

# Hoover City Board of Education

## FINANCIAL STATEMENTS

September 30, 2019



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**Hoover City Board of Education**  
**Table of Contents**  
**September 30, 2019**

**REPORT**

Independent Auditors' Report	1
------------------------------	---

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4.1
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**FINANCIAL STATEMENTS**

Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet—Governmental Funds	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds to the Statement of Activities	10
Index to Financial Statement Notes	11
Notes to Financial Statements	12

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual—General Fund	42
Schedule of Proportionate Share of the Collective Net Pension Liability	43
Schedule of Board Contributions - Pension	44
Schedule of Proportionate Share of the Collective Net OPEB Liability	45
Schedule of Board Contributions - OPEB	46
Notes to Required Supplementary Information	47

**OTHER INFORMATION**

Supplementary Schedule of Bond Disclosures	50
Supplementary Schedule of Expenditures of Federal Awards	52
Notes to Supplementary Schedules	53

**OTHER REPORTS**

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	59
Schedule of Findings and Questioned Costs	62



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## INDEPENDENT AUDITORS' REPORT

To the Members  
Hoover City Board of Education  
Hoover, Alabama

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the Board's Proportionate Share of the Collective Net Pension Liability, the Schedule of Board Contributions – Pension, the Schedule of the Board's Proportionate Share of the Collective Net OPEB Liability and the Schedule of Board Contributions – OPEB on pages 4.1 through 4.6 and 42-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying schedule of bond disclosures as required by lending institutions and the schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of bond disclosures and 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 accompanying schedule of bond disclosures and 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 *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

Birmingham, Alabama  
February 6, 2020

# **Hoover City Board of Education Management's Discussion and Analysis (MD&A) September 30, 2019**

## **Introduction**

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

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

The management of the Hoover City Board of Education (the "Board") has prepared this narrative overview and analysis of the Board's financial activities to facilitate the users' understanding of the annual report and draw attention to items of interest.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The basic financial statements consist of the 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, and 4) certain required supplementary financial information.

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

The government-wide financial statements are intended to provide an indication of the Board's finances in a manner similar to the private sector. Accordingly, the government-wide statements, comprised of the *Statement of Net Position* and *Statement of Activities*, have been prepared using the accrual basis of accounting.

The *Statement of Net Position* depicts all of the Board's assets and liabilities with the difference between the two reported as net position. Over time, changes in net position may serve as a useful indicator of whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* illustrates how the Board's net position changed during the fiscal year 2019. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board or is financed through charges for services and intergovernmental aid such as state and federal appropriations.

### **Fund Financial Statements**

The fund financial statements have been prepared under the modified accrual basis of accounting and their presentation is largely consistent with historical presentations. The fund financial statements provide more detailed information about the Board's most significant funds-not the Board as a whole. The Board uses fund accounting to ensure and demonstrate fiscal accountability.

A fund is a grouping of related accounts designed to facilitate control over resources that have been segregated for a specific activity or objective. All of the funds of the Board can be classified into two categories: governmental and fiduciary funds.

Governmental funds essentially measure and report the same activities and transactions as the governmental activities in the government-wide financial statements. However, unlike the accrual basis government-wide statements, the governmental funds focus on current, spendable resources and balances of such spendable resources available at the end of the year. The governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs.

Fiduciary funds are used to account for assets held by the Board in a trustee capacity or as an agent for others. These funds are primarily comprised of booster and parent organization activity funds. Activities from fiduciary funds are not included in the government-wide financial statements because the Board cannot use these assets for its operations. However, balances of these funds are not considered material to the financial statements and therefore have been included in the governmental funds.

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

## Government-wide Financial Analysis

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

	<u>Government Activities</u>		Percent Change
	2018	2019	
Current and other assets	\$ 134,141,808	\$ 123,777,787	-7.73%
Noncurrent assets	211,600	211,660	.03%
Capital assets	226,747,802	235,554,338	3.88%
Deferred outflows attributable to OPEB plan	3,491,914	9,527,436	172.84%
Deferred outflows attributable to pension plan	18,839,836	22,570,769	19.80%
Deferred charges on refunding	<u>6,574,178</u>	<u>5,482,262</u>	<u>-16.61%</u>
Total assets and deferred outflows of resources	<u>390,007,138</u>	<u>397,124,252</u>	<u>1.82%</u>
Current liabilities	21,577,173	23,134,232	7.22%
Long-term liabilities	<u>397,679,189</u>	<u>407,643,646</u>	<u>2.51%</u>
Total liabilities	419,256,362	430,777,878	2.75%
Deferred inflows – attributable to OPEB plan	<u>18,774,007</u>	<u>12,496,165</u>	-33.44%
Deferred inflows attributable to pension plan	<u>15,686,000</u>	<u>15,733,000</u>	<u>.30%</u>
Total liabilities and deferred inflows of resources	<u>453,716,369</u>	<u>459,007,043</u>	<u>1.17%</u>
Net position			
Net investment in capital assets	61,221,136	74,383,430	21.50%
Unrestricted	<u>(124,930,367)</u>	<u>(136,266,221)</u>	<u>9.07%</u>
Total net position	\$ <u>(63,709,231)</u>	\$ <u>(61,882,791)</u>	<u>-2.87%</u>

The Board's total net position was (\$61,882,791) at the end of the fiscal year 2019; an increase of \$1,826,440 from the previous year as a result of excess revenues over expenditures. The majority of the Board's net position is invested in capital assets (land, buildings, and equipment) owned by the Board. These assets are not available for future expenditures since they will not be sold. Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements, is (\$136,266,221). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or declining.



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

<b>Revenues</b>	<b><u>Government Activities</u></b>		<b>Percent Change</b>
	<b>2018</b>	<b>2019</b>	
Program Revenues:			
Charges for services	\$ 12,607,367	\$ 11,706,288	-7.15%
Operating grants and contributions	76,128,822	82,240,401	8.03%
Capital grants and contributions	3,401,731	3,545,628	4.23%
General Revenues:			
Property taxes	73,934,814	76,338,052	3.25%
Local sales tax	2,014,211	2,072,461	2.89%
City appropriation	5,000,000	5,000,000	0.00%
Other general revenues	<u>6,762,516</u>	<u>8,717,841</u>	28.91%
	<u>179,849,461</u>	<u>189,620,671</u>	5.43%
<b>Expenses</b>			
Instructional services	101,345,119	108,942,324	7.50%
Instructional support services	25,759,494	27,777,072	7.83%
Operation and maintenance services	16,313,082	17,538,179	7.51%
Auxiliary services	17,053,491	18,120,093	6.25%
General administrative services	3,964,880	5,123,122	29.21%
Interest and fiscal charges	7,631,611	7,411,235	-2.89%
Other expenses	<u>3,579,260</u>	<u>2,882,206</u>	-19.47%
	<u>175,646,937</u>	<u>187,794,231</u>	6.92%
<b>Increase in net position</b>	4,202,524	1,826,440	-56.54%
Net position, beginning of year, as originally stated	47,628,641	(63,709,231)	-233.76%
Restatement – see note 15	(115,540,396)	-	-
Net position, ending	<u>\$ (63,709,231)</u>	<u>\$ (61,882,791)</u>	-2.87%

As noted in the above shown condensed presentations, the Board's total net position reflects an increase of \$1,826,440. The variance in revenues is primarily attributable to greater than anticipated state appropriations and local revenues. The variance in expenditures is primarily attributable increases in personnel costs, purchases of non-capital equipment as well as additional travel and related expenses for athletic teams.

## **Fund Financial Analysis**

### **General Fund**

The fiscal year 2019 financial statements reflected a net decrease in the balance of the General Fund of \$8,447,865 as the amount of expenditures and transfers out of the General Fund to other funds exceeded revenues received. The net difference in revenues and expenditures is primarily attributable to our cash outlay for renovations to the new Riverchase Career Connection Center.

### **Debt Service Fund**

The Debt Service Fund decreased \$650,371 in 2019 primarily as a result of an increase in the principal of our debt service payments.

### **Capital Projects Fund**

The Capital Projects Fund decreased \$1,077,462 in fiscal year 2019 primarily due to capital outlay expenditures. Expenditures for construction and renovation totaled \$8.1M in 2019 as a result of the renovation to the new Riverchase Career Connection Center.

### **Other Governmental Funds**

The Other Governmental Funds decreased \$11,316 in 2019 primarily as a result of a decrease in local school revenues.

## **General Fund Budget Variances**

Differences between original and final budget amounts were primarily a result of state and local appropriations not finalized for inclusion in the original budget and additional expenditures for the renovation of the new Riverchase Career Connection Center. The bid and architect fees were \$2.5M above the original project budget.

Actual general fund revenues and other financing sources were \$9.3 million or approximately 7.0% more than budget. Actual expenditures were \$2.8 million or 2.0% less than budgeted expenditures. The variance in revenues and other financing sources is primarily attributable to greater than anticipated revenues in state and local sources. The variance in expenditures was primarily related to continued monitoring of the budget and renegotiations of service contracts.

## **Capital Assets and Debt Administration**

### **Capital Assets**

Net capital assets increased by \$8.8 million in 2019, which is attributable to the renovation of the new Riverchase Career Connection Center offset by depreciation expense recorded during the year.

**Debt Administration**

The Board's outstanding warrant liability decreased by \$4.7 million to \$163.3 million during 2019 as a result of regularly scheduled principal payments.

**Next Year's Budget**

A new 13 classroom addition to Berry Middle School is projected to open in March, 2021. This capital project will be funded from General Fund reserves.

**Requests for Additional Information**

This financial report is designed to provide the residents of the City, investors, creditors and other users with a general overview of the Board's finances. Inquiries about this report or requests for additional information may be directed to Michele McCay, Hoover City Board of Education, 2810 Metropolitan Way, Hoover, Alabama 35243.

## Hoover City Board of Education Statement of Net Position

<i>September 30, 2019</i>	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 52,406,252
Investments	50,341,625
Certificates of deposit	15,160,076
Due from other governments	5,579,709
Inventories	290,125
<b>Total current assets</b>	<b>123,777,787</b>
<b>Noncurrent assets</b>	
Other receivables	211,660
<b>Total noncurrent receivables and other assets</b>	<b>211,660</b>
Capital assets:	
Land	17,884,738
Buildings and improvements	319,541,162
Equipment, furniture and vehicles	18,558,009
Textbooks and library books	6,192,498
Construction in progress	253,213
Accumulated depreciation	(126,875,282)
<b>Total capital assets, net of depreciation</b>	<b>235,554,338</b>
<b>Total noncurrent assets</b>	<b>235,765,998</b>
<b>Total assets</b>	<b>359,543,785</b>
<b>Deferred outflows of resources</b>	
Deferred charges on refunding	5,482,262
Attributable to OPEB plan - see note 13	9,527,436
Attributable to pension plan - see note 12	22,570,769
<b>Total deferred outflows of resources</b>	<b>37,580,467</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 397,124,252</b>

See notes to financial statements

	<b>Governmental Activities</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 2,662,627
Salaries and benefits payable	12,722,396
Warrants payable	6,510,000
Unearned revenue	387,888
Accrued interest payable	851,321
<b>Total current liabilities</b>	<b>23,134,232</b>
<b>Noncurrent liabilities</b>	
Warrants payable	160,143,170
Compensated absences	862,845
Net OPEB liability	115,883,631
Net pension liability	130,754,000
<b>Total noncurrent liabilities</b>	<b>407,643,646</b>
<b>Total liabilities</b>	<b>430,777,878</b>
<b>Deferred inflows of resources</b>	
Attributable to OPEB plan - see note 13	12,496,165
Attributable to pension plan - see note 12	15,733,000
<b>Total deferred inflows of resources</b>	<b>28,229,165</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>459,007,043</b>
<b>Net position</b>	
Net investment in capital assets	74,383,430
Unrestricted (deficit)	(136,266,221)
<b>Total net position</b>	<b>\$ (61,882,791)</b>



**Hoover City Board of Education  
Statement of Activities**

*September 30, 2019*

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<b>Functions/Programs</b>	<b>Expenses</b>
<b>Governmental activities</b>	
Instructional services	\$ 108,942,324
Instructional support	27,777,072
Operation and maintenance	17,538,179
Auxiliary services	18,120,093
General administration and central support	5,123,122
Other	2,882,206
Interest and fiscal charges	7,411,235
<hr/>	
<b>Total governmental activities</b>	<b>\$ 187,794,231</b>

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See notes to financial statements

<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities</b>
\$ 4,798,439	\$ 52,694,606	\$ -	\$ (51,449,279)
-	10,791,562	-	(16,985,510)
-	11,538,669	-	(5,999,510)
6,907,849	7,215,564	469,194	(3,527,486)
-	-	-	(5,123,122)
-	-	3,066,272	184,066
-	-	10,162	(7,401,073)
<b>\$ 11,706,288</b>	<b>\$ 82,240,401</b>	<b>\$ 3,545,628</b>	<b>(90,301,914)</b>

General revenues

Taxes:

Property taxes	76,338,052
Local sales tax	2,072,461
Miscellaneous taxes	5,166
City appropriations	5,000,000
Interest	1,913,620
General contributions to the Board	508,694
Insurance recoveries	30,601
Gain on disposal of fixed assets	8,800
Fund raising and sales	3,708,233
Other	2,542,727
<b>Total general revenues</b>	<b>92,128,354</b>

Change in net position 1,826,440

Net position - beginning of year (63,709,231)

**Net position - end of year \$ (61,882,791)**

**Hoover City Board of Education  
Balance Sheet—Governmental Funds**

September 30, 2019

	General	Debt Service
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 43,177,809	\$ -
Investments	33,870,278	9,900
Interfund receivables	31,378,268	-
Due from government entities	4,366,430	-
Certificates of deposit	-	15,149,158
Inventory	30,279	-
<b>Total assets</b>	<b>\$ 112,823,064</b>	<b>\$ 15,159,058</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,098,889	\$ -
Accrued liabilities	12,269,162	-
Unearned revenues	40,727	-
Interfund payables	824,220	15,065,785
<b>Total current liabilities</b>	<b>15,232,998</b>	<b>15,065,785</b>
<b>Fund balances</b>		
Non-spendable: inventory	30,279	-
Assigned for special school purposes	-	-
Assigned for debt service	-	93,273
Assigned for capital projects	-	-
Unassigned	97,559,787	-
<b>Total fund balances</b>	<b>97,590,066</b>	<b>93,273</b>
<b>Total liabilities and fund balances</b>	<b>\$ 112,823,064</b>	<b>\$ 15,159,058</b>

See notes to financial statements



<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Totals Governmental Funds</b>
\$ -	\$ 9,228,443	\$ 52,406,252
16,461,447	-	50,341,625
-	824,220	32,202,488
-	1,213,279	5,579,709
-	10,918	15,160,076
-	259,846	290,125
<u>\$ 16,461,447</u>	<u>\$ 11,536,706</u>	<u>\$ 155,980,275</u>

\$ 19,057	\$ 544,681	\$ 2,662,627
-	453,234	12,722,396
-	347,161	387,888
16,312,483	-	32,202,488
<u>16,331,540</u>	<u>1,345,076</u>	<u>47,975,399</u>

-	259,846	290,125
-	9,931,784	9,931,784
-	-	93,273
129,907	-	129,907
-	-	97,559,787
<u>129,907</u>	<u>10,191,630</u>	<u>108,004,876</u>
<u>\$ 16,461,447</u>	<u>\$ 11,536,706</u>	<u>\$ 155,980,275</u>

## Hoover City Board of Education Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Year ended September 30, 2019

Total fund balances - Governmental funds		\$ 108,004,876
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore, are not reported as assets in governmental funds. These assets consist of:		
Land	\$ 17,884,738	
Buildings and improvements	319,541,162	
Equipment, furniture and vehicles	18,558,009	
Textbooks and library books	6,192,498	
Construction in progress	253,213	
Accumulated depreciation	<u>(126,875,282)</u>	
Total capital assets, net of depreciation		235,554,338
Deferred charges from refunding are reported as current expenditures in the governmental funds. However, in the Statement of Activities, these items are deferred and amortized over the life of the debt and are included as deferred charges in the Statement of Net Position.		
Deferred charges from refunding		5,482,262
Accounts receivable that represent amounts that the Board does not expect to receive within 60 days of year end are not considered "available" and thus are not recorded in the governmental funds.		211,660
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds		
Deferred outflows of resources - pension		22,570,769
Deferred outflows of resources - OPEB		9,527,436
Certain liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. These liabilities at year-end consist of:		
	<b>Current</b>	<b>Noncurrent</b>
	<b>Liabilities</b>	<b>Liabilities</b>
Warrants payable	\$ 6,510,000	\$ 160,143,170
Net OPEB liability	-	115,883,631
Net pension liability	-	130,754,000
Compensated absences	-	862,845
Accrued interest payable	851,321	-
Total liabilities	<u>\$ 7,361,321</u>	<u>\$ 407,643,646</u>
		(415,004,967)
Deferred inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred inflows of resources - pension		(15,733,000)
Deferred inflows of resources - OPEB		<u>(12,496,165)</u>
<b>Total net position - governmental activities</b>		<u><u>\$ (61,882,791)</u></u>

See notes to financial statements

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

*Year ended September 30, 2019*

	General	Debt Service
<b>Fund balances beginning of year</b>	\$ 106,037,931	\$ 743,644
<b>Revenues</b>		
State of Alabama	75,254,251	-
Federal government	1,500	-
Local	76,509,952	11,147,616
Other	2,492,277	-
<b>Total revenues</b>	154,257,980	11,147,616
<b>Other financing sources</b>		
Operating transfers in	1,092,764	-
<b>Total other financing sources</b>	1,092,764	-
<b>Total revenues and other financing sources</b>	155,350,744	11,147,616
<b>Expenditures</b>		
Instructional services	92,509,936	-
Instructional support	24,714,386	-
Operation and maintenance	16,507,176	-
Auxiliary services	7,382,431	-
General administration and central support	4,961,912	-
Capital outlay	8,431,834	-
Debt service	-	11,797,987
Other	874,661	-
<b>Total expenditures</b>	155,382,336	11,797,987
<b>Other financing uses</b>		
Operating transfers out	8,416,273	-
<b>Total other financing uses</b>	8,416,273	-
<b>Total expenditures and other financing uses</b>	163,798,609	11,797,987
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	(8,447,865)	(650,371)
<b>Fund balances, end of year</b>	\$ 97,590,066	\$ 93,273

See notes to financial statements

<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,207,369	\$ 10,202,946	\$ 118,191,890
3,516,912	-	78,771,163
-	7,413,061	7,414,561
-	13,753,431	101,410,999
18,554	72,794	2,583,625
<u>3,535,466</u>	<u>21,239,286</u>	<u>190,180,348</u>
3,552,833	9,294,632	13,940,229
<u>3,552,833</u>	<u>9,294,632</u>	<u>13,940,229</u>
7,088,299	30,533,918	204,120,577
-	9,600,911	102,110,847
-	2,862,857	27,577,243
193,270	292,970	16,993,416
635,744	9,870,819	17,888,994
-	134,629	5,096,541
7,336,747	-	15,768,581
-	-	11,797,987
-	2,259,092	3,133,753
<u>8,165,761</u>	<u>25,021,278</u>	<u>200,367,362</u>
-	5,523,956	13,940,229
-	5,523,956	13,940,229
8,165,761	30,545,234	214,307,591
(1,077,462)	(11,316)	(10,187,014)
<u>\$ 129,907</u>	<u>\$ 10,191,630</u>	<u>\$ 108,004,876</u>

**Hoover City Board of Education**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**In Fund Balances—Governmental Funds to the Statement of Activities**

*Year ended September 30, 2019*

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Net changes in fund balances - total governmental funds \$ (10,187,014)

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

Governmental funds report capital outlays as expenditures. However, in the  
 Statement of Activities, the cost of those assets is allocated over their  
 estimated useful lives as depreciation expense.

This is the amount by which depreciation (\$8,679,392) was exceeded by capital  
 outlay and other capital purchases (\$17,783,763) in the current period. 9,104,371

Repayment of debt principal is an expenditure in the governmental funds, but  
 the repayment reduces long-term liabilities in the Statement of Net Position.

Principal payments on long term debt 4,745,000

Some expenses reported in the Statement of Activities do not require  
 the use of current financial resources and are not reported as expenditures in  
 the funds:

Difference in pension expense related to deferred outflows and inflows of  
 resources 1,120,933

Difference in OPEB expense related to deferred outflows and inflows of  
 resources (2,150,435)

Amortization of bond premium, discount and deferred charges (389,242)

Loss on disposal of capital assets (297,835)

Increase in compensated absences (150,332)

Decrease in accrued interest payable 30,994

**Change in net position of governmental activities \$ 1,826,440**



## Hoover City Board of Education Index to Financial Statement Notes

<b><u>NOTE #</u></b>		<b><u>PAGE #</u></b>
1	Summary of Significant Accounting Policies	12
2	Reconciliation of Financial Statements	20
3	Stewardship, Compliance and Accountability	21
4	Deposits and Investments	21
5	Capital Assets	23
6	Long-Term Debt	24
7	Interfund Receivables, Payables and Transfers	26
8	Risk Management	27
9	Contingent Liabilities	28
10	Donated Food Program	28
11	Related Party Transactions	28
12	Pension Plan	28
13	Other Post-Employment Benefits (OPEB)	33
14	Future Accounting Pronouncements	40
15	Subsequent Event	40

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

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

**A. Reporting Entity**

The Board has the direct responsibility for the operation, control and supervision of Hoover City Schools and is considered a primary government for financial reporting. The Board is a legally separate agency of the state of Alabama.

Statements No. 14, 39 and 61 of the Governmental Accounting Standards Board establish standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Board.

**B. Basis of Presentation, Basis of Accounting**

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government.

Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

## Hoover City Board of Education Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **B. Basis of Presentation, Basis of Accounting (continued)**

The Board reports the following major governmental funds:

- (1) General Fund – This is the Board's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board's General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes including the special municipal ad valorem tax levied on all taxable property in the city for school purposes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.
- (2) Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for the payment of the Board's general long-term debt principal and interest.
- (3) Capital Projects Fund – the Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

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

- (4) Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following: Other State Revenues, Federal Vocational, Title I, Title VI, IDEA Part B, Title III, Title IV, Title II, Federal Preschool, Child Nutrition, and Local School Activity Funds.

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

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.



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

**C. *Measurement Focus, Basis of Accounting (continued)***

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental Fund Financial Statements: Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within sixty (60) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures are generally recorded when the related fund liability is incurred.

Local school activity funds and other funds under the control of school principals use the cash basis of accounting. However, any differences from the modified accrual basis of accounting are not considered to be significant.

**D. *Cash, Certificates of Deposit and Investments***

Cash includes cash on hand and demand deposits. Investments included nonnegotiable certificates of deposit that are stated at a cost-based value. The Board's remaining investments are stated at fair value.

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

**E. *Receivables***

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

**F. *Property Tax Calendar***

The Jefferson County Commission and the Shelby County Commission levy property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based

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

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

**F. Property Tax Calendar (continued)**

on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

**G. Inventories and Prepaid Items**

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

In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period.

**H. Capital Assets**

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

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

<b>Asset Class</b>	<b>Capitalization Threshold</b>	<b>Estimated Useful Life</b>
Land improvements	\$ 50,000	20 years
Buildings	50,000	50 years
Building improvements	50,000	7-30 years
Equipment and vehicles	5,000	5-20 years

The capitalization threshold for Land, Construction in Progress, and Inexhaustible Land Improvements is \$1 or more. However, these capital assets are not depreciated.

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

***I. Long-term Obligations***

In the government-wide financial statements, the unmatured principal of long-term debt and compensated absences are reported in the Statement of Net Position. Interest expense for long-term debt, including accrued interest payable, is reported in the Statement of Activities. Debt issuance costs include all costs incurred to issue the debt including insurance, financing and other related costs. Debt issuance costs (except for prepaid insurance costs) are recognized as an expense in the period incurred. Premiums and discounts on debt are capitalized and amortized under accrual accounting and the annual amortization of these accruals is included in the Statement of Activities. The unamortized portion is reported in the Statement of Net Position.

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

***J. Compensated Absences***

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

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

GASB Statement No. 16 also states that an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. Employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of days of sick leave. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Certified and non-certified personnel are provided two days of personal leave per year with pay. For certified personnel, the principal and Superintendent may approve up to three additional days for which the employee is charged the rate of a substitute teacher's pay. Certified positions

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

**J. *Compensated Absences (continued)***

are paid at the Board's substitute rate for up to two days of unused personal leave, or the employee may elect to convert these days to sick leave. The additional three days automatically convert to sick leave if not used. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Twelve-month employees are allowed at least two weeks of vacation per year with pay. Vacation is awarded each July 1<sup>st</sup>, each January 1<sup>st</sup> employees' unused vacation is capped at the maximum amount of vacation to which they are entitled. Board policy allows up to 10 days of vacation to be carried over to be used within the first three months of the succeeding year. Accordingly, at September 30, 2019 the Board has accrued a liability in the amount of \$862,845.

**K. *Net Position / Fund Equity***

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

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

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

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

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

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

**K. Net Position / Fund Equity (continued)**

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

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

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

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* The classification reflects the amounts constrained by the Board’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

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

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

**L. Pension**

The Teachers’ Retirement System of Alabama (the “Plan”) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan.

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

**L. Pensions (continued)**

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

**M. Postemployment Benefits Other Than Pensions (OPEB)**

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

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**O. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**P. Revenue**

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

*Non-operating revenue* includes activities that have the characteristics of non-exchange transactions, such as a) appropriations, b) taxes, c) gifts, and d) investment income. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial*

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

**P. Revenue (continued)**

*Reporting for Nonexchange Transactions.* Revenues are recognized when all applicable eligibility requirements have been met.

**Q. Economic dependency**

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

The Board receives a significant portion of their revenue from property tax revenue and State of Alabama foundation program revenue. Property tax revenue was \$76,338,052 or 40% of total revenue in fiscal year 2019. State foundation program revenue was \$63,887,512 or 34% of total revenue in fiscal year 2019.

**NOTE 2 – RECONCILIATION OF FINANCIAL STATEMENTS**

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after the fund statements.

**A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Statement of Net Position**

The governmental fund balance sheet is followed by a reconciliation between *Total fund balance - governmental funds* and *Total net position - governmental activities* as reported in the government-wide Statement of Net Position.

**B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities**

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

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgets***

Annual budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2018-2019 fiscal year was September 15, 2018. The Board approved its original 2018-2019 annual budget on September 11, 2018 and amended March 13, 2019, to account for federal program carryover not known at the time of the original budget.

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

**NOTE 4 – DEPOSITS AND INVESTMENTS**

***Deposits***

As of September 30, 2019, all of the Board's bank deposits (including deposits of the individual schools) were either covered by federal depository insurance or secured by collateral through the Security for Alabama Funds Enhancement Program (SAFE Program). Under the SAFE program all public deposits are protected through a collateral pool administered by the Alabama State Treasurer's office. The carrying amount of the Board's deposits as of September 30, 2019 was \$52,406,252, and the bank balances totaled \$56,143,746.

Public deposits include the funds of any covered public entity or covered public official placed on deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit but excluding bonds, notes, money market mutual funds, repurchase agreements and similar investment instruments. Covered public entities include the state and its political subdivisions, including school boards. In the past, the bank pledged collateral directly to each public entity. Under SAFE, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. The SAFE program is classified as a category 1 credit risk.

The Board has elected to invest a portion of its excess funds in a number of certificates of deposit at multiple financial institutions. In accordance with GASB 72, these investments are stated at cost plus accrued interest.



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

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The following investments were held by the Board at September 30, 2019:

Certificates of Deposit	\$ 15,160,076
-------------------------	---------------

***Investments***

The Board also invests excess funds in United States Government Securities. In accordance with GASB Statement No. 72, the Board categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Board does not have any investments that are categorized as Level 2 or Level 3 inputs.

***Investments (continued)***

A schedule of investments is as follows:

General Fund:

Investment at fair market value:	
US Treasury Notes (Level 1 Inputs)	\$ 33,870,278

Debt Service Fund

Investment at fair market value:	
US Treasury Notes (Level 1 Inputs)	9,900

Capital Projects Fund:

Investment at fair market value:	
US Treasury Notes (Level 1 Inputs)	16,461,447

<b>Total Investments</b>	<b>\$ 50,341,625</b>
--------------------------	----------------------

**Interest Rate Risk.** The Board’s Investment Policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates as follows:

- U.S. Government or U.S. Government Agencies
18 months or less
- Bank Instruments:
- Fixed Rate CDs
12 months or less
- Floating Rate CDs
24 months or less

## Hoover City Board of Education Notes to Financial Statements

### NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest revenues of \$1,913,620 are included in revenues for 2019. It is the Board's practice to transfer the principal amount of unrestricted investments to others funds. However, investment earnings are recorded in the general fund.

**Credit Risk.** State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Board has no investment policy that would further limit its choices.

### NOTE 5 – CAPITAL ASSETS

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

	Balance October 1, 2018	Additions	Retirements and Reclassifications	Balance September 30, 2019
Capital assets not being depreciated:				
Land	\$ 17,884,738	\$ -	\$ -	\$ 17,884,738
Construction in progress	9,682,737	15,537,186	(24,966,710)	253,213
<b>Total capital assets not being depreciated</b>	<b>27,567,475</b>	<b>15,537,186</b>	<b>(24,966,710)</b>	<b>18,137,951</b>
Capital assets being depreciated:				
Exhaustible land improvements	8,669,906	147,030	311,991	9,128,927
Building and improvements	285,977,933	77,418	24,356,884	310,412,235
Equipment, furniture and vehicles	18,295,318	1,304,170	(1,041,479)	18,558,009
Textbooks and library books	5,769,746	717,959	(295,207)	6,192,498
<b>Total capital assets being depreciated</b>	<b>318,712,903</b>	<b>2,246,577</b>	<b>23,332,189</b>	<b>344,291,669</b>
Less accumulated depreciation for:				
Exhaustible land improvements	2,700,072	439,764	-	3,139,836
Building and improvements	99,369,582	6,653,825	-	106,023,407
Equipment, furniture and vehicles	14,504,946	706,839	(1,041,479)	14,170,306
Textbooks and library books	2,957,976	878,964	(295,207)	3,541,733
Total accumulated depreciation	119,532,576	8,679,392	(1,336,686)	126,875,282
<b>Total capital assets being depreciated, net</b>	<b>199,180,327</b>	<b>(6,432,815)</b>	<b>24,668,875</b>	<b>217,416,387</b>
<b>Total governmental activities capital assets, net</b>	<b>\$ 226,747,802</b>	<b>\$ 9,104,371</b>	<b>\$ (297,835)</b>	<b>\$ 235,554,338</b>

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

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 7,192,936
Instructional support	79,032
Operation and maintenance	517,184
Auxiliary services	835,915
General administrative and central support	54,325
<b>Total governmental activities depreciation expense</b>	<b>\$ 8,679,392</b>

**NOTE 6 – LONG-TERM DEBT**

On August 1, 2010 the Board issued \$117,885,000 in Capital Outlay Warrants with interest rates ranging between 4.25% and 5.00%. The Board issued the warrants to provide a portion of the funds needed to refund (on an advance basis) the Board's Capital Outlay Tax Anticipation Warrants, Series 2001; Capital Outlay Tax Anticipation Refunding Warrants, Series 2002; and its Capital Outlay Tax Anticipation Refunding Warrants, Series 2002-A; and for the payment of issuance expenses.

On December 27, 2012 the Board issued \$51,915,000 in Special Tax School Warrants with interest rates of 4% or 5% depending upon the maturity date. The Board issued the warrants to provide a portion of the funds needed to refund, on an advance basis, those of the Board's Capital Outlay Warrants, Series 2005 that have stated maturities beginning in 2018 continuing through 2025 and for the payment of issuance expenses.

On June 16, 2017, the Board issued \$14,885,000 in Public School Warrants at an interest rate of 2.31%. The Board issued the Warrants for the purpose of refunding the Board's Capital Outlay Warrants, Series 2005, having stated maturities on February 15, 2026 and February 15, 2027 in the aggregate principal amount of \$14,615,000 and for the payment of issuance expenses.

## Hoover City Board of Education Notes to Financial Statements

### NOTE 6 – LONG-TERM DEBT (CONTINUED)

As a result of refunding debt issuances in prior years, the Board has recorded deferred charges in the government-wide Statement of Net Position. These charges represent the difference between the reacquisition price and the net carrying amounts of the refunded warrants. These costs are being amortized over the average remaining life of the refunded warrants at the time of refunding. The unamortized portion of these costs as of September 30, 2019 was \$5,482,262.

As of September 30, 2019, the Board's long-term debt consisted of the following:

Series 2010 Capital Outlay Warrants with a final maturity date of February 15, 2040, interest payable semi-annually at rates ranging from 4.25% to 5%.	\$ 105,840,000
Series 2012 Special School Tax Warrants with a final maturity date of February 15, 2025, interest payable semi-annually at rates ranging from 4% to 5%.	42,675,000
Series 2017 Public School Warrants with a final maturity date of February 15, 2027, interest payable semi-annually at 2.31%.	14,805,000
<b>Total warrants</b>	<b>\$ 163,320,000</b>

Following is a schedule of the total debt service on the Board's long-term debt:

	Warrants	
	Principal	Interest
2020	\$ 6,510,000	\$ 6,811,756
2021	6,725,000	6,547,770
2022	6,955,000	6,274,925
2023	7,240,000	5,955,806
2024	7,575,000	5,586,636
2025-2029	35,145,000	23,595,172
2030-2034	36,785,000	16,484,013
2035-2039	45,955,000	7,311,289
2040	10,430,000	221,638
<b>Total</b>	<b>\$ 163,320,000</b>	<b>\$ 78,789,005</b>

Interest paid on long-term debt was \$7,050,867 for the year ended September 30, 2019.

The Series 2010, Series 2012 and Series 2017 Warrants were issued in August 2010, December 2012 and June 2017, respectively. The principal and interest payments are payable out of proceeds of a special 24 mill ad valorem tax levied in the City of Hoover. Total receipts from the special 24 mill ad valorem tax for the year ended September 30, 2019 were \$42,610,020.

## Hoover City Board of Education Notes to Financial Statements

### NOTE 6 – LONG-TERM DEBT (CONTINUED)

The following changes occurred in the liabilities for warrants for the year ended September 30, 2019:

	Balance September 30, 2018	Additions	Principal Payments	Balance September 30, 2019	Amount Due Within One Year
Series 2010 Capital Outlay Warrants	\$ 105,840,000	\$ -	\$ -	\$ 105,840,000	\$ -
Series 2012 Special School Tax Warrants	47,380,000	-	(4,705,000)	42,675,000	6,470,000
Series 2017 Public School Warrants	14,845,000	-	(40,000)	14,805,000	40,000
	168,065,000	-	(4,745,000)	163,320,000	6,510,000
Bond Premium	5,623,901	-	(775,710)	4,848,191	-
Bond Discount	(1,588,057)	-	73,036	(1,515,021)	-
<b>Total</b>	<b>\$ 172,100,844</b>	<b>\$ -</b>	<b>\$ (5,447,674)</b>	<b>\$ 166,653,170</b>	<b>\$ 6,510,000</b>

### NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2019 consist of the following:

Due to General Fund from:

Capital Projects Fund	\$ 16,312,483
Debt Service Fund	15,065,785

Due to Other Governmental Funds from:

General Fund	824,220
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<b>Total</b>	<b>\$ 32,202,488</b>
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## Hoover City Board of Education Notes to Financial Statements

### NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

These interfund balances represent temporary loans to cover expenditures incurred prior to reimbursement from outside sources. These amounts are expected to be repaid within one year.

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

General fund to Other Governmental Funds	\$ 4,863,440
General fund to Capital Projects Fund	3,552,833
Other Governmental Funds to:	
General Fund	1,092,764
Other Governmental Funds to Other Governmental Funds	4,431,192
<b>Total</b>	<b>\$ 13,940,229</b>

### NOTE 8 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board carries traditional insurance coverage for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The Board pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$3.5 million per occurrence. The Board purchases commercial insurance for claims in excess of \$3.5 million. The Board also purchases automobile liability insurance with coverage of \$300,000 per occurrence, errors and omissions insurance with coverage of up to \$1,000,000 per occurrence and property insurance with coverage of up to \$3.5 million per occurrence from the Alabama Risk Management for Schools Program (ARMS), a public entity risk pool. In addition, the Board has purchased physical damage coverage for school buses and maintenance vehicles.

The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Board purchases commercial insurance for fidelity bonds. Settled claims in the past three years have not exceeded the commercial insurance coverage.

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

**NOTE 8 – RISK MANAGEMENT (CONTINUED)**

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

**NOTE 9 – CONTINGENT LIABILITIES**

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

The Board is involved in certain litigation in the ordinary course of business. Management does not anticipate these claims to have a significant adverse impact on the financial position of the Board.

**NOTE 10 – DONATED FOOD PROGRAM**

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$471,004 for 2019. Commodities consumed were approximately \$417,749 for 2019.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

The members of the Hoover City Board of Education are appointed by the Hoover City Council. The total appropriations received from the City for the year ended September 30, 2019 amounted to \$5,000,000.

**NOTE 12 – PENSION PLAN**

***Plan Description***

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the

**NOTE 12 – PENSION PLAN (CONTINUED)**

***Plan Description (continued)***

Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

***Benefits Provided***

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

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

***Contributions***

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



## Hoover City Board of Education Notes to Financial Statements

### NOTE 12 – PENSION PLAN (CONTINUED)

#### *Contributions (continued)*

Participating employers' contractually required contribution rate for the year ended September 30, 2018 was 12.24% of annual pay for Tier 1 members and 11.01% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions, including those allocable to administrative costs, to the pension plan from the Board were \$11,464,710 for the year ended September 30, 2019.

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

At September 30, 2019 the Board reported a liability of \$130,754,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2018 the Board's proportion was 1.315089%, which was an increase of .010810% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized pension expense of \$10,634,890. At September 30, 2019 the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,822,000	\$ 3,983,000
Changes of assumptions	7,268,000	-
Net difference between projected and actual earnings on plan investments	-	9,870,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,360,000	1,880,000
Employer contributions subsequent to the measurement date	11,120,769	-
<b>Total</b>	<b>\$ 22,570,769</b>	<b>\$ 15,733,000</b>

## Hoover City Board of Education Notes to Financial Statements

### NOTE 12 – PENSION PLAN (CONTINUED)

Deferred outflows of resources includes \$11,120,769 related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2020	\$ 965,000
2021	(2,853,000)
2022	(2,727,000)
2023	63,000
2024	269,000
	\$ (4,283,000)

#### ***Actuarial Assumptions***

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

Inflation	2.75%
Investment rate of return*	7.70%
Projected salary increases	3.250% - 5.00%

\*Net of pension plan investment expense

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

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

## Hoover City Board of Education Notes to Financial Statements

### NOTE 12 – PENSION PLAN (CONTINUED)

#### ***Actuarial Assumptions (continued)***

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

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

\*Includes assumed rate of inflation of 2.50%

#### ***Discount Rate***

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

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

**NOTE 12 – PENSION PLAN (CONTINUED)**

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

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

	1% Decrease 6.70%	Current Discount Rate 7.70%	1% Increase 8.70%
Plan’s Net Pension Liability (Asset)	\$182,011,000	\$130,754,000	\$87,398,000

***Pension Plan Fiduciary Net Position***

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

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

***Plan Description***

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

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

***Plan Description (continued)***

related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIP Board. The PEEHIP Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the PEEHIP Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

***Benefits Provided***

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

***Benefits Provided (continued)***

plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

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

***Contributions***

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

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

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

## Hoover City Board of Education Notes to Financial Statements

### NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

At September 30, 2019, the Board reported a liability of \$115,883,631 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, the Board's proportion was 1.40995%, which was an increase of .044518% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the System recognized OPEB expense of \$5,725,006 with no special funding situations. At September 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,181,734	\$ -
Changes of assumptions	-	5,644,603
Net difference between projected and actual earnings on plan investments	-	620,904
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,077,939	6,230,658
Employer contributions subsequent to the measurement date	4,267,763	-
<b>Total</b>	<b>\$ 9,527,436</b>	<b>\$ 12,496,165</b>

Deferred outflows of resources in the amount of \$4,267,763 related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2020.

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

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

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

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

<b>Year Ended September 30:</b>	
2020	\$ (2,121,786)
2021	(2,121,786)
2022	(2,121,786)
2023	(1,982,393)
2024	803,387
Thereafter	307,872
	\$ (7,236,492)

***Actuarial Assumptions***

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

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

<sup>1</sup> - includes 3% wage inflation

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



## Hoover City Board of Education Notes to Financial Statements

### NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

#### *Actuarial Assumptions (Continued)*

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

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

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

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
	<b>100.00%</b>	

\*Includes assumed rate of inflation of 2.50%

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

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

***Discount Rate***

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2018 was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 2.75% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2116. The long-term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

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

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

	<b>1% Decrease (6.00% decreasing to 3.75% for pre-Medicare, 4% decreasing to 3.75% for Medicare Eligible)</b>	<b>Current Healthcare Trend Rate (7.00% decreasing to 4.75% for pre- Medicare, 5% decreasing to 4.75% for Medicare Eligible)</b>	<b>1% Increase (8.00% decreasing to 5.75% for pre- Medicare, 6.00% decreasing to 5.75% for Medicare Eligible)</b>
Net OPEB Liability	\$ 95,258,984	\$ 115,883,631	\$ 142,141,686

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

**NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

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

	<b>1% Decrease (3.44%)</b>	<b>Current Discount Rate (4.44%)</b>	<b>1% Increase (5.44%)</b>
Net OPEB Liability	\$ 138,431,762	\$ 115,883,631	\$ 97,695,323

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**NOTE 14 – FUTURE ACCOUNTING PRONOUNCEMENTS**

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

- Fiduciary activities;
- Leases;
- Certain disclosures related to debt, including direct borrowings and direct placements;
- Accounting for interest cost before the end of a construction period;
- Majority equity interests;
- Conduit Debt Obligations.

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

**NOTE 15 – SUBSEQUENT EVENT**

On November 26, 2019, the Board issued its Series 2019 Warrants in the principal amount of \$108,630,000 for the purpose of refunding its existing Series 2010 Warrants. The Series 2019 Warrants have a final maturity on February 15, 2040.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

Year ended September 30, 2019

	Budgeted Amounts		Actual on the Budgetary Basis*	Variance
	Original	Final Budget		
<b>Fund balances beginning of year</b>	\$ 104,890,918	\$ 106,037,931	\$ 106,037,931	\$ -
<b>Revenues</b>				
State of Alabama	71,149,145	70,762,864	75,254,251	4,491,387
Federal government	-	-	1,500	1,500
Local and other	73,770,037	73,846,037	78,442,552	4,596,515
<b>Total revenues</b>	144,919,182	144,608,901	153,698,303	9,089,402
<b>Other financing sources</b>				
Operating transfers in	1,398,599	1,398,599	1,652,441	253,842
<b>Total other financing sources</b>	1,398,599	1,398,599	1,652,441	253,842
<b>Total revenues and other financing sources</b>	146,317,781	146,007,500	155,350,744	9,343,244
<b>Expenditures</b>				
Instructional services	90,233,564	90,245,493	92,509,936	(2,264,443)
Instructional support	23,682,779	23,857,646	24,714,386	(856,740)
Operation and maintenance	15,895,233	16,205,602	16,507,176	(301,574)
Auxiliary services	7,504,452	7,504,452	7,382,431	122,021
General administration and central support	4,550,470	4,848,606	4,961,912	(113,306)
Capital outlay	13,000,000	15,000,000	8,431,834	6,568,166
Other	533,959	533,959	874,661	(340,702)
<b>Total expenditures</b>	155,400,457	158,195,758	155,382,336	2,813,422
<b>Other fund uses</b>				
Operating transfers out	4,085,380	4,085,380	8,416,273	(4,330,893)
<b>Total expenditures and other fund uses</b>	159,485,837	162,281,138	163,798,609	(1,517,471)
<b>Excess of revenues and other sources over (under) expenditures and other fund uses</b>	(13,168,056)	(16,273,638)	(8,447,865)	7,825,773
<b>Fund balances, end of year</b>	\$ 91,722,862	\$ 89,764,293	\$ 97,590,066	\$ 7,825,773

\*For budgetary purposes, the Board includes its indirect cost allocation along with operating transfers in. However, in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, this is included in other revenues. Actual other revenue and operating transfers in have been adjusted by \$559,677 to reflect the budgetary grouping for the purposes of this budget to actual comparison.

**Hoover City Board of Education**  
**Schedule of Proportionate Share of the Collective Net Pension Liability**  
**Teachers' Retirement System of Alabama**  
**As of Measurement Date**

	2019	2018	2017	2016	2015
Board's proportion of the collective net pension liability	1.315089%	1.304279%	1.332488%	1.323923%	1.328923%
Board's proportionate share of the collective net pension liability	\$ 130,754,000	\$ 128,191,000	\$ 144,255,000	\$ 138,558,000	\$ 120,727,000
Board's covered payroll during the measurement period *	\$ 87,859,204	\$ 86,306,162	\$ 84,868,863	\$ 83,796,068	\$ 84,269,726
Board's proportionate share of the collective net pension liability as a percentage of its covered payroll	148.82%	148.53%	169.97%	165.35%	143.26%
Plan fiduciary net position as a percentage of the total pension liability	72.29%	71.50%	67.93%	67.51%	71.01%

\* Board's covered payroll during the measurement period is the total of those employees who are participating in the pension plan. For the year ended September 30, 2019, the measurement period is October 1, 2017 through September 30, 2018.

This schedule is intended to present information for 10 years. However, until a full 10-year trend is compiled, the Board has presented information for those years for which information is available.

**Hoover City Board of Education  
Schedule of Board Contributions - Pension  
Teachers' Retirement System of Alabama  
As of Fiscal Year End**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 11,464,710	\$ 10,557,563	\$ 10,210,137	\$ 9,716,825	\$ 9,475,748
Contributions in relation to the contractually required contribution	11,464,710	10,557,563	10,210,137	9,716,825	9,475,748
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll *	\$ 94,148,189	\$ 87,859,204	\$ 86,306,162	\$ 84,868,863	\$ 83,796,068
Contributions as a percentage of covered payroll	12.18%	12.02%	11.83%	11.45%	11.31%

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

This schedule is intended to present information for 10 years. However, until a full 10-year trend is compiled, the Board has presented information for those years for which information is available.

**Hoover City Board of Education**  
**Schedule of Proportionate Share of Collective Net OPEB Liability**  
**Alabama Retired Education Employee's Health Care Trust**  
**As of Measurement Date**

	2019	2018
Board's proportion of the collective net OPEB liability	1.409995%	1.365477%
Board's proportionate share of the collective net OPEB liability	\$ 115,883,631	\$ 101,419,832
Board's covered-employee payroll during the measurement period *	\$ 87,859,204	\$ 86,306,162
Board's proportionate share of the collective net OPEB liability as a percentage of its covered employee payroll	131.90%	117.51%
Plan fiduciary net position as a percentage of the total OPEB liability	14.81%	15.37%

\* Board's covered-employee payroll during the measurement period is the total of those employees who are participating in the OPEB plan. For the year ended September 30, 2019, the measurement period is October 1, 2017 through September 30, 2018.

This schedule is intended to present information for 10 years. However, until a full 10-year trend is compiled, the Board has presented information for those years for which information is available.



**Hoover City Board of Education  
Schedule of Board Contributions - OPEB  
Alabama Retired Education Employee's Health Care Trust  
As of Fiscal Year End**

	2019	2018
Contractually required contribution	\$ 4,267,763	\$ 3,491,914
Contributions in relation to the contractually required contribution	4,267,763	3,491,914
Contribution deficiency (excess)	\$ -	\$ -
Board's covered-employee payroll *	\$ 94,148,189	\$ 87,859,204
Contributions as a percentage of covered-employee payroll	4.53%	3.97%

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

This schedule is intended to present information for 10 years. However, until a full 10-year trend is compiled, the Board has presented information for those years for which information is available.

## Hoover City Board of Education Notes to Required Supplementary Information

### NOTE 1 – NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

#### ***Changes to retirement benefit terms***

Member contribution rates for Tier 1/Tier 2 employees were 7.50%/6.00% (8.50%/7.00% for Firefighters, Law Enforcement, and Correctional Officers) of earnable compensation for the years ending September 30, 2019 and September 30, 2018.

Employer contributions rates for Tier 1 employees increased from 12.24% of earnable compensation for the year ending September 30, 2018, to 12.41% for the year ending September 30, 2019, and rates for Tier 2 employees increased from 11.01% for the year ending September 30, 2018, to 11.35% for the year ending September 30, 2019.

### NOTE 2 – NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

#### ***Changes in Actuarial Assumptions***

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

#### ***Recent Plan Changes***

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

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

## Hoover City Board of Education Notes to Required Supplementary Information

### NOTE 2 – NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES (CONTINUED)

***Method and Assumptions Used in Calculations of Actuarially Determined Contributions***

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014 three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	26 years
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2021 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

## **OTHER INFORMATION**

## Hoover City Board of Education Supplementary Schedule of Bond Disclosures

This supplementary information to the financial statements is intended to constitute, along with the independent auditors' report, the annual report that the Board is required to provide under various Continuing Disclosure Agreements in connection with the provisions of Rule 15c 2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934.

1. The net proceeds of the Special Tax (that is, the ad valorem tax levied by the City of Hoover at the rate of 24 mills per annum) were \$42,610,020 for the fiscal year that ended September 30, 2019.
2. Attached hereto is a combined schedule of revenues, expenditures and changes in fund balances for all governmental funds for the current and the five most recent fiscal years.
3. The following issues are payable solely out of the proceeds of the Special Tax:
  - (a) \$117,885,000 aggregate principal amount of the Board's Capital Outlay Warrants, Series 2010, dated August 1, 2010, and (as of September 30, 2019) outstanding in the aggregate principal amount of \$105,840,000.
  - (b) \$51,915,000 aggregate principal amount of the Board's Special School Tax Warrants, Series 2012, dated December 27, 2012, and (as of September 30, 2019) outstanding in the aggregate principal amount of \$42,675,000.
  - (c) \$14,885,000 aggregate principal amount of the Board's Public School Warrants, Series 2017, dated June 16, 2017, and (as of September 30, 2019) outstanding in the aggregate principal amount of \$14,805,000.
4. The average annual debt service on the warrants listed above is \$11,529,000.
5. The maximum annual debt service on the warrants listed above is \$13,675,363.

**Hoover City Board of Education**  
**Supplementary Schedule of Bond Disclosures (Continued)**  
**Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances**

<i>Year ended September 30,</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Revenues</b>						
State of Alabama	\$ 68,982,299	\$ 70,042,438	\$ 69,433,830	\$ 72,942,472	\$ 73,015,688	\$ 78,771,163
Federal government	6,321,501	6,527,790	6,470,562	7,134,653	6,851,104	7,414,561
Local	86,208,420	85,506,500	90,715,405	103,160,169	98,922,722	101,410,999
Other	2,707,490	2,782,277	3,426,555	2,519,272	1,568,963	2,583,625
<b>Total revenues</b>	<b>164,219,710</b>	<b>164,859,005</b>	<b>170,046,352</b>	<b>185,756,566</b>	<b>180,358,477</b>	<b>190,180,348</b>
<b>Other financing sources</b>						
Proceeds from borrowings	-	-	-	14,885,000	-	-
Sale of capital assets	-	-	-	11,152,925	-	-
Operating transfers in	8,978,874	7,948,376	9,021,350	9,006,732	9,403,690	13,940,229
<b>Total other financing sources</b>	<b>8,978,874</b>	<b>7,948,376</b>	<b>9,021,350</b>	<b>35,044,657</b>	<b>9,403,690</b>	<b>13,940,229</b>
<b>Total revenues and other financing sources</b>	<b>173,198,584</b>	<b>172,807,381</b>	<b>179,067,702</b>	<b>220,801,223</b>	<b>189,762,167</b>	<b>204,120,577</b>
<b>Expenditures</b>						
Instructional services	93,131,120	91,622,703	92,313,177	91,191,958	94,576,956	102,110,847
Instructional support	25,084,506	24,292,693	24,373,123	25,302,334	25,445,617	27,577,243
Operation and maintenance	16,099,025	16,028,955	15,058,547	14,810,298	15,916,958	16,993,416
Auxiliary services	15,902,396	15,853,583	16,625,736	16,941,740	16,470,468	17,888,994
General administrative and central support	2,811,850	2,729,633	3,219,429	4,207,379	3,803,000	5,096,541
Capital outlay	3,226,720	112,789	2,214,170	2,627,823	11,461,220	15,768,581
Debt service	10,850,596	10,836,848	10,809,922	10,676,603	11,843,525	11,797,987
Other	5,007,662	4,771,873	4,912,390	3,992,834	3,740,011	3,133,753
<b>Total expenditures</b>	<b>172,113,875</b>	<b>166,249,077</b>	<b>169,526,494</b>	<b>169,750,969</b>	<b>183,257,755</b>	<b>200,367,362</b>
<b>Other fund uses</b>						
Operating transfers out	8,978,874	7,948,376	9,021,350	9,006,732	9,403,690	13,940,229
Other uses	-	-	-	14,816,953	-	-
<b>Total other fund uses</b>	<b>8,978,874</b>	<b>7,948,376</b>	<b>9,021,350</b>	<b>23,823,685</b>	<b>9,403,690</b>	<b>13,940,229</b>
<b>Total expenditures and other fund uses</b>	<b>181,092,749</b>	<b>174,197,453</b>	<b>178,547,844</b>	<b>193,574,654</b>	<b>192,661,445</b>	<b>214,307,591</b>
<b>Excess of revenues and other sources over (under) expenditures and other fund uses</b>	<b>(7,894,165)</b>	<b>(1,390,072)</b>	<b>519,858</b>	<b>27,226,569</b>	<b>(2,899,278)</b>	<b>(10,187,014)</b>
<b>Fund balances, beginning of year (see note below)</b>	<b>102,192,194</b>	<b>94,298,029</b>	<b>93,344,741</b>	<b>93,864,599</b>	<b>121,091,168</b>	<b>118,191,890</b>
<b>Fund balances, end of year</b>	<b>\$ 94,298,029</b>	<b>\$ 92,907,957</b>	<b>\$ 93,864,599</b>	<b>\$ 121,091,168</b>	<b>\$ 118,191,890</b>	<b>\$ 108,004,876</b>

Note: The Board's beginning fund balances as of September 30, 2016 was restated due to an adjustment related to compensated absences as well as a receivable that does not meet the Board's definition of "available" for fund financial reporting.

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

Year ended September 30, 2019

Description	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
<b>Passed through State Department of Education</b>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	28-9100008	\$ 579,193	\$ -
National School Lunch Program	10.555	28-9100057 & 28-9100058	1,838,552	-
National School Lunch Program *	10.555	28-9100019	471,004	-
Summer Food Service Program	10.559	28-9120008 & 28-9100127	58,064	-
<i>Total Child Nutrition Cluster</i>			<u>2,946,813</u>	-
State Administrative Expenses for Child Nutrition	10.560	28-9100127	28,797	-
<b>Total U.S. Department of Agriculture</b>			<u>2,975,610</u>	-
<b>U.S. Department of Education</b>				
<b>Passed through State Department of Education</b>				
<i>Special Education (IDEA) Cluster</i>				
Special Education Grants to States	84.027	16-9100028 & 16-9100058	2,586,514	-
Special Education Preschool Grants	84.173	16-9100038	44,370	-
<i>Total Special Education (IDEA) Cluster</i>			<u>2,630,884</u>	-
Title I Grants to Local Educational Agencies	84.010	15-9100018 & 15-9100128	1,204,670	-
Career and Technical Education -- Basic Grants to States	84.048	23-9100038 & 23-9100158	127,472	-
Education for Homeless Children and Youth	84.196	15-9100118	8,491	-
English Language Acquisition State Grants	84.365	15-9100078 & 15-9100188	70,334	-
Supporting Effective Instruction State Grants	84.367	15-9100068	265,737	-
<b>Total passed through State Department of Education</b>			<u>4,307,588</u>	-
<b>Direct Programs</b>				
Student Support and Academic Enrichment Program	84.424		61,222	-
<b>Total Direct Programs</b>			<u>61,222</u>	-
<b>Total U.S. Department of Education</b>			<u>4,368,810</u>	-
<b>Department of Defense</b>				
<b>Direct Programs</b>				
Airforce ROTC Grant	12.U01		68,641	-
<b>Total Direct Programs</b>			<u>68,641</u>	-
<b>Total Department of Defense</b>			<u>68,641</u>	-
<b>Social Security Administration Passed through</b>				
<b>State Department of Education</b>				
<i>Disability Insurance/SSI Cluster</i>				
Social Security Disability Insurance	96.001	31-9203007 & 31-9203008	1,500	-
<i>Total Disability Insurance/SSI Cluster</i>			<u>1,500</u>	-
<b>Total Social Security Administration</b>			<u>1,500</u>	-
<b>Total Federal Awards</b>			<u>\$ 7,414,561</u>	<u>\$ -</u>

\* USDA Commodities Received (Non-cash assistance)

See notes to supplementary schedules

## Hoover City Board of Education Notes to Supplementary Schedules

### NOTE 1 – SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

The Hoover City Board of Education (the "Board"), is an agency of the State of Alabama. All significant operations of the Board are included in the scope of the Uniform Guidance.

The U. S. Department of Education has been designated as the Board's cognizant agency for the "Single-Audit".

### NOTE 2 – FISCAL PERIOD AUDITED

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2019.

### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **A. Basis of Presentation**

The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Federal grant revenues are recorded for financial reporting purposes when the Board has met the qualifications for the respective grants. Several programs are funded jointly by State appropriations and Federal funds. Encumbrances for purchase orders and contracts are not recorded as expenditures because the liability has not been incurred for goods received or services rendered; however, these encumbrances (if any) are reserved in the fund balances of the governmental funds. Costs incurred in programs partially funded by Federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

#### **B. Accrued and Deferred Reimbursement**

Various reimbursement procedures are used for Federal awards received by the Board. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of expenditures over cash reimbursements received to date. Generally, accrued or deferred balances caused by differences in the timing of cash reimbursements and expenditures will be reversed in the remaining grant period.

#### **C. Indirect Cost**

The Board has elected not to use the 10% de minimis indirect cost rate during the fiscal year ended September 30, 2019.

#### **D. Federally Funded Insurance and Federally Funded Loans**

The Board has no federally funded insurance and no federally funded loans or loan guarantees for the fiscal year ended September 30, 2019.



## **OTHER REPORTS**

**HOOVER CITY BOARD OF EDUCATION**

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

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

To the Members  
Hoover City Board of Education  
Hoover, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hoover City Board of Education (the "Board"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 6, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

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

Birmingham, Alabama  
February 6, 2020

**HOOVER CITY BOARD OF EDUCATION**

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

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

To the Members  
Hoover City Board of Education  
Hoover, Alabama

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Birmingham, Alabama

February 6, 2020

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**Hoover City Board of Education  
Schedule of Findings and Questioned Costs**

*Year ended September 30, 2019*

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**Section I - Summary of Auditors' Results**

**Financial statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      yes   x   no

Significant deficiency(ies) identified?      yes   x   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?      yes   x   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?      yes   x   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education Cluster</i>
84.027	Special Education--Grants to States
84.173	Special Education--Preschool Grants

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000

Auditee qualified as low-risk auditee?   x   yes      no



**Hoover City Board of Education  
Schedule of Findings and Questioned Costs**

*Year ended September 30, 2019*

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**Section II - Financial statement findings**

There were no matters to be reported.

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

Findings: None Reported

Questioned costs: None Reported