Supplies	178,405	178,405	228,330	186,015	7,610
Contractual	39,457	39,457	104,783	34,099	(5,358)
Other	549,160	549,160	789,344	547,279	(1,881)
Grantee's share	<u>400,000</u>	<u>400,000</u>	<u>412,028</u>	<u>400,000</u>	<u>-</u>
Total expenditures	<u>3,257,819</u>	<u>3,257,819</u>	<u>3,415,254</u>	<u>3,280,743</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,131</u>	<u>\$ 26,390</u>	<u>\$ 26,390</u>

**CITY OF TUSKEGEE, ALABAMA**  
**HEAD START**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**(Contract Period November 1, 2018 - October 31, 2019)**  
**For the year ended September 30, 2019**

	Original Budget	Final Budget	Budgetary Basis		Variance With Final Budget- Positive (Negative)
			PY Actual	Actual Amounts	
<b>REVENUES</b>					
Intergovernmental	\$ 2,954,694	\$ 2,954,694	\$ 2,862,899	\$ 3,027,871	\$ 73,177
Interest	-	-	239	217	217
Donated services and space	418,816	418,816	483,558	412,028	(6,788)
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,540</u>	<u>4,269</u>	<u>4,269</u>
Total revenues	<u>3,373,510</u>	<u>3,373,510</u>	<u>3,348,236</u>	<u>3,444,385</u>	<u>70,875</u>
<b>EXPENDITURES</b>					
Education					
Personnel	1,854,509	1,854,509	1,306,796	1,487,454	(367,055)
Fringe	391,050	391,050	326,582	393,315	2,265
Travel	9,250	9,250	-	-	(9,250)
Supplies	114,450	114,450	119,329	228,330	113,880
Contractual	89,123	89,123	86,290	104,783	15,660
Other	496,312	496,312	1,034,192	789,344	293,032
Grantee's share	<u>418,816</u>	<u>418,816</u>	<u>483,558</u>	<u>412,028</u>	<u>(6,788)</u>
Total expenditures	<u>3,373,510</u>	<u>3,373,510</u>	<u>3,356,747</u>	<u>3,415,254</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,511)</u>	<u>\$ 29,131</u>	<u>\$ 29,131</u>

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Tuskegee, Alabama (the “City”), was incorporated in 1843. The City operates under a Council-Manager form of government lead by a four-member Council, a Mayor and an appointed City Manager. The Council-Manager form is the system of local government that combines the political leadership of elected officials in the form of a council and mayor, with the managerial experience of an appointed local government manager. The form establishes a representative system where all power is concentrated in the elected council and where the council hires a professionally trained manager to oversee the delivery of public services.

The City's major operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**Reporting Entity**

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. Because one of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of those elected officials, the definition of the financial reporting entity should be based on accountability.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government.

A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency or component unit if its officials appoint a voting majority of that agency's governing body and 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.

The City has no component units that are required to be reported in these financial statements.



**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Related Organization**

The Utility Board of the City of Tuskegee (UBT) is a related organization to which the City appoints a voting majority of board members, but for which the City has no significant financial accountability. For the year 2020, three (3) of the five (5) board members are elected governing officials of the City (Mayor and 2 Councilors) and the remaining members are elected at large. All transactions with UBT are conducted in the ordinary course of business. Further financial information is available from UBT at P.O. Box 831050, 101 Fonville Street, Tuskegee, AL 36083.

**Basic Financial Statements - Government-Wide Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, library and recreation, public works, and general administrative services are classified as governmental activities. The City does not operate any business-type activities.

In the government-wide statement of net position governmental activities are reported on a full accrual economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions (police, fire, parks, library and recreation, public works, and general administrative services). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police and fire protection, parks and recreation, public works, and general administrative services). Operating grants include operating-specific and discretionary grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs. An administrative service fee is not charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Basic Financial Statements - Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City may electively add funds, as major funds, which either has debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds:

**General Fund** – This is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

**Head Start** – This fund accounts for the activities of the City's Head Start Program.

**Occupational Tax** – This fund accounts for tax revenue generated by a locally imposed tax used to fund debt service and general government operations.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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 when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period (considered to be sixty days).

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Expenditures generally are recorded when a liability is incurred per accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Financial Statement Amounts**

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

The City's investments are limited to money market funds. These investments are reported at amortized cost which approximates fair value.

**Receivables and Due from Other Governments**

The City considers all governmental fund receivables at year end to be collectible and as such, no allowance for doubtful accounts is recorded.

**Inventories**

Purchases of inventories for governmental funds are reported as expenditures in the period purchased. Inventories for governmental funds are not deemed material and are not reported on the balance sheet.

**Interfund Loans and Transfers**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**Restricted Assets**

The assets restricted by bond agreement as shown in the statement of net position are to be used strictly to retire the long-term debt. The assets were accumulated according to the bond indenture of the various issues. It is the City's policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Capital Assets**

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and capital assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The City does not report infrastructure acquired prior to October 1, 1999.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30-50 years
Improvements	15-30 years
Furniture and office equipment	5-15 years
Vehicles and equipment	5-10 years
Heavy equipment	5-10 years
Infrastructure	30-50 years

**Compensated Absences**

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment an employee receives payment of accumulated vacation hours up to certain limits at current wage rates. The liability for compensated absences reported in the government-wide statements consists of unpaid accumulated annual leave balances.

**Long-term Debt**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums, discounts and bond insurance are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts as well as bond issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Deferred Outflows/Inflows of Resources**

In addition to assets the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item reported in this category, deferred outflows related to pensions. The deferred outflow related to pensions is a result of changes in actuarial assumptions and City contributions subsequent to the measurement date that will be recognized as an increase of the net pension asset in subsequent years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. They are deferred inflows related to pension and unearned property taxes. A deferred inflow related to pension results from the net difference between projected and actual earnings on plan investments.

**Net Position/Fund Equity**

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

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

*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 City Council.

Fund equity is reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Restricted* – Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. The City's restricted fund balance primarily includes money market funds restricted for debt service.

*Committed* – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City has no fund balances classified as committed.

*Assigned* – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The City has no fund balances classified as assigned.

*Unassigned* – Fund balances of the General Fund that are not constrained for any particular purpose.

When both restricted and unrestricted resources are available for use it is the City's policy to use restricted resources first, then unrestricted resources as needed to fund specific expenditures.

**Donated Services and Space**

Significant services, materials and facilities are donated to the City's Head Start program by various individuals and organizations. Donated materials, professional services and facilities were recorded at fair market value at the date of donation, and have been included in revenue and expenditures for the year.

**Property Tax Calendar**

In Alabama, City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31st. In accordance with the non-exchange transaction provision of GASB Statement No. 33, taxes levied in fiscal year 2020 for the 2020 budget year have been recorded as a receivable and deferred inflows of resources. Accounts receivable are carried at their estimated collectible amounts. They are periodically evaluated for collectibility based on past credit history.

**Management Estimates and Assumptions**

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

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**New Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning June 15, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The City is evaluating the impact, if any, upon its financial positions, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivatives and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement are effective for reporting periods ending after December 31, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, or later.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between "total fund balance-governmental funds" and "net position-governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this \$6,464,732 are as follows:

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONT'D)**

Land	\$ 702,625
Buildings and improvements	7,755,050
Furniture, equipment and vehicles	4,941,487
Infrastructure	2,643,123
Less:	
Accumulated depreciation - buildings and improvements	(3,300,807)
Accumulated depreciation - furniture, equipment, and vehicle	(3,919,508)
Accumulated depreciation - infrastructure	<u>(2,357,238)</u>
Net adjustment to increase total fund balance-governmental funds to arrive at net position - governmental activities	<u>\$ 6,464,732</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$10,073,807 difference are as follows:

Bonds payable	\$ 9,183,323
Notes payable	326,659
Capital leases	9,160
Accrued interest payable	122,135
Compensated absences	<u>432,530</u>
Net adjustment to reduce total fund balance-governmental funds to arrive at net position - governmental activities	<u>\$10,073,807</u>



**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. An element of that reconciliation states that "the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." The details of this \$467,736 difference are as follows:

Principal repayments:	
Bonds payable	\$ 365,000
Notes payable	71,089
Capital leases	<u>31,647</u>
Net adjustment to reduce total fund balance-governmental funds to arrive at net position - governmental activities	<u>\$467,736</u>

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The City has elected to place its cash and cash equivalents in demand deposits, savings and certificates of deposit accounts. Demand and time deposits are fully insured and collateralized by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement ("SAFE") Program operated by the office of the Treasurer of the State of Alabama as authorized by Section 41-14A of the *Code of Alabama 1975*, as amended. The City maintains deposits only with "Qualified Public Depositories" as defined by Section 41-14A2 Code of Alabama 1975. In the event of default by a "Qualified Public Depository", public deposits in excess of FDIC insurance limits will be repaid by liquidating collateral pledged to the SAFE Program by the bank in default. The liability for any remaining public deposits will be shared by all other "Qualified Public Depositories" participating in the SAFE Program.

**Money Market Accounts - Restricted**

In accordance with provisions of bond issues, the City maintains money market accounts which are restricted for debt service. Total funds invested in money market accounts at September 30, 2020 are \$611,320.

**Custodial Risk**

The custodial risk for deposits with financial institutions is the risk that in the event of a bank's failure the City's deposits may not be returned to it. Making deposits with Qualified Public Depositories mitigates the City's risk.

The custodial risk for investments is the risk that in the event of the failure of the counterparty to the investment the City will not be able to recover the value of its investments that are in possession of an outside party.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 - RECEIVABLES**

At September 30, 2020, receivables of \$259,882 were comprised primarily funds due from the settlement of franchise fee litigation.

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

Balances due from other governments as of September 30, 2020, are as follows:

	<b><u>General Fund</u></b>
Due from:	
Utility Board of Tuskegee	\$ 63,263
Macon County	373,207
Grantors	<u>138,354</u>
	<u>\$ 574,824</u>

**NOTE 6 – INTERFUND ACTIVITY**

The composition of interfund balances as of September 30, 2020, is as follows:

<b>Due to/from other funds</b>	
<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>
General Fund	Total Other Governmental Funds
	<u>\$ 17,178</u>
Total	<u>\$ 17,178</u>

The outstanding balance between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are generally used to (1) move revenues from the fund with collection authority to the General Fund to meet cash demands necessary to pay operating expenses and (2) to move funds from the General Fund to debt service funds as debt principal and interest payments become due. The composition of interfund transfers at September 30, 2020, is as follows:

<b>Interfund Transfers</b>	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>	<b><u>Net</u></b>
General Fund	\$ 2,262,613	\$ (680,744)	\$ 1,581,869
Occupational Tax Fund	-	(2,251,237)	(2,251,237)
Other Governmental Funds	<u>674,101</u>	<u>(4,733)</u>	<u>669,368</u>
	<u>\$ 2,936,714</u>	<u>\$ (2,936,714)</u>	<u>\$ -</u>

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>10/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2020</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets, not being depreciated:				
Land	\$ 702,625	\$ -	\$ -	\$ 702,625
Capital assets, being depreciated:				
Buildings	\$ 5,461,006	\$ -	\$ -	\$ 5,461,006
Improvements	2,294,044	-	-	2,294,044
Vehicles and equipment	2,873,608	77,836	-	2,951,444
Furniture and office equipment	201,072	-	-	201,072
Heavy equipment	1,788,971	-	-	1,788,971
Infrastructure	2,643,123	-	-	2,643,123
Total capital assets, being depreciated	<u>15,261,824</u>	<u>77,836</u>	<u>-</u>	<u>15,339,660</u>
Less accumulated depreciation for:				
Buildings	1,484,134	31,034	-	1,515,168
Improvements	1,677,513	108,125	-	1,785,638
Vehicles and equipment	2,179,210	156,526	-	2,335,736
Furniture and office equipment	156,118	8,290	-	164,408
Heavy equipment	1,386,266	33,097	-	1,419,363
Infrastructure	2,348,139	9,101	-	2,357,240
Total accumulated depreciation	<u>9,231,380</u>	<u>346,173</u>	<u>-</u>	<u>9,577,553</u>
Total capital assets, being depreciated, net	<u>\$ 6,030,444</u>	<u>\$ (268,337)</u>	<u>\$ -</u>	<u>\$ 5,762,107</u>
Depreciation expense was charged to functions of governmental activities as follows:				
General government				\$ 164,694
Public safety				135,684
Public works				34,827
Education				3,137
Culture and recreation				7,830
Total depreciation expense - governmental activities				<u>\$ 346,172</u>

**NOTE 8 - ACCRUED PAYROLL AND PAYROLL LIABILITIES**

At September 30, 2020, accrued payroll and payroll liabilities are comprise of the following:

Salaries payable	\$ 247,677
Miscellaneous payable	<u>51,793</u>
Total accrued payroll and payroll liabilities	<u>\$ 299,470</u>

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 - LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2020, was as follows:

	<b>Balance 10/1/2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/2020</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General obligation warrants	\$ 9,665,000	\$ -	\$ (365,000)	\$ 9,300,000	\$ 380,000
Bond discounts	(116,677)	-	-	(116,677)	-
Notes payable	400,000	-	(73,341)	326,659	76,664
Capital leases	38,555	-	(29,395)	9,160	9,160
Compensated absences	529,913	168,006	(265,389)	432,530	-
	<u>\$ 10,516,791</u>	<u>\$ 168,006</u>	<u>\$ (733,125)</u>	<u>\$ 9,951,672</u>	<u>\$ 465,824</u>

Debt service requirements on long-term debt at September 30, 2020, is as follows:

	<b>Governmental Activities</b>	
	<b>General Obligation Warrants</b>	
<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 380,000	\$ 397,011
2022	385,000	383,816
2023	505,000	366,838
2024	525,000	345,818
2025-2029	2,775,000	1,572,148
2030-2034	3,125,000	747,007
2035-2037	<u>1,605,000</u>	<u>115,503</u>
	<u>\$ 9,300,000</u>	<u>\$ 3,928,141</u>

**2007 General Obligation Warrants**

On or about February 1, 2007, the City issued \$8,220,000 of General Obligation Warrants Series 2007 bonds. The proceeds were used to retire all outstanding long-term debt of the City and fund certain capital improvements. The warrants mature at various times throughout the life of the bonds and pay interest at rates ranging from 4.00% to 4.70%.

The City has pledged a portion of future occupational tax revenues to repay \$8,220,000 of General Obligation Warrant Series 2007 bonds. The bonds are payable solely from the occupational tax revenues. Occupational tax revenues were projected to produce in excess of 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$9,983,606 payable through January 2037. For the current year, principal and interest paid and total occupational tax revenues were \$473,679 and \$2,585,097, respectively.

**2013 Limited Obligation Gas Tax Warrants**

On or about January 24, 2013, the City issued \$1,185,000 of Limited Obligation Gas Tax Warrants Series 2013 bonds. The proceeds were used to retire the Limited Obligation Gas Tax Warrants Series 2007 bonds and fund certain street improvements. The warrants mature at various times throughout the life of the bonds and pay interest at rates ranging from 1.00% to 2.65%.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 9 - LONG-TERM DEBT (CONT'D)**

The City has pledged a portion of future gas tax revenues to repay \$1,185,000 of Limited Obligation Gas Tax Warrants Series 2013 bonds. The bonds are payable solely from gas tax revenues. Gas tax revenues were projected to produce in excess of 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$788,108 payable through September 2027. For the current year, principal and interest paid and total gas tax revenues were \$97,550 and \$124,926, respectively.

**2013 Tuskegee - UBT Cooperative District Revenue Bonds**

On or about November 27, 2013, the City issued \$2,790,000 of 2013 Tuskegee - UBT Cooperative District Revenue bonds. The proceeds were used to retire a debt owed to the IRS and make certain capital improvements. The warrants mature at various times throughout the life of the bonds and pay interest at rates ranging from 3.00% to 4.40%.

The City has pledged a portion of future special gas tax revenues, special lodging tax revenues and special sales tax revenues to repay \$2,790,000 of bonds. The bonds are payable solely from special gas tax revenues, special lodging tax revenues and special sales tax revenues. These revenues were projected to produce in excess of 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$3,026,738 payable through September 2027. For the current year, principal and interest paid and total special tax revenues were \$200,495 and \$125,451, respectively.

<b>Fiscal Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 76,664	\$ 12,691
2022	80,139	9,217
2023	83,770	5,586
2024	<u>86,086</u>	<u>1,790</u>
	<u>\$ 326,659</u>	<u>\$ 29,284</u>

**Note Payable – Kansas State Bank**

In August 2019, the City entered into an agreement to purchase public works heavy equipment in the amount of \$400,000. Payments are made in monthly installments of \$7,446 with an annual interest rate of 4.481%, maturing August 2024. Note is secured by equipment.

**Capital Lease Obligation – Police Headquarters Building**

In June 2009, the City entered into an agreement to purchase land and building to serve as headquarters for the City's police department in the amount of \$232,000. Payments are made in monthly installments of \$2,500 with an annual interest rate of 6.25%.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 - LONG-TERM DEBT (CONT'D)**

<b>Fiscal Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Capital Lease Obligation</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 9,160	\$ 4,092
	<u>\$ 9,160</u>	<u>\$ 4,092</u>

**Other Long-Term Debt**

Compensated absences are generally liquidated by the City's general fund.

**NOTE 10 – EMPLOYEE RETIREMENT PLAN**

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

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

**General Information about the Pension Plan**

*Plan description.* The Employees' Retirement System of Alabama ("ERS"), an agent multiple-employer plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operating of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama ("RSA"). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS 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).

The ERS Board of Control consists of 13 trustees as follows:

1. The Governor, ex officio
2. The State Treasurer, ex officio
3. The State Personnel Director, ex officio
4. The State Director of Finance, ex officio

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10 – EMPLOYEE RETIREMENT PLAN (CONT'D)**

5. Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head
6. Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county or a public agency each of whom is an active beneficiary of ERS
  - b. Two vested active state employees
  - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, §36-27-6*

*Benefits provided.* State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) 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. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, 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 ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

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 ERS members are eligible for retirement after age 62 (56 for State Police) 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 ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

The ERS services approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10 - EMPLOYEE RETIREMENT PLAN (CONT'D)**

As of the September 30, 2019, measurement date, the City's membership consisted of:

Retirees and beneficiaries currently receiving benefits	104
Vested inactive employees	3
Non-vested inactive employees	35
Active members	<u>134</u>
	<u>276</u>

*Contributions.* Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by a statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS 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 ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the City's active employee contribution rate was 6% of covered employee payroll for normal Tier 1 employees and 7% of covered employee payroll for normal Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2020, was 0.37% of pensionable pay for Tier 1 employees, and 0.37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017. A percent of annual pensionable 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 City were \$13,073, for the year ended September 30, 2020.



**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - EMPLOYEE RETIREMENT PLAN (CONT'D)**

**Net Pension Liability (Asset)**

The City's net pension asset was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>TPL Roll-Forward</u>	
		<u>Actual</u>	<u>Actual</u>
Total Pension Liability			
As of September 30, 2018 (a)	\$19,960,707	\$19,549,921	\$19,832,105
Discount rate (b)	7.70%	7.70%	7.70%
Entry Age Normal Cost for			
October 1, 2018 - September 30, 2019 (c)	411,323	411,323	378,629
Transfers Among Employers: (d)	-	(50,067)	(175,151)
Actual Benefit Payments and Refunds for			
October 1, 2018 - September 30, 2019 (e)	<u>(1,580,543)</u>	<u>(1,580,543)</u>	<u>(1,542,559)</u>
Total Pension Liability - As of September 30, 2019			
[(a) x (1 + (b))] + (c) + (d) + [(e) x (+0.5*(b))] (f)	<u>\$20,267,611</u>	<u>\$19,775,127</u>	<u>\$19,960,707</u>
Difference between Expected and Actual (g)		(492,484)	
Less Liability Transferred for Immediate Recognition: (h)		(50,067)	
Experience (Gain)/Loss= (g)-(h)		\$ (442,417)	

*Actuarial assumptions.* The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

\* Net of pension plan investment expense.

Mortality rates for ERS were based on the RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS 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.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - EMPLOYEE RETIREMENT PLAN (CONT'D)**

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:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed income	17.00%	4.40%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%

\*Includes assumed rate of inflation of 2.50%.

*Discount rate.* The discount rate used to measure the total pension liability was the long-term rate of return, 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 in accordance with the funding policy adopted by the ERS Board of Control. 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.

	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	<u>Pension</u>	<u>Fiduciary</u>	<u>Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
<b>Balances at 9/30/2017</b>	<u>\$ 20,972,067</u>	<u>\$ 25,507,769</u>	<u>\$ (4,535,702)</u>
Changes for the year:			
Service cost	375,342	-	375,342
Interest	1,565,561	-	1,565,561
Changes of assumptions	98,965	-	98,965
Difference between expected and actual experience	(1,333,518)	-	(1,333,518)
Contributions-employer	-	-	-
Contributions-employee	-	264,999	(264,999)
Net investment income	-	2,293,450	(2,293,450)
Benefit payments, including refunds of employee contributions	(1,542,559)	(1,542,559)	-
Administrative expense	-	-	-
Transfers Among Employers	(175,151)	(175,151)	-
Net changes	(1,011,360)	840,739	(1,852,099)
<b>Balances at 9/30/2018</b>	<u>\$ 19,960,707</u>	<u>\$ 26,348,508</u>	<u>\$ (6,387,801)</u>

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - EMPLOYEE RETIREMENT PLAN (CONT'D)**

*Sensitivity of the net pension liability to changes in the discount rate.* The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City'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:

	<u>1% Decrease (6.70%)</u>	<u>Current Rate (7.70%)</u>	<u>1% Increase (8.70%)</u>
City's net pension liability (asset)	<u>\$(3,900,767)</u>	<u>\$(5,995,872)</u>	<u>\$(7,778,497)</u>

*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. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated August 27, 2020, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2020, the City recognized pension income of \$336,914. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 285,767	\$ 1,577,206
Changes of assumptions	287,794	-
Net difference between projected and actual earnings on pension plan investments	274,225	-
Employer contributions subsequent to the measurement date	<u>13,073</u>	<u>-</u>
Total	<u>\$ 860,859</u>	<u>\$ 1,577,206</u>

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10 - EMPLOYEE RETIREMENT PLAN (CONT'D)**

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
2021	\$ 609,235	\$ 840,352
2022	476,076	745,733
2023	281,459	488,858
2024	276,250	244,202
2025	<u>-</u>	<u>40,222</u>
Total	<b><u>\$ 1,643,020</u></b>	<b><u>\$2,359,367</u></b>

**NOTE 11 - RISK MANAGEMENT AND LITIGATION**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from insurance companies effectively transferring any risk of loss above the City's deductible of \$25,000. The City is a defendant in several litigations and claims arising in the ordinary course of operations. In the opinion of legal counsel the range of potential recoveries or liabilities in excess of insurance coverage if any, is not reasonably determinable. No accruals for loss contingency have been made in the financial statements.

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

**NOTE 12 - SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 15, 2021, which is the date the financial statements were available to be issued.

**CITY OF TUSKEGEE, ALABAMA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**Last 6 Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>						
Service cost	\$ 411,323	\$ 375,342	\$ 385,994	\$ 459,591	\$ 406,304	\$ 352,012
Interest on total pension liability	1,476,124	1,565,561	1,549,781	1,472,758	1,358,615	1,315,276
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(442,417)	(1,333,518)	(724,195)	497,047	977,839	-
Changes of assumptions	-	98,965	-	670,665	-	-
Benefit payments, including refunds of employee contributions	(1,580,543)	(1,542,559)	(1,500,066)	(1,350,733)	(1,281,202)	(969,892)
Transfers among employers	<u>(50,067)</u>	<u>(175,151)</u>	<u>513,347</u>	<u>(86,964)</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	(185,580)	(1,011,360)	224,861	1,662,364	1,461,556	697,396
Total pension liability - beginning	<u>19,960,707</u>	<u>20,972,067</u>	<u>20,747,206</u>	<u>19,084,842</u>	<u>17,623,286</u>	<u>16,925,890</u>
Total pension liability - ending (a)	<u>\$ 19,775,127</u>	<u>\$ 19,960,707</u>	<u>\$ 20,972,067</u>	<u>\$ 20,747,206</u>	<u>\$ 19,084,842</u>	<u>\$ 17,623,286</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 60,163	\$ -	\$ -	\$ 47,837	\$ 11	\$ -
Contributions - member	332,256	264,999	242,777	283,968	293,762	259,690
Net investment income	660,682	2,293,450	2,937,533	2,205,995	264,671	2,469,531
Benefit payments, including refunds of employee contributions	(1,580,543)	(1,542,559)	(1,500,066)	(1,350,733)	(1,281,202)	(969,892)
Transfers among employers	<u>(50,067)</u>	<u>(175,151)</u>	<u>513,347</u>	<u>(86,964)</u>	<u>267,821</u>	<u>(54,574)</u>
Net change in plan fiduciary net position	(577,509)	840,739	2,193,591	1,100,103	(454,937)	1,704,755
Plan net position - beginning	<u>26,348,508</u>	<u>25,507,769</u>	<u>23,314,178</u>	<u>22,214,075</u>	<u>22,669,012</u>	<u>20,964,257</u>
Plan net position - ending (b)	<u>\$ 25,770,999</u>	<u>\$ 26,348,508</u>	<u>\$ 25,507,769</u>	<u>\$ 23,314,178</u>	<u>\$ 22,214,075</u>	<u>\$ 22,669,012</u>
<b>Net Pension Liability (Asset)</b>						
Net pension liability (asset) - ending (a) - (b)	\$ (5,995,872)	\$ (6,387,801)	\$ (4,535,702)	\$ (2,566,972)	\$ (3,129,233)	\$ (5,045,726)
Plan fiduciary net position as a percentage of the total pension liability	130.32%	132%	121.63%	112.37%	116.40%	128.63%
Covered-employee payroll*	5,802,077	5,825,984	5,400,055	5,482,274	\$ 5,482,274	\$ 5,988,077
Net pension liability (asset) as a percentage of covered-employee payroll	(103.3)%	(109.64)%	(83.99)%	(46.82)%	(57.08)%	(84.26)%

\*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2019, the measurement period is October 1, 2018 - September 2019.

**CITY OF TUSKEGEE, ALABAMA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Last 6 Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution*	<u>13,073</u>	<u>51,005</u>	<u>12,386</u>	<u>11,394</u>	<u>43,046</u>	<u>15,977</u>
Contribution deficiency (excess)	<u>\$ (13,073)</u>	<u>\$ (51,005)</u>	<u>\$ (12,386)</u>	<u>\$ (11,394)</u>	<u>\$ (43,046)</u>	<u>\$ (15,977)</u>
Covered-employee payroll**	\$ 4,003,018	\$ 5,802,077	\$ 5,825,984	\$ 5,400,055	\$ 5,617,912	\$ 6,284,359
Contributions as a percentage of covered-employee payroll	.30%	.88%	.21%	.21%	.77%	.25%

\*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

\*\*Employer's covered payroll for FY 2020 is the total payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.9 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

## **NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds** include operating funds which are restricted as to use by federal or state governments and special purpose funds established by authority of the City Council.

**Local Law Enforcement Block Grant** accounts for activities associated with grant funds from the federal government to assist with the funding of specific needs of local law enforcement.

**\$0.04 and \$0.05 State Gas Tax** accounts for proceeds from a local gasoline tax. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges, and streets.

**\$0.07 Gas Tax** accounts for proceeds from a state gasoline tax. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges, and streets.

**Senior Citizen** accounts for programs providing services primarily to senior citizens.

**Debt Service Funds** are established to account for activity specifically related to the retirement of outstanding long-term debt. The City has the following bond issues accounted for in the following funds:

**2013 Tuskegee – UBT Cooperative Clearing Fund and 2013 Tuskegee – UBT Cooperative District Bond Fund**

**2013 Gas Tax Warrants Debt Service**

**2007 G.O. Warrants Debt Service**

**Capital Project Funds** account for the acquisition and construction of major capital facilities, equipment and vehicles.

**City Airport Project** accounts for grant revenue and expenditures related to improvements at Moton Field.

**CDBG Project LR-SF-SP 01-008 and CDBG Project LR-CM-CP 11-015** account for grant revenue and expenditures related to community revitalization and infrastructure improvements.

**Special Projects** accounts for various capital projects undertaken at the discretion of City management.

**2007 G.O. Warrants Improvements** accounts for revenue and expenditures related to capital improvements funded by the 2007 G.O. Warrants.

**2013 Tuskegee – UBT Cooperative Reserve Fund** accounts for revenue and expenditures related to capital improvements funded by the 2013 Tuskegee – UBT Cooperative District Bond.

**Exit 38** accounts for revenues and expenditures related to capital improvements for the Exit 38 construction project.

**CITY OF TUSKEGEE, ALABAMA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2020**

			<b>Special Revenue</b>
	<b>Local Law Enforcement Block Grant</b>	<b>\$0.04 &amp; \$0.05 State Gas Tax</b>	<b>\$0.07 Gas Tax</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,810	\$ 140,979	\$ 97,868
Money market accounts - restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 9,810</u></u>	<u><u>\$ 140,979</u></u>	<u><u>\$ 97,868</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance:</b>			
Restricted	<u>9,810</u>	<u>140,979</u>	<u>97,868</u>
Total fund balance (deficit)	<u>9,810</u>	<u>140,979</u>	<u>97,868</u>
Total liabilities and fund balance (deficit)	<u><u>\$ 9,810</u></u>	<u><u>\$ 140,979</u></u>	<u><u>\$ 97,868</u></u>



<b>Funds</b>	<b>Debt Service</b>			
	<b>2013 Tuskegee UBT Cooperative Clearing Fund</b>	<b>2013 Tuskegee UBT Cooperative District Bond Fund</b>	<b>2013 Gas Tax Warrants</b>	<b>2007 G.O. Warrants Debt Service</b>
<b>Senior Citizen</b>				
\$ 2,309	\$ -	\$ 495	\$ -	\$ -
-	-	128,745	69,759	207,434
<u>\$ 2,309</u>	<u>\$ -</u>	<u>\$ 129,240</u>	<u>\$ 69,759</u>	<u>\$ 207,434</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
3,051	-	-	-	-
<u>3,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(742)	-	129,240	69,759	207,434
(742)	-	129,240	69,759	207,434
<u>\$ 2,309</u>	<u>\$ -</u>	<u>\$ 129,240</u>	<u>\$ 69,759</u>	<u>\$ 207,434</u>

**CITY OF TUSKEGEE, ALABAMA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (CONT'D)**  
**September 30, 2020**

	<b>Capital Projects</b>		
	<b>City Airport Project</b>	<b>CDBG Project LRSFPF 01008</b>	<b>Special Projects</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 47,770	\$ 19,552	\$ 213,938
Money market accounts - restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 47,770</u></u>	<u><u>\$ 19,552</u></u>	<u><u>\$ 213,938</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,020	\$ -	\$ -
Due to other funds	-	17,178	-
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,020</u>	<u>17,178</u>	<u>-</u>
<b>Fund Balance (Deficit):</b>			
Restricted	<u>44,750</u>	<u>2,374</u>	<u>213,938</u>
Total fund balance (deficit)	<u>44,750</u>	<u>2,374</u>	<u>213,938</u>
Total liabilities and fund balance (deficit)	<u><u>\$ 47,770</u></u>	<u><u>\$ 19,552</u></u>	<u><u>\$ 213,938</u></u>

<b>Funds</b>				<b>Total Nonmajor Governmental Funds</b>
<b>CDBG Project LRCMCP 11015</b>	<b>2007 G.O. Warrant Improvements</b>	<b>2013 Tuskegee UBT Cooperative Reserve Fund</b>	<b>Exit 38</b>	
\$ -	\$ 25	\$ -	\$ 66,307	\$ 599,053
-	-	205,382	-	611,320
<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 205,382</u>	<u>\$ 66,307</u>	<u>\$ 1,210,373</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,020
-	-	-	-	17,178
-	-	-	-	3,051
-	-	-	-	23,249
-	25	205,382	66,307	1,187,124
-	25	205,382	66,307	1,187,124
<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 205,382</u>	<u>\$ 66,307</u>	<u>\$ 1,210,373</u>

**CITY OF TUSKEGEE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2020**

	<b>Special Revenue</b>		
	<b>Local Law Enforcement Block Grant</b>	<b>\$0.04 &amp; \$0.05 State Gas Tax</b>	<b>\$0.07 Gas Tax</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ 61,698	\$ 21,166
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest	-	148	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>61,846</u>	<u>21,166</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Public works	-	-	-
Public safety	15,716	-	-
Capital outlay	-	-	-
Debt service:			
Principle	-	-	-
Interest	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>15,716</u>	<u>-</u>	<u>-</u>
Excess revenues over (under) expenditures	<u>(15,716)</u>	<u>61,846</u>	<u>21,166</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(15,716)	61,846	21,166
Fund balance (deficit) - beginning	<u>25,526</u>	<u>79,133</u>	<u>76,702</u>
Fund balance (deficit) - ending	<u>\$ 9,810</u>	<u>\$ 140,979</u>	<u>\$ 97,868</u>

<b>Funds</b>	<b>Special Revenue</b>			
	<b>2013 Tuskegee UBT Cooperative Clearing Fund</b>	<b>2013 Tuskegee UBT Cooperative District Bond Fund</b>	<b>2013 Gas Tax Warrants</b>	<b>2007 G.O. Warrants Debt Service</b>
<b>Senior Citizens</b>				
\$ -	\$ -	\$ -	\$ 102,781	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	526	412	1,200
<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7</u>	<u>-</u>	<u>526</u>	<u>103,193</u>	<u>1,200</u>
(54)	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	115,000	85,000	165,000
<u>-</u>	<u>-</u>	<u>87,120</u>	<u>15,983</u>	<u>306,529</u>
<u>(54)</u>	<u>-</u>	<u>202,120</u>	<u>100,983</u>	<u>471,529</u>
<u>61</u>	<u>-</u>	<u>(201,594)</u>	<u>2,210</u>	<u>(470,329)</u>
-	-	199,380	-	474,721
<u>-</u>	<u>-</u>	<u>-</u>	<u>(920)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>199,380</u>	<u>(920)</u>	<u>474,721</u>
61	-	(2,214)	1,290	4,392
<u>(803)</u>	<u>-</u>	<u>131,454</u>	<u>68,469</u>	<u>203,042</u>
<u>\$ (742)</u>	<u>\$ -</u>	<u>\$ 129,240</u>	<u>\$ 69,759</u>	<u>\$ 207,434</u>

**CITY OF TUSKEGEE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONT'D)**  
**For the year ended September 30, 2020**

	<b>Capital Projects</b>		
	<b>City Airport Project</b>	<b>CDBG Project LRSFPF 01008</b>	<b>Special Projects</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	118,583	58,018	96,887
Charges for services	4,963	-	-
Interest	-	-	-
Miscellaneous	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>123,546</u>	<u>58,018</u>	<u>96,887</u>
<b>EXPENDITURES</b>			
Current:			
General government	48,997	-	-
Public works	76,967	58,018	-
Public safety	-	-	-
Capital outlay	3,400	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>129,364</u>	<u>58,018</u>	<u>-</u>
Excess revenues over (under) expenditures	<u>(5,818)</u>	<u>-</u>	<u>96,887</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,818)	-	96,887
Fund balance (deficit) - beginning	<u>50,568</u>	<u>2,374</u>	<u>117,051</u>
Fund balance (deficit) - ending	<u>\$ 44,750</u>	<u>\$ 2,374</u>	<u>\$ 213,938</u>

Funds				Total
CDBG Project LRCMCP 11015	2007 G.O. Warrant Improvements	2013 Tuskegee UBT Cooperative Reserve Fund	Exit 38	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 185,645
-	-	-	176,027	449,515
-	-	-	-	4,963
-	-	1,051	-	1,199
-	-	-	29,370	29,377
-	-	1,051	205,397	670,699
-	-	-	-	48,943
-	-	-	142,455	277,440
-	-	-	-	15,716
-	-	-	-	3,400
-	-	-	-	365,000
-	-	-	-	409,632
-	-	-	142,455	1,120,131
-	-	1,051	62,942	(449,432)
-	-	-	-	674,101
-	-	(3,813)	-	(4,733)
-	-	(3,813)	-	669,368
-	-	(2,762)	62,942	219,936
-	25	208,144	3,365	965,050
\$ -	\$ 25	\$ 205,382	\$ 66,307	\$ 1,184,986

**INDEPENDENT AUDITOR'S 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***

Honorable Mayor, City Manager and City Council  
City of Tuskegee, 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 governmental fund information of the City of Tuskegee, Alabama (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 15, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs are items 2020-001 that we consider to be material weaknesses.





### **Compliance and Other Matters**

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

### **City of Tuskegee's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Birmingham, Alabama  
September 15, 2021

*Banks, Finley White & Co.*

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

Honorable Mayor, City Manager and City Council  
City of Tuskegee, Alabama

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

We have audited the City of Tuskegee, Alabama's (the "City") 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 City's major federal programs for the year ended September 30, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City'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 City'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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City 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 City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 City's internal control over compliance.

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

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

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

Birmingham, Alabama  
September 15, 2021

*Bank, Finley White & Co.*

**CITY OF TUSKEGEE, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2020**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA No.</b>	<b>Pass-Through Grantor's No.</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Direct program:			
Head Start	93.600	04CH011-040-01	\$ 423,418
Head Start	93.600	04CH011-040-01	2,195,843
Head Start	93.600	04CH4681-05-05	<u>13,872</u>
Total U.S. Department of Health and Human Services			<u>2,633,133</u>
<b>U.S. Department of Agriculture</b>			
Passed-through Alabama Department of Education:			
Child and Adult Care Food Program	10.558	N/A	<u>123,487</u>
Total U.S. Department of Agriculture			<u>123,487</u>
<b>U.S. Department of the Treasury</b>			
Passed-through Alabama Department of Finance:			
Coronavirus Relief Fund	21.019	N/A	<u>278,059</u>
Total U.S. Department of the Treasury			<u>278,059</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed-through Alabama Department of Economic and Community Affairs			
Community Development Block Grant	14.218	LR-CM-PF-11-116	<u>58,018</u>
Total U.S. Department of Housing and Urban Development			<u>58,018</u>
<b>U.S. Department of Transportation</b>			
Passed-through Alabama Department of Transportation:			
Airport Improvement Program	20.106	019-2017	<u>156,512</u>
Total U.S. Department of Transportation			<u>156,512</u>
<b>Social Security Administration</b>			
Passed-through Alabama Department of Early Childhood Education:			
Social Security-Disability Insurance	96.001	N/A	<u>179,327</u>
Total Expenditures of Federal Awards			<u>\$ 3,305,049</u>

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2020. The information in the 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). The SEFA presents only a selected portion of the operations of the City; therefore, it is not intended to and does not present the financial position, changes in net assets or cash flows where applicable of the City.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The modified accrual basis of accounting is followed in the SEFA. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually recognized based upon the expenditures recorded and are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

Expenditures reported in the SEFA are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – INDIRECT COST RATE**

The City has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**CITY OF TUSKEGEE, ALABAMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**NOTE 4 – CONTINGENCIES**

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2020, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**NOTE 5 – FEDERAL PASS-THROUGH FUNDS**

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

**NOTE 6 – NONCASH ASSISTANCE**

The City did not receive any federal noncash assistance for the fiscal year ending September 30, 2020.

**CITY OF TUSKEGEE, ALABAMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2020**

***Section I--Summary of Auditor's Results***

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?        Yes   X   No

Identification of major programs:

<b><u>CFDA Numbers</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
93.600	Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u>      </u> Yes <u>  X  </u> No

**CITY OF TUSKEGEE, ALABAMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2020**

***Section II – Financial Statements Findings***

**2020-001 - Capital Asset Management**

<b>Condition:</b>	The City did not properly track its capital assets.
<b>Criteria:</b>	The City's management is responsible for safeguarding all of its assets, including capital assets. An effective system of internal controls over capital assets should be designed to ensure that records accurately reflect capital assets currently in use. Capital asset acquisitions derived from intergovernmental funding sources may also have requirements to properly maintain adequate records.
<b>Cause:</b>	The City does not properly utilize its asset management system to adequately track its capital assets. During our audit, we found that there were several capital assets such as vehicles that were disposed of, but were never removed from the capital asset inventory.
<b>Effect:</b>	Capital assets no longer possessed by the City, yet continue to remain as part of its inventory could cause the City's assets to be overstated. Conversely, capital assets acquired by the City, yet not added to its inventory could cause an understatement of its assets.
<b>Recommendation:</b>	We recommend that the City begin by conducting a physical inventory of its capital assets and adjust its records to properly reflect capital assets in its possession. We also recommend that the City implement policies and procedures to ensure that capital asset acquisitions are included in the capital asset detailed ledger and that departments notify the Finance Department when capital assets have been disposed of so that they may be removed from the City's records.
<b>City's Response:</b>	The City will establish procedures and controls to ensure capital assets are properly recorded in the general ledger and that equipment items are easily identified and tracked in the Fixed Asset Module.

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

No findings in the current year.



**CITY OF TUSKEGEE, ALABAMA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the year ended September 30, 2020**

**2019-001**

**Reconciliation of Interfund Activity**

**Condition:** This was a significant deficiency stating that internal controls were insufficient to ensure that activity between the City's funds were accurately recorded during the year.

**Recommendation:** The auditor recommended that the City should 1) ensure that staff preparing and reviewing journal entries make them properly, and 2) implement controls that ensure that interfund activity is accurately reported across each impacted fund.

**Current status:** No similar finding was noted as of and for the year ended September 30, 2020. No similar finding was .

**2019-002**

**Capital Asset Management**

**Condition:** This was a significant deficiency stating that the City did not adequately track its capital assets.

**Recommendation:** The auditors recommended that the City conduct a physical inventory and adjust its records to properly reflect capital assets.

**Current Status:** This finding was not resolved for the year ended September 30, 2020. See current year finding 2020-001.