

**TMSA, Incorporated**

Financial Statements  
and  
Independent Auditors' Report

June 30, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
TMSA, Incorporated

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of TMSA, Incorporated ("the School"), a Georgia not-for-profit organization and component unit of the Fulton County Board of Education, as of and for the year ended June 30, 2020 and the related notes to financial statements, which collectively comprise the School'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of TMSA, Incorporated as of June 30, 2020, and the respective changes in financial position for the fiscal year then ended in conformity 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, analysis and the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, and schedule of proportionate share of the net pension liability 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Atlanta, Georgia  
September 24, 2020

TMSA, INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
June 30, 2020

The Board of Directors of TMSA, Incorporated ("the School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

**Financial Highlights**

- At the close of the current fiscal year, the School reports an ending fund balance of \$4,549,473. The general fund balance increased \$1,195,768 from the previous year end general fund balance and is presented as the result of the net change in funds balance for the year ended June 30, 2020.
- The School's cash balance as of June 30, 2020 was \$4,708,452 representing an increase of \$1,107,928 from June 30, 2019.

**Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise three components: a) government-wide financial statements, b) fund financial statements, and c) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two 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 School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows.

(continued)

TMSA, INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
June 30, 2020

Overview of the Financial Statements (continued)

**Government-Wide Financial Statements** (continued)

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exception instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Fulton County Board of Education ("the School System"). The School System includes the operations of the School in their operational results.

**Fund Financial Statements**

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

**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 inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances. The general fund and debt service fund are considered to be major funds.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found as required supplementary information to the basic financial statements.

(continued)

TMSA, INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
June 30, 2020

**Notes to 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.

**Government-Wide Financial Statement Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows exceeded liabilities and deferred inflows by \$92,363 as of June 30, 2020.

Total Assets and Deferred Outflows	\$ 10,662,249
Total Liabilities and Deferred Inflows	10,538,396
Total Net Position	\$ 123,853

The School's revenues are predominantly from the Fulton County Board of Education, based on student enrollment and awards from state and federal sources.

<b>Revenues</b>	
State funds	\$ 7,393,032
Federal funds	551,592
Charges for services	58,435
<b>Total Revenues</b>	<b>8,033,059</b>
<b>Expenditures</b>	
Instruction	4,787,813
Support services	2,777,482
Non-instructional services	722,112
<b>Total Expenditures</b>	<b>8,287,407</b>
<b>General Revenues</b>	
Interfund transfers	18,889
Other	296,949
<b>Total General Revenues</b>	<b>385,838</b>
<b>Change in Net Position</b>	<b>\$ 31,490</b>

(continued)

TMSA, INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
June 30, 2020

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

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

The School's governmental fund ("the General Fund") reported an ending fund balance of \$4,549,473. For the year ended June 30, 2020, the School's revenues (\$9,287,808) exceeded the School's expenditures and other financing uses (\$8,092,040) by \$1,195,768.

General Fund Budgetary Highlights

Actual revenues were higher than budgeted revenue by \$814,658 primarily due to unanticipated government assistance in the form of a loan in accordance with the Paycheck Protection Program ("PPP") of \$987,800. Actual expenditures were lower than budgeted expenditures by \$190,277 due to less expense incurred in instruction, school administration, and maintenance and operations as budgeted.

Capital Assets

As of June 30, 2020, the School's investment in capital assets for its governmental activities totaled \$1,162,750 (net of accumulated depreciation and related debt). This investment in capital assets includes addition of new capital lease and improvements to school facility. Additional information on the School's capital assets can be found in Note 3 of this report.

Debt Administration

The School's long-term note payable at June 30, 2020 totaled \$842,311. Additional information on the School's long-term obligations can be found in Note 5 of this report.

During the year, the School applied for and received government assistance in the form of a loan, which is subject to forgiveness, in accordance with the PPP. As of June 30, 2020, the School's loan subject to forgiveness totaled \$987,800. Additional information can be found in Note 1 of this report.

Economic Factors and Events Affecting Operations

A majority of the Schools funding is determined by the number of enrolled students. The School is forecasting enrollment to remain steady for the 2020/2021 school year.

Contacting the School's Financial Management

This financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to TMSA, Incorporated at 2861 Lakeshore Drive, College Park, Georgia 30337.



TMSA, INCORPORATED  
STATEMENT OF NET POSITION  
June 30, 2020

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,708,452	\$ -	\$ 4,708,452
Accounts receivable:			
Federal government	28,095	-	28,095
Others	48,075	-	48,075
Prepaid expenditures	155,147	-	155,147
Capital assets, non-depreciable	298,000	-	298,000
Capital assets, depreciable, net	2,438,891	-	2,438,891
<b>Total Assets</b>	<b>7,676,660</b>	<b>-</b>	<b>7,676,660</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	2,985,589	-	2,985,589
<b>Total Deferred Outflows of Resources</b>	<b>2,985,589</b>	<b>-</b>	<b>2,985,589</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$10,662,249</b>	<b>\$ -</b>	<b>\$10,662,249</b>
<b>Liabilities</b>			
Accounts payable	\$ 56,743	\$ -	\$ 56,743
Salaries and benefits payable	333,553	-	333,553
Long-term liabilities:			
Capital lease obligation	731,830	-	731,830
Notes payable	842,311	-	842,311
Net pension liability	6,827,969	-	6,827,969
<b>Total Liabilities</b>	<b>8,792,406</b>	<b>-</b>	<b>8,792,406</b>
<b>Deferred Inflows of Resources</b>			
Loan subject to forgiveness	987,800	-	987,800
Net difference between projected and actual earnings on pension plan investments	758,190	-	758,190
<b>Total Deferred Inflows of Resources</b>	<b>1,745,990</b>	<b>-</b>	<b>1,745,990</b>
<b>Net Position</b>			
Unrestricted net position	(1,038,897)	-	(1,038,897)
Net investment in capital assets	1,162,750	-	1,162,750
<b>Total Net Position</b>	<b>123,853</b>	<b>-</b>	<b>123,853</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 10,662,249</b>	<b>\$ -</b>	<b>\$ 10,662,249</b>

This financial statement should only be read in connection with the accompanying  
independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020

		Program Revenues		Net Revenue (Expense) and Changes in Net Position		
				Primary Government		
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Govern- mental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>						
Instruction	\$ 4,787,813	\$ -	\$ 7,393,032	\$ 2,605,219	\$ -	\$ 2,605,219
Support Services:						
Pupil	478,068	-	351,501	(126,567)	-	(126,567)
Improvement of instruction	13,093	-	-	(13,093)	-	(13,093)
Educational media	146,040	-	-	(146,040)	-	(146,040)
General administration	246,088	-	-	(246,088)	-	(246,088)
School administration	968,714	-	-	(968,714)	-	(968,714)
Business administration	151,925	-	-	(151,925)	-	(151,925)
Maintenance and operation	773,554	-	70,000	(703,554)	-	(703,554)
Operations of Non-Instructional Services:						
Food services	325,466	58,435	211,823	(55,208)	-	(55,208)
Depreciation	371,290	-	-	(371,290)	-	(371,290)
Interest	25,356	-	-	(25,356)	-	(25,356)
<b>Total Governmental Activities</b>	8,287,407	58,435	8,026,356	(202,616)	-	(202,616)
<b>Business-Type Activities</b>						
Enterprise Fund	183,595	202,484	-	-	18,889	18,889
<b>Total Business-Type Activities</b>	183,595	202,484	-	-	18,889	18,889
<b>Total Primary Government</b>	\$ 8,471,002	\$ 260,919	\$ 8,026,356	(202,616)	18,889	\$ (183,727)
<b>General Revenues</b>						
Interfund transfer				18,889	(18,889)	-
Other contributions				215,217	-	215,217
<b>Total General Revenues</b>				234,106	(18,889)	215,217
<b>Change in Net Position</b>				31,490	-	31,490
Net position, beginning of year				92,363	-	92,363
<b>Net Position, End of Year</b>				\$ 123,853	\$ -	\$ 123,853

This financial statement should only be read in connection with the accompanying independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2020

	General Fund	Debt Service Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,708,452	\$ -	\$ 4,708,452
Accounts receivable:			
Federal government	28,095	-	28,095
Others	48,075	-	48,075
Prepaid expenditures	155,147	-	155,147
<b>Total Assets</b>	<b>\$ 4,939,769</b>	<b>\$ -</b>	<b>\$ 4,939,769</b>
<b>Liabilities</b>			
Accounts payable	\$ 56,743	\$ -	\$ 56,743
Salaries and benefits payable	333,553	-	333,553
<b>Total Liabilities</b>	<b>390,296</b>	<b>-</b>	<b>390,296</b>
<b>Fund Balance</b>			
Nonspendable fund balance	155,147	-	155,147
Restricted fund balance	76,170	-	76,170
Unassigned fund balance	4,318,156	-	4,318,156
<b>Total Fund Balance</b>	<b>4,549,473</b>	<b>-</b>	<b>4,549,473</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,939,769</b>	<b>\$ -</b>	<b>\$ 4,939,769</b>

This financial statement should only be read in connection with the accompanying  
independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
RECONCILIATION OF THE  
BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2020

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<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 4,549,473</b>
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Capital assets, net	2,736,891
Deferred outflows of resources related to pension	2,985,589
Deferred inflows of resources related to pension	(758,190)
Deferred inflows of resources related to loan subject to forgiveness	(987,800)
Certain liabilities are not reported in the fund financial statement because they are not due and payable, but they are presented in the Statement of Net Position as follows:	
Capital lease obligations	(731,830)
Notes payable	(842,311)
Net pension liability	(6,827,969)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 123,853</b>

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This financial statement should only be read in connection with the accompanying independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2020

	General Fund	Debt Service	Total
<b>Revenues</b>			
State funds	\$ 7,393,032	\$ -	\$ 7,393,032
Federal funds	551,592	-	551,592
Charges for services	58,435	-	58,435
Loan subject to forgiveness	987,800	-	987,800
Other	296,949	-	296,949
<b>Total Revenues</b>	9,287,808	-	9,287,808
<b>Expenditures</b>			
Instruction	4,524,646	-	4,524,646
Support services:			
Pupil	466,550	-	466,550
Improvement of instructional staff	13,093	-	13,093
Educational media	138,674	-	138,674
General administration	233,860	-	233,860
School administration	930,917	-	930,917
Business administration	151,925	-	151,925
Maintenance and operation	771,374	-	771,374
School nutrition	319,485	-	319,485
Capital outlay	201,585	-	201,585
Debt service:			
Principal retirement	-	358,820	358,820
<b>Total Expenditures</b>	7,752,109	358,820	8,110,929
<b>Excess of Expenditures Over Revenues</b>	1,535,699	(358,820)	1,176,879
<b>Other Financing Sources and (Uses)</b>			
Operating transfers in	18,889	358,820	377,709
Operating transfers (out)	(358,820)	-	(358,820)
<b>Total Other Financing Sources and (Uses)</b>	(339,931)	358,820	18,889
<b>Net Change in Fund Balance</b>	1,195,768	-	1,195,768
Fund balance, beginning of year	3,353,705	-	3,353,705
<b>Fund Balance, End of Year</b>	\$ 4,549,473	\$ -	\$ 4,549,473

This financial statement should only be read in connection with the accompanying  
independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020

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<b>Net Change in Fund Balance – Total Governmental Funds</b>	<b>\$ 1,195,768</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlays	201,585
Depreciation expense	(371,290)
Premiums and discounts on notes payable are amortized in the governmental activities over the life of the note, and are capitalized in the Statement of Net Position. The following discounts were expensed during the current period:	
Imputed interest expense	(25,356)
Payment of pension expenses is reported as an expenditure in governmental funds, but payments reduces long-term liabilities in the Statement of Activities:	
Pension expense	(340,237)
Receipt of loan proceeds is reported as revenue in governmental funds, but the proceeds increases deferred inflows of resources in the Statement of Net Position:	
Loan subject to forgiveness	(987,800)
Repayment of and proceeds from long-term debt principal is reported as an expenditure and financing source in governmental funds, but the principal activity changes long-term liabilities in the Statement of Activities:	
Principal retirement	358,820
<b>Change in Net Position - Governmental Activities</b>	<b>\$ 31,490</b>

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This financial statement should only be read in connection with the accompanying independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
June 30, 2020

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Due from general fund	\$ -
<b>Total Assets</b>	<b>\$ -</b>
<b>LIABILITIES</b>	
Due to general fund	\$ -
<b>Total Liabilities</b>	<b>-</b>
<b>NET POSITION</b>	
Unrestricted	-
<b>Total Net Position</b>	<b>-</b>
<b>Total Liabilities and Net Position</b>	<b>\$ -</b>

This financial statement should only be read in connection with the accompanying  
independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION – PROPRIETARY FUNDS  
For the Year Ended June 30, 2020

	<b>Enterprise Fund</b>
<b>Operating Revenues</b>	
Charges for services	\$ 202,484
<b>Total Operating Revenues</b>	<b>202,484</b>
<b>Operating Expenses</b>	
Instruction	183,595
<b>Total Operating Expenses</b>	<b>183,595</b>
<b>Operating Income</b>	<b>18,889</b>
<b>Interfund Transfer</b>	<b>(18,889)</b>
<b>Change in Net Position</b>	<b>-</b>
Net position, beginning of year	-
<b>Net Position, End of Year</b>	<b>\$ -</b>

This financial statement should only be read in connection with the accompanying  
independent auditors' report and notes to financial statements.



TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

**Reporting Entity**

TMSA, Incorporated (“the School”), dba The Main Street Academy, a Georgia not-for-profit organization, was established in 2010. The School was granted a charter by the Fulton County Board of Education (“School System”) pursuant to O.C.G.A § 20-2-2060 *et seq.*, the Charter Schools Act of 1998 to provide educational services to students in grades Kindergarten through 8. In April 2020, the Georgia Department of Education approved the School’s charter application for a third five-year term (July 1, 2020 through June 30, 2025).

**Basis of Presentation**

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing government accounting and financial reporting principles. GASB has issued a codification of governmental accounting and financial reporting standards.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the School as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of the School’s function are offset by program revenues.

The fund financial statements (Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds) report on the School’s General Fund and Debt Service Fund.

**Fund Accounting**

The School uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. All of the operations of the School are presented in governmental funds only.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The School reports the difference between governmental fund assets and liabilities and deferred inflows of resources as fund balance. The School reports the following major governmental funds:

***General Fund***

The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund’s balance is available to the School for any purpose provided it is expended or transferred according to the general laws of the State of Georgia.

(continued)

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)

Governmental Funds (Continued)

*Debt Service Fund*

The debt service fund accounts for and reports financial resources that are restricted, committed or assigned to expenditures for general long-term debt principal and interest on the School's revenue bond.

Proprietary Funds

*Enterprise Fund*

The enterprise fund accounts for operations which are financed and operated in a manner similar to private business enterprises. The costs of providing goods or services on a continuing basis are financed or recovered primarily through user charges. The School's enterprise fund results from its after school child care operation.

**Measurement Focus**

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are prepared 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 the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

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 measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

(continued)

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

**Revenue**

The School is primarily funded by the School System based on a rate per student calculated by the School System. Resources provided in this manner are considered to be non-exchange transactions and are recognized in the fiscal year when use of the funds is first permitted. Other funding obtained through the School System, such as Title I resources, or funding obtained directly from the federal government are also considered non-exchange transactions and are recognized in the fiscal year in which certain matching or expenditure requirements are met, such as resources obtained for a specific purpose or as a qualifying reimbursement, etc.

Certain charges for services, such as for food services, are considered exchange transactions and are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**Loan Subject to Forgiveness**

Loan subject to forgiveness resulted from the School receiving government assistance in the form of a loan in accordance with the Paycheck Protection Program ("PPP") of \$987,800, with an interest rate of 1.00% and a maturity date of May 12, 2022. This loan can be forgiven by meeting certain conditions related to payroll expenditures. As of the date of the financial statements, the loan forgiveness application process had not been finalized.

**Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

(continued)

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities, and Fund Equity**

Cash and Cash Equivalents

The School considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable, including federal government and other receivables, are stated at face value with no allowance for doubtful accounts. The School evaluates receivables annually for bad debts using the direct write-off method. This method differs from GAAP which requires providing an allowance for doubtful accounts. Variances caused by using the direct write-off method instead of the method prescribed by GAAP are not considered to be material.

Discount on Issuance of Notes Payable

The School has entered into a purchase and sale agreement to acquire real property whereby the seller is self-financing the sale with no interest expense due. GAAP requires the School to calculate imputed interest relating to the transaction the result of which was to record a discount on the note payable that will be amortized over the term of the agreement.

Interfund Balances

The School sometimes advances resources to other funds that will not be repaid in the current period. The fund balance of the loaning governmental fund is reserved at the fund reporting level to indicate it is not available for expenditure.

Capital Assets

Capital assets are stated at cost. Depreciation has been calculated on such assets using the straight-line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Useful Life</u>
Building	40 years
Technology and equipment	3 years
Leasehold improvements	3 years
Furniture and fixtures	3 years

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (“TRS”) and additions to/deductions from TRS’s fiduciary net position have been determined on the same basis as they are reported to TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(continued)

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities, and Fund Equity** (Continued)

**Fund Balances**

Fund balances are divided into five categories as defined by GASB 54, as follows:

*Nonspendable*

Fund balances classified as nonspendable are permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.

*Restricted*

Fund balances classified as restricted are legally restricted under legislation, bond authority, or grantor contract.

*Committed*

Fund balances classified as committed are commitments of future funds for specific purposes passed by the Board of Directors.

*Assigned*

Fund balances classified as assigned are funds that are intended by management to be used for a specific purpose, including encumbrances.

*Unassigned*

Fund balances classified as unassigned are funds available for any purpose.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School's policy to use restricted amounts first and then unrestricted amounts as they are needed

**Net Position**

Accounting standards require a Statement of Net Position and a Statement of Activities and Changes in Net Position. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These calculations are defined as follows:

*Net Investment in Capital Assets*

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and related long-term debt.

*Restricted*

This component of net position results from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints placed on net position by law through constitutional provisions of enabling legislation adopted by the School.

(continued)

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities, and Fund Equity** (Continued)

**Net Position** (Continued)

*Unrestricted*

This component of net position consists of those assets that do not meet the definition of net investment in capital assets and restricted net position.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the financial statements. Accordingly, actual results could differ from those estimates.

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with GAAP for nongovernmental entities. An annual budget is adopted for the operations of the School.

**Income Taxes**

The School is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income.

The School only recognizes the tax benefit from an uncertain tax position taken or expected to be taken in a tax return if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Management has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where the School operates. Management believes that income tax filing positions would be sustained upon examination and does not anticipate that any adjustments would result in a material adverse effect on the School's financial condition, results of operations or cash flows. Accordingly, the School has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2020.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The School believes it is no longer subject to income tax examinations for years prior to 2016.

**Subsequent Events**

The School has evaluated subsequent events through the filing date of this report. Any significant events that have occurred through that date are included in these notes (see note 7).

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 2 – CONCENTRATIONS**

Revenue

For the year ended June 30, 2020, the School received a significant portion of its annual revenue from the Fulton County Board of Education as a part of its charter agreement which is paid to the School in monthly installments.

Credit Risk

The School maintains its cash accounts at financial institutions in which amounts up to \$250,000 per institution are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2020, the School held an uninsured cash balance of \$4,208,519.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 is summarized below:

Description	June 30, 2019	Additions	Deletions	June 30, 2020
Building	\$ 1,120,188	\$ -	\$ -	\$ 1,120,188
Land	298,000	-	-	298,000
Technology and equipment	2,743,983	161,585	-	2,905,568
Leasehold and other improvements	1,560,706	40,000	-	1,600,706
Furniture	16,293	-	-	16,293
Total	5,739,170	201,585	-	5,940,755
Less: Accumulated Depreciation	(2,832,574)	(371,290)	-	(3,203,864)
Capital Assets, net	\$ 2,906,596	\$ (169,705)	\$ -	\$ 2,736,891

**NOTE 4 - RETIREMENT PLAN**

Plan Description

All teachers of the School as defined is §47-3-60 of the *Official Code of Georgia Annotated* (“O.C.G.A.”) and certain other support personnel as defined by §47-3-63 are provided a pension through TRS. TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (“TRS Board”). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

(continued)

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - RETIREMENT PLAN** (Continued)

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of *O.C.G.A.*, contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to *O.C.G.A.* §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2020. The School's contractually required contribution rate for the year ended June 30, 2020 was 20.9% of the School's annual payroll. The School's contributions to TRS were \$932,981 for the year ended June 30, 2020.

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

At June 30, 2020, the School reported a net pension liability of \$6,827,969.

The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques.

The School's proportion of the net pension liability was based on contributions to TRS during fiscal year ended June 30, 2019. At June 30, 2020, the School's proportion was 0.031754%, which was a decrease of (0.002717)% from its proportion measured as of June 30, 2019. For the year ended June 30, 2020, the School recognized pension expense of \$1,242,433. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(continued)



TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - RETIREMENT PLAN** (Continued)

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

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 384,859	\$ 2,024
Net difference between projected and actual earnings on pension plan investments	-	162,594
Changes in proportion and differences between School contributions and proportionate share of contributions	1,012,516	593,572
Changes in assumptions	655,233	-
School contributions subsequent to the measurement date	932,981	-
	\$ 2,985,589	\$ 758,190

The School's contributions subsequent to the measurement date of \$932,981 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	Amount
2021	\$470,581
2022	304,856
2023	366,913
2024	152,067

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

(continued)

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 – RETIREMENT PLAN** (Continued)

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

Actuarial Assumptions (continued)

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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 nominal returns, net of pension plan investment expense and the assumed rate of 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.50)%
Domestic large equities	39.80%	9.00%
Domestic mid equities	3.70%	12.00%
Domestic small equities	1.50%	13.50%
International developed market equities	19.40%	8.00%
International emerging market equities	5.60%	12.00%
	100.00%	

\*Rates are shown net of inflation.

Discount Rate

The discount rate used to measure the total net pension liability was 7.25%. 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 employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was 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.

(continued)

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 – RETIREMENT PLAN** (Continued)

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

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School's proportionate share of the net pension liability	\$11,083,791	\$6,827,969	\$3,328,170

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publicly available at [www.trsga.com/publications](http://www.trsga.com/publications).

**NOTE 5 – NOTES PAYABLE**

During the year ended June 30, 2015, the School entered an agreement with the School System whereby the School purchased property from the School System in the amount of \$1,750,000, of which \$1,749,000 was financed by the School System. The agreement requires the School to pay 12 monthly installments of \$4,000 to the School System, commencing July 20, 2015 and continuing through June 20, 2016, after which, the School will pay 108 monthly installments of \$15,750 commencing July 20, 2016 through June 20, 2025. Because this agreement did not include any payments of interest, the note relating to the agreement was discounted based on an imputed interest rate of 4% resulting in a discount of \$331,363 which will be amortized and recognized as interest expense over the term of the agreement.

Aggregate maturities of the School's note, net of discounts, at June 30, 2020 are as follows:

Years ending June 30,	Amount
2021	\$ 157,661
2022	164,084
2023	170,770
2024	177,727
2025	172,069
	<u>\$ 842,311</u>

TMSA, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 – CAPITAL LEASE OBLIGATION**

In March 2018, the School entered into capital lease agreement for various office and HVAC equipment. The lease term is for 84 months and the School has \$1 purchase option upon the expiration of the lease term. The School has capitalized the lease and amortizing the same over the lease period.

Future minimum lease payment are as follows:

Years ending June 30,	Amount
2021	\$ 154,069
2022	154,069
2023	154,069
2024	154,069
2025	115,554
	<u>\$ 731,830</u>

**NOTE 7 – SUBSEQUENT EVENT**

Certain impacts to public health conditions particular to the coronavirus (COVID-19) outbreak that occurred subsequent to year end may have an impact on the operations of the School. The extent of the impact to the financial performance of the School will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted. If the financial performance of the School is impacted because of these things for an extended period, the School's financial results may be adversely affected. Final results of the relief measures are not currently known.

In order to reduce the possible impact as described above, the School has updated operations to include online school programs, employees' ability to work from home, and added safety precautions to students, visitors, and/or staff who enter the building.

These notes should only be read in connection with the accompanying  
financial statements and independent auditors' report.

TMSA, INCORPORATED  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND – (UNAUDITED)  
For the Year Ended June 30, 2020

	Budgeted Amounts	Actual Amounts	Over (Under) Budget
<b>Revenues</b>			
State funds	\$ 7,378,256	\$ 7,393,032	\$ 14,776
Federal funds	595,194	551,592	(43,602)
Charges for services	65,000	58,435	(6,565)
Loan subject to forgiveness	-	987,800	987,800
Other	434,700	296,949	(137,751)
<b>Total Revenues</b>	<b>8,473,150</b>	<b>9,287,808</b>	<b>814,658</b>
<b>Expenditures</b>			
Instruction	4,826,385	4,524,646	(301,739)
Support services:			
Pupil	460,945	466,550	5,605
Instructional staff	25,600	13,093	(12,507)
Educational media	149,880	138,674	(11,206)
General administration	209,390	233,860	24,470
School administration	1,037,118	930,917	(106,201)
Business administration	167,000	151,925	(15,075)
Maintenance and operation	962,687	771,374	(191,313)
School nutrition	362,201	319,485	(42,716)
Capital outlay	100,000	201,585	101,585
Principal retirement	-	358,820	358,820
<b>Total Expenditures</b>	<b>8,301,206</b>	<b>8,110,929</b>	<b>(190,277)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>171,944</b>	<b>1,176,879</b>	<b>1,004,935</b>
<b>Other Financing Sources and (Uses)</b>			
Operating transfers in	105,958	377,709	271,751
Operating transfers (out)	-	(358,820)	(358,820)
<b>Total Other Financing Sources and (Uses)</b>	<b>105,958</b>	<b>18,889</b>	<b>(87,069)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 277,902</b>	<b>1,195,768</b>	<b>\$ 917,866</b>
Fund balance, beginning of year		3,353,705	
<b>Fund Balance, End of Year</b>		<b>\$ 4,549,473</b>	

This supplementary schedule should only be read in connection with the  
accompanying independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS RETIREMENT SYSTEM OF GEORGIA  
For the Year Ended June 30, 2015 through 2020

	2020	2019	2018	2017	2016	2015
School's proportion of the net pension liability	.031754%	.034771%	.027771%	.023661%	.028822%	.030781%
School's proportionate share of the net pension liability	\$ 6,827,969	\$ 6,398,556	\$ 5,161,326	\$ 4,881,528	\$ 4,387,863	\$ 3,888,773
School's covered-employee payroll during the measurement period	\$ 4,413,344	\$ 3,974,785	\$ 3,611,410	\$ 3,867,498	\$ 3,701,170	\$ 2,720,920
School's proportion share of the net pension liability as a percentage of its covered-employee payroll	154.7%	161.0%	142.9%	126.2%	118.6%	142.9%
Plan fiduciary net position as a percentage of the total pension liability	78.56%	80.27%	79.33%	76.06%	81.44%	84.03%

*Note:* Schedule is intended to show information for the last ten (10) fiscal years.  
Additional years will be displayed as they become available.

This supplementary schedule should only be read in connection with the  
accompanying independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
TEACHERS RETIREMENT SYSTEM OF GEORGIA  
For the Year Ended June 30, 2015 through 2020

	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 932,981	\$ 830,730	\$ 607,078	\$ 551,892	\$ 528,157	\$ 357,801
Contributions in relation to the contractually required contribution	932,981	830,730	607,078	551,892	528,157	357,801
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 4,413,344	\$ 3,974,785	\$ 3,611,410	\$ 3,867,498	\$ 3,701,170	\$ 2,720,920
Contributions as a percentage of covered-employee payroll	21.14%	20.90%	16.81%	14.27%	14.27%	13.15%

*Note: Schedule is intended to show information for the last ten (10) fiscal years.  
Additional years will be displayed as they become available.*

This supplementary schedule should only be read in connection with the  
accompanying independent auditors' report and notes to financial statements.

TMSA, INCORPORATED  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2020

**NOTE 1 – CHANGES OF ASSUMPTIONS**

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

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

These notes should only be read in connection with the accompanying  
independent audit report and required supplementary information.



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

To the Board of Directors  
TMSA, Incorporated

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 TMSA, Incorporated (“the School”), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2020.

Internal Control Over Financial Reporting

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

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

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

However, material weaknesses may exist that have not been identified.

### Compliance

As part of obtaining reasonable assurance about whether the School'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*.

### 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.

A handwritten signature in black ink that reads "Marshall Jones". The signature is written in a cursive, flowing style.

Atlanta, Georgia  
September 24, 2020