



**Hoover City Board of Education**

**FINANCIAL STATEMENTS**

**September 30, 2023**



	Page
<b>REPORT</b>	
Independent Auditor’s Report .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	5.1
<b>FINANCIAL STATEMENTS</b>	
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	6
Statement of Activities .....	8
Fund Financial Statements:	
Balance Sheet—Governmental Funds .....	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds .....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds to the Statement of Activities .....	12
Notes to Financial Statements .....	13
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual—General Fund .....	46
Schedule of Proportionate Share of the Collective Net Pension Liability .....	47
Schedule of Board Contributions - Pension .....	48
Schedule of Proportionate Share of the Collective Net OPEB Liability .....	49
Schedule of Board Contributions - OPEB .....	50
Notes to Required Supplementary Information .....	51
<b>Supplementary Information</b>	
Supplementary Schedule of Bond Disclosures .....	55
Supplementary Schedule of Expenditures of Federal Awards .....	57
Notes to Supplementary Schedule of Expenditures of Federal Awards .....	58
<b>Reports on Internal Control and Compliance Matters</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	60
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance .....	62
Schedule of Findings and Questioned Costs .....	65
Summary Schedule of Prior Audit Findings .....	67



# REPORT





Carr, Riggs & Ingram, LLC  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243

205.933.7822  
205.933.7944 (fax)  
CRlcpa.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Members  
Hoover City Board of Education  
Hoover, Alabama

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board, as of September 30, 2023, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund, Schedule of Proportionate Share of the Collective Net Pension Liability, Schedule of Board Contributions – Pension, Schedule of Proportionate Share of the Collective Net OPEB Liability and Schedule of Board Contributions – OPEB and the related notes to the required supplementary information on pages 5.1 through 5.6 and 47-54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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 March 11, 2024, 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.*

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

March 11, 2024



# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)





**Hoover City Board of Education  
Management's Discussion and Analysis (MD&A)  
September 30, 2023**

**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, 2023. 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 2023. 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, 2023:

	Government Activities		Percent Change
	2022	2023	
Current assets	\$ 137,031,933	\$ 153,838,464	12.26%
Capital assets	247,396,769	246,872,938	-0.21%
Deferred outflows attributable to OPEB plan	35,015,701	37,474,261	7.02%
Deferred outflows attributable to pension plan	37,813,791	73,152,335	93.45%
Deferred charges on refunding	4,873,483	4,566,240	-6.30%
Total assets and deferred outflows of resources	<u>462,131,677</u>	<u>515,904,238</u>	11.64%
Current liabilities	24,531,677	27,684,304	12.85%
Long-term liabilities	338,790,802	368,252,191	8.70%
Total liabilities	<u>363,322,479</u>	<u>395,936,495</u>	8.98%
Deferred inflows attributable to OPEB plan	63,968,161	95,422,225	49.17%
Deferred inflows attributable to pension plan	41,697,000	8,376,000	-79.91%
Total liabilities and deferred inflows	<u>468,987,640</u>	<u>499,734,720</u>	6.56%
Net position			
Net investment in capital assets	106,995,252	114,290,065	6.82%
Unrestricted	(113,851,215)	(98,120,547)	-13.82%
Total net position	<u>\$ (6,855,963)</u>	<u>\$ 16,169,518</u>	-335.85%

The Board's total net position was \$16,169,518 at the end of the fiscal year 2023; an increase of \$23,025,481 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 (\$98,120,547). 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, 2023 presented with comparative data for the previous year:

	<b>Government Activities</b>		Percent Change
	<b>2022</b>	<b>2023</b>	
Revenues			
Program Revenues:			
Charges for services	\$ 14,500,461	\$ 14,104,654	-2.73%
Operating grants and contributions	97,168,247	98,925,537	1.81%
Capital grants and contributions	4,369,813	4,288,365	-1.86%
General Revenues:			
Property taxes	88,313,535	95,100,847	7.69%
Local sales tax	2,605,320	2,790,498	7.11%
City appropriation	5,000,000	5,000,000	0.00%
Other general revenues	7,166,140	12,141,509	69.43%
	<u>219,123,516</u>	<u>232,351,410</u>	6.04%
Expenses			
Instructional services	113,929,894	122,860,744	7.84%
Instructional support services	28,751,300	33,105,637	15.14%
Operation and maintenance services	17,025,652	17,781,138	4.44%
Auxiliary services	17,807,925	19,842,743	11.43%
General administrative services	5,892,537	7,159,224	21.50%
Other expenses	5,367,407	3,743,384	-30.26%
Interest and fiscal charges	4,982,910	4,833,059	-3.01%
	<u>193,757,625</u>	<u>209,325,929</u>	8.03%
Increase/(decrease) in net position	25,365,891	23,025,481	-9.23%
Net position, beginning of year	<u>(32,221,854)</u>	<u>(6,855,963)</u>	-78.72%
Net position, ending	<u>\$ (6,855,963)</u>	<u>\$ 16,169,518</u>	-335.85%

As noted in the above shown condensed presentations, the Board's total net position reflects an increase of \$23,025,481. The variance in revenues is primarily attributable to greater than anticipated property tax revenues and interest on investments. The variance in expenditures is primarily a result of expanded student services and the hiring of additional instructional support.

## **Fund Financial Analysis**

### **General Fund**

The fiscal year 2023 financial statements reflected a net increase in the balance of the General Fund of \$16,310,085 as revenues received exceeded the amount of expenditures and transfers out of the General Fund to other funds. The net difference in revenues and expenditures is primarily attributable to the increase in property tax revenues as well as a reduction in capital projects paid with local funds.

### **Capital Projects Fund**

The Capital Projects Fund decreased \$596,406 in fiscal year 2023 primarily due to the increased costs of materials and labor. Expenditures for construction and renovation totaled \$3,753,096 in 2023 as a result of playground and athletic facility upgrades, various HVAC projects and the new performing arts center.

### **Other Governmental Funds**

The Other Governmental Funds increased \$556,173 in 2023 with continued increase in school participation/activities after school closures due to the Coronavirus.

## **General Fund Budget Variances**

Differences between original and final budget amounts were primarily a result of federal and local appropriations not finalized for inclusion in the original budget and the greater than anticipated property tax revenues.

Actual general fund revenues and other financing sources were \$22,426,250 or approximately 10.89% more than budget. Actual expenditures were \$1,737,389 or 1.0% more than budgeted expenditures. The variance in revenues and other financing sources is primarily attributable to greater than anticipated revenues from local property taxes. The variance in expenditures was primarily related to the increased costs associated with instructional services and support.

## **Capital Assets and Debt Administration**

### **Capital Assets**

Net capital assets decreased by \$587,944 in 2023, which is attributable to depreciation expense offsetting smaller capital asset projects during the year.

### **Debt Administration**

The Board's outstanding warrant liability decreased by \$8,190,000 to \$137,085,000 during 2023 as a result of regularly scheduled principal payments.

### **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.



# FINANCIAL STATEMENTS



## Hoover City Board of Education Statement of Net Position

<i>September 30, 2023</i>	Governmental Activities
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 86,967,524
Investments	59,386,008
Due from government entities	6,846,359
Inventories	638,573
<hr/>	
Total current assets	153,838,464
<hr/>	
Noncurrent assets	
Capital assets	
Land	17,884,738
Buildings and improvements	351,957,934
Equipment, furniture and vehicles	24,399,089
Textbooks and library books	9,836,959
Construction in progress	886,289
Accumulated depreciation	(158,092,071)
<hr/>	
Total capital assets, net of depreciation	246,872,938
<hr/>	
Total noncurrent assets	246,872,938
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Total assets	400,711,402
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<b>Deferred Outflows of Resources</b>	
Deferred charges on refunding	4,566,240
Attributable to OPEB plan - see Note 13	37,474,261
Attributable to pension plan - see Note 12	73,152,335
<hr/>	
Total deferred outflows of resources	115,192,836
<hr/>	
Total assets and deferred outflows of resources	\$ 515,904,238
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(Continued)

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



**Hoover City Board of Education  
Statement of Net Position (Continued)**

	Governmental Activities
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 4,268,073
Accrued liabilities	13,959,546
Warrants payable	8,200,000
Compensated absences	317,840
Unearned revenue	374,896
Accrued interest payable	563,949
Total current liabilities	27,684,304
Noncurrent liabilities	
Warrants payable	128,885,000
Compensated absences	635,774
Net OPEB liability	25,368,417
Net pension liability	213,363,000
Total noncurrent liabilities	368,252,191
Total liabilities	395,936,495
<b>Deferred Inflows of Resources</b>	
Attributable to OPEB plan - see Note 13	95,422,225
Attributable to pension plan - see Note 12	8,376,000
Total deferred inflows of resources	103,798,225
Total liabilities and deferred inflows of resources	499,734,720
<b>Net Position</b>	
Net investment in capital assets	114,290,065
Unrestricted (deficit)	(98,120,547)
Total net position	\$ 16,169,518

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

## Hoover City Board of Education Statement of Activities

For the year ended September 30, 2023

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities
<b>Governmental Activities</b>					
Instructional services	\$ 122,860,744	\$ 5,768,854	\$ 66,990,447	\$ -	\$ (50,101,443)
Instructional support	33,105,637	-	12,382,037	-	(20,723,600)
Operation and maintenance	17,781,138	-	12,081,127	-	(5,700,011)
Auxiliary services	19,842,743	8,335,800	7,471,926	659,547	(3,375,470)
General administration and central support	7,159,224	-	-	-	(7,159,224)
Other	3,743,384	-	-	3,619,028	(124,356)
Interest and fiscal charges	4,833,059	-	-	9,790	(4,823,269)
<b>Total governmental activities</b>	<b>\$ 209,325,929</b>	<b>\$ 14,104,654</b>	<b>\$ 98,925,537</b>	<b>\$ 4,288,365</b>	<b>(92,007,373)</b>

### General Revenues

Taxes	
Property taxes	95,100,847
Local sales tax	2,790,498
Miscellaneous taxes	4,450
City appropriations	5,000,000
Investment Income	4,238,558
General contributions to the Board	742,696
Gain on disposal of fixed assets	59,363
Fund raising and sales	3,892,303
Other	3,204,139
<b>Total general revenues</b>	<b>115,032,854</b>

<b>Change in Net Position</b>	<b>23,025,481</b>
Net position at beginning of year	(6,855,963)
<b>Net position at end of year</b>	<b>\$ 16,169,518</b>

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

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

September 30, 2023

	General	Capital Projects	Nonmajor	Totals Governmental Funds
<b>Assets</b>				
Current assets				
Cash	\$ 77,994,743	\$ -	\$ 8,972,781	\$ 86,967,524
Investments	42,590,539	16,795,469	-	59,386,008
Interfund receivables	15,535,225	-	100,000	15,635,225
Due from government entities	5,113,622	-	1,732,737	6,846,359
Inventory	136,435	-	502,138	638,573
<b>Total assets</b>	<b>\$ 141,370,564</b>	<b>\$ 16,795,469</b>	<b>\$ 11,307,656</b>	<b>\$ 169,473,689</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 3,499,809	\$ 139,318	\$ 628,946	\$ 4,268,073
Accrued liabilities	13,460,151	-	499,395	13,959,546
Unearned revenues	-	-	374,896	374,896
Interfund payables	100,000	15,535,225	-	15,635,225
<b>Total current liabilities</b>	<b>17,059,960</b>	<b>15,674,543</b>	<b>1,503,237</b>	<b>34,237,740</b>
<b>Fund Balances</b>				
Non-spendable: inventory	136,435	-	502,138	638,573
Assigned for special school purposes	-	-	9,302,281	9,302,281
Assigned for capital projects	-	1,120,926	-	1,120,926
Unassigned	124,174,169	-	-	124,174,169
<b>Total fund balances</b>	<b>124,310,604</b>	<b>1,120,926</b>	<b>9,804,419</b>	<b>135,235,949</b>
<b>Total liabilities and fund balances</b>	<b>\$ 141,370,564</b>	<b>\$ 16,795,469</b>	<b>\$ 11,307,656</b>	<b>\$ 169,473,689</b>

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

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

September 30, 2023

Total fund balances - governmental funds		\$ 135,235,949
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	351,957,934	
Equipment, furniture and vehicles	24,399,089	
Textbooks and library books	9,836,959	
Construction in progress	886,289	
Accumulated depreciation	<u>(158,092,071)</u>	
Total capital assets, net of depreciation		246,872,938
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		4,566,240
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		73,152,335
Deferred outflows of resources - OPEB		37,474,261
	Current Liabilities	Noncurrent Liabilities
Warrants payable	\$ 8,200,000	\$ 128,885,000
Net OPEB liability	-	25,368,417
Net pension liability	-	213,363,000
Compensated absences	317,840	635,774
Accrued interest payable	563,949	-
Total liabilities	<u>\$ 9,081,789</u>	<u>\$ 368,252,191</u>
		(377,333,980)
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		(8,376,000)
Deferred inflows of resources - OPEB		<u>(95,422,225)</u>
Total net position - governmental activities		<u><u>\$ 16,169,518</u></u>

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

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

For the year ended September 30, 2023

	General	Capital Projects	Nonmajor	Total Governmental Funds
<b>Revenues</b>				
State of Alabama	\$ 88,954,948	\$ 4,219,880	\$ -	\$ 93,174,828
Federal government	1,418	-	11,786,843	11,788,261
Local	111,374,985	334,022	15,432,320	127,141,327
Other	2,978,291	58,695	78,089	3,115,075
<b>Total revenues</b>	<b>203,309,642</b>	<b>4,612,597</b>	<b>27,297,252</b>	<b>235,219,491</b>
<b>Expenditures</b>				
Instructional services	101,965,445	-	13,069,796	115,035,241
Instructional support	29,225,321	-	3,578,031	32,803,352
Operation and maintenance	17,244,349	271,105	242,459	17,757,913
Auxiliary services	10,347,591	-	12,068,180	22,415,771
General administration and central support	7,173,778	-	84,414	7,258,192
Capital outlay	3,103,863	3,481,991	49,000	6,634,854
Debt service				
Principal	-	-	8,190,000	8,190,000
Interest	-	-	4,530,236	4,530,236
Other	1,657,631	-	2,666,449	4,324,080
<b>Total expenditures</b>	<b>170,717,978</b>	<b>3,753,096</b>	<b>44,478,565</b>	<b>218,949,639</b>
Excess (deficiency) of revenues over (under) expenditures	32,591,664	859,501	(17,181,313)	16,269,852
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	2,670,720	-	24,777,322	27,448,042
Operating transfers out	(18,952,299)	(1,455,907)	(7,039,836)	(27,448,042)
<b>Net other financing sources (uses)</b>	<b>(16,281,579)</b>	<b>(1,455,907)</b>	<b>17,737,486</b>	<b>-</b>
Net change in fund balances	16,310,085	(596,406)	556,173	16,269,852
Fund balances at beginning of year	108,000,519	1,717,332	9,248,246	118,966,097
<b>Fund balances at end of year</b>	<b>\$ 124,310,604</b>	<b>\$ 1,120,926</b>	<b>\$ 9,804,419</b>	<b>\$ 135,235,949</b>

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

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

*For the year ended September 30, 2023*

Net changes in fund balances - total governmental funds	\$ 16,269,852
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 capital outlay and other capital purchases (\$10,535,747) was exceeded by depreciation (\$11,059,578) in the current period.	
	(523,831)
Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.	8,190,000
Certain revenues were deferred in the governmental funds, but recognized in Government-Wide Statement of Activities in prior year because they did not meet the availability criterion for recognition.	(2,292,528)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not in the funds:	
Difference in pension expense	(14,196,456)
Decrease in accrued interest payable	4,420
Difference in OPEB expense	15,229,025
Amortization of bond premium and deferred charges	(307,243)
Decrease in compensated absences	652,242
Change in net position of governmental activities	\$ 23,025,481

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

## Hoover City Board of Education Notes to Financial Statements

### **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.

#### ***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.

#### ***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.

##### Governmental 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.

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

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

The Board reports the following major governmental funds:

*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.

*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 types in the "Other Governmental Funds" column:

*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.

*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, Other Federal Programs, and Local School Activity Funds.

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

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

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



## Hoover City Board of Education Notes to Financial Statements

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

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

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 to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are generally recorded when the related fund liability is incurred.

#### *Cash, Certificates of Deposit and Investments*

Cash includes cash on hand and demand deposits. Investments include 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.

#### *Receivables*

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

#### *Property Tax Calendar*

The Jefferson County Commission 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 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.

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

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

***Inventories and Prepaid Items***

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. 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.

***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:

<u>Asset Class</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 50,000	20 years
Buildings	50,000	50 years
Building improvements	50,000	7-30 years
Equipment, furniture 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)**

***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.

***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:

- The employee's right to receive compensation is attributable to services already rendered.
- 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.

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

***Compensated Absences (Continued)***

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 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, 2023 the Board has accrued a liability in the amount of \$953,614.

***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.

## Hoover City Board of Education Notes to Financial Statements

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

#### *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.

#### *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.

## Hoover City Board of Education Notes to Financial Statements

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

#### ***Pension (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.

#### ***Postemployment Benefits Other Than Pensions (OPEB)***

The Alabama Retired Education Employees' Health Care Trust (the 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.

#### ***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.

#### ***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.

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

***Revenue***

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

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

***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 \$95,100,847 or 40% of total revenue in fiscal year 2023. State foundation program revenue was \$67,871,913 or 29% of total revenue in fiscal year 2023.

***Recently Issued and Upcoming Accounting Pronouncements***

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The Board does not have material subscription agreements that qualify for reporting; therefore, there were no significant impacts of implementing this Statement.

## Hoover City Board of Education Notes to Financial Statements

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

#### *Recently Issued and Upcoming Accounting Pronouncements (Continued)*

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, Accounting Changes and Error Corrections. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Notes 8 and 14.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:



## Hoover City Board of Education Notes to Financial Statements

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

#### *Recently Issued and Upcoming Accounting Pronouncements (Continued)*

GASB Statement No. 100, Accounting Changes and Error Corrections. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

#### *Subsequent Events*

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 11, 2024 and determined there were no events that occurred that required disclosure.

### 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.

#### *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.

## Hoover City Board of Education Notes to Financial Statements

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

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

The governmental funds statement of revenues, expenditures and changes in fund balances is followed by a reconciliation between *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 2022-2023 fiscal year was September 15, 2022. The Board approved its original 2022-2023 annual budget on September 13, 2022 and amended April 11, 2023, 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, 2023, 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, 2023 was \$86,967,524, and the bank balances totaled \$86,510,529.

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

**Note 4: DEPOSITS AND INVESTMENTS (Continued)**

***Deposits (Continued)***

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.

The following investments were held by the Board at September 30, 2023:

Certificates of Deposit	\$ 5,984,008
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***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.

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

**Note 4: DEPOSITS AND INVESTMENTS (Continued)**

***Investments (Continued)***

A schedule of investments is as follows:

General Fund	
Investment at fair market value	
US Treasury Notes (Level 1 Inputs)	\$ 36,940,553
Capital Projects Fund	
Investment at fair market value	
US Treasury Notes (Level 1 Inputs)	16,461,447
<hr/>	
<b>Total investments</b>	<b>\$ 53,402,000</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

Interest revenues of \$4,098,167 are included in revenues for 2023.

*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.

## Hoover City Board of Education Notes to Financial Statements

### Note 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance October 1, 2022	Additions	Retirements and Reclassifications	Balance September 30, 2023
<b>Capital assets not being depreciated</b>				
Land	\$ 17,884,738	\$ -	\$ -	\$ 17,884,738
Construction in progress	132,386	753,903	-	886,289
<b>Total capital assets not being depreciated</b>	<b>18,017,124</b>	<b>753,903</b>	<b>-</b>	<b>18,771,027</b>
<b>Capital assets being depreciated</b>				
Exhaustible land improvements	11,045,984	1,093,465	-	12,139,449
Building and improvements	335,115,689	4,638,683	-	339,754,372
Equipment, furniture and vehicles	22,484,350	3,103,649	(1,188,910)	24,399,089
Textbooks and library books	9,979,619	881,934	(1,024,594)	9,836,959
<b>Total capital assets being depreciated</b>	<b>378,625,642</b>	<b>9,717,731</b>	<b>(2,213,504)</b>	<b>386,129,869</b>
<b>Less accumulated depreciation for:</b>				
Exhaustible land improvements	4,587,961	567,061	-	5,155,022
Building and improvements	127,751,849	7,637,095	-	135,388,944
Equipment, furniture and vehicles	13,239,399	1,275,877	(1,188,910)	13,326,366
Textbooks and library books	3,666,788	1,579,545	(1,024,594)	4,221,739
<b>Total accumulated depreciation</b>	<b>149,245,997</b>	<b>11,059,578</b>	<b>(2,213,504)</b>	<b>158,092,071</b>
<b>Total capital assets being depreciated, net</b>	<b>229,379,645</b>	<b>(1,341,847)</b>	<b>-</b>	<b>228,037,798</b>
<b>Total governmental activities capital assets, net</b>	<b>\$ 247,396,769</b>	<b>\$ (587,944)</b>	<b>\$ -</b>	<b>\$ 246,808,825</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	\$ 9,165,483
Instructional support	100,706
Operation and maintenance	659,014
Auxiliary services	1,065,152
General administrative and central support	69,223
<hr/>	
Total governmental activities depreciation expense	\$ 11,059,578
<hr/>	

The Board has entered into contracts for the construction or renovation of various facilities as follows:

	Project	Expended to Date	Commitment
<hr/>			
Hoover High School Theater	16,458,725	378,477	16,080,248

**Note 6: LONG-TERM DEBT**

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.

On November 26, 2019, the Board issued \$108,630,000 in Capital Outlay Warrants at an interest rate of 3.8%. The Board issued the Warrants for the purpose of refunding the Board’s Capital Outlay Warrants, Series 2010, which have stated maturities beginning in 2028 continuing through 2040 in the aggregate principal amount of \$105,840,000 and for the payment of issuance expenses.

On April 29, 2021 the Board issued \$24,495,000 in Public School Warrants at an interest rate of 0.99%. The Board issued the Warrants for the purpose of refunding (on an advance basis) the City’s Special Tax School Warrants, Series 2012, which have stated maturities beginning in 2023 continuing through 2025 in the aggregate principal amount of \$22,615,000 and for the payment of issuance expenses.

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

**Note 6: LONG-TERM DEBT (Continued)**

As of September 30, 2023, the Board's long-term debt consisted of the following:

Series 2017 Public School Warrants with a final maturity date of February 15, 2027, interest payable semi-annually at 2.31%.	\$ 14,630,000
Series 2019 Capital Outlay Warrants with a final maturity date of February 15, 2040, interest payable semi-annually at 3.8%	106,610,000
Series 2021 Public School Warrants with a final maturity date of February 15, 2025, interest payable semi-annually at 0.99%	15,845,000
<b>Total warrants</b>	<b>\$ 137,085,000</b>

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

<i>For the years ending September 30,</i>	Warrants	
	Principal	Interest
2024	\$ 8,200,000	\$ 4,484,465
2025	8,240,000	4,412,639
2026	9,040,000	4,261,553
2027	6,035,000	4,083,413
2028	6,515,000	3,887,875
2029-2033	35,875,000	15,515,685
2034-2038	43,385,000	8,007,455
2039-2040	19,795,000	759,335
<b>Total</b>	<b>\$ 137,085,000</b>	<b>\$ 45,412,420</b>

Interest paid on long-term debt was \$4,529,236 for the year ended September 30, 2023.

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

**Note 6: LONG-TERM DEBT (Continued)**

The Series 2017, Series 2019, and Series 2021 Warrants were issued in June 2017, November 2019, and April 2021 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, 2023 were \$49,559,031.

The following changes occurred in the liabilities for warrants for the year ended September 30, 2023:

	Balance September 30, 2022	Additions	Retirements	Balance September 30, 2023	Amount Due Within One Year
Series 2017 Public School Warrants	\$ 14,675,000	\$ -	\$ (45,000)	\$ 14,630,000	\$ 45,000
Series 2019 Capital Outlay Warrants	106,845,000	-	(235,000)	106,610,000	245,000
Series 2021 Public School Warrants	23,755,000	-	(7,910,000)	15,845,000	7,910,000
<b>Total Warrants payable</b>	<b>145,275,000</b>	<b>-</b>	<b>(8,190,000)</b>	<b>137,085,000</b>	<b>8,200,000</b>
<b>Other Liabilities</b>					
Compensated absences	1,705,317	428,960	(1,180,663)	953,614	317,840
<b>Total long-term liabilities</b>	<b>\$ 146,980,317</b>	<b>\$ 428,960</b>	<b>\$ (9,370,663)</b>	<b>\$ 138,038,614</b>	<b>\$ 8,517,840</b>

**Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at September 30, 2023 consist of the following:

Due to General Fund from:	
Capital Projects Fund	\$ 15,535,225
Due to other governmental funds from:	
General Fund	100,000
<b>Total</b>	<b>\$ 15,635,225</b>

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.



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

**Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

Interfund transfers for the fiscal year ended September 30, 2023 consist of the following:

General fund to other governmental funds	\$ 18,952,299
Capital projects fund to General fund	1,455,907
Other governmental funds to:	
General fund	1,214,813
Other governmental funds to other governmental funds	5,825,023
<hr/>	
<b>Total</b>	<b>\$ 27,448,042</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. 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.

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 \$524,370 for 2023. Commodities consumed were approximately \$502,137 for 2023.

**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, 2023 amounted to \$5,000,000.

**Note 12: PENSION PLAN**

***Plan Description***

The Teacher's Retirement System (TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the Code of Alabama 1975, Title 16, Chapter 25 (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 16, Chapter 25 grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

**Note 12: PENSION PLAN (Continued)**

***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 formula method. 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 up to 80% of their average final compensation. Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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

**Note 12: PENSION PLAN (Continued)**

***Contributions (Continued)***

Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Effective 10/1/2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective 10/1/2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. The contribution rates for the prior fiscal year were 12.43% for Tier 1 and 11.32% for Tier 2. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$13,291,335 for the year ended September 30, 2023.

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

At September 30, 2023 the Board reported a liability of \$213,363,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022 the Board's proportion was 1.372922%, which was a decrease of .01245% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Board recognized pension expense of \$27,628,110. At September 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

**Note 12: PENSION PLAN (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,690,000	\$ 5,178,000
Changes of assumptions	9,682,000	-
Net difference between projected and actual earnings on plan investments	42,815,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,674,000	3,198,000
Employer contributions subsequent to the measurement date	13,291,335	-
<b>Total</b>	<b>\$ 73,152,335</b>	<b>\$ 8,376,000</b>

The \$13,291,335 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*For the years ending September 30,*

2024	\$ 16,223,000
2025	10,646,000
2026	7,818,000
2027	16,798,000
2028	-
<b>Total</b>	<b>\$ 51,485,000</b>

## Hoover City Board of Education Notes to Financial Statements

### Note 12: PENSION PLAN (Continued)

#### **Actuarial Assumptions**

The total pension liability as of September 30, 2022 was determined by an actuarial valuation as of September 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return*	7.45%
Projected salary increases	3.25% - 5.00%

\*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, 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, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67  Phasing down 63 - 67 Female: 112% ages < 69 98% > age 74
Beneficiaries	Contingent Survivor below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

**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:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
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%	9.00%
Real estate	10.00%	6.50%
Cash equivalents	5.00%	2.50%
<b>Total</b>	<b>100.00%</b>	

\*Includes assumed rate of inflation of 2.00%

***Discount Rate***

The discount rate used to measure the total pension liability was 7.45%. 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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Plan's Net Pension Liability (Asset)	\$276,083,000	\$213,363,000	\$160,533,000

***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, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**Note 13: OTHER POSTEMPLOYMENT 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.



**Note 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

***Plan Description (Continued)***

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

***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.

**Note 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

***Benefits Provided (Continued)***

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC 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 UHC 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 Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium

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

**Note 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

***Contributions (Continued)***

set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

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

At September 30, 2023, the Board reported a liability of \$25,368,417 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the Board's proportion was 1.455906%, which was an increase of .108984% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the System recognized OPEB expense (benefit) of \$(13,251,561) with no special funding situations. At September 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,163,497	\$ 51,292,856
Changes of assumptions	20,577,252	36,925,258
Net difference between projected and actual earnings on plan investments	3,190,320	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	10,565,728	7,204,111
Employer contributions subsequent to the measurement date	1,977,464	-
<b>Total</b>	<b>\$ 37,474,261</b>	<b>\$ 95,422,225</b>

The \$1,977,464 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

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

**Note 13: OTHER POSTEMPLOYMENT 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:

*For the years ending September 30:*

2024	\$ (14,878,644)
2025	(15,525,218)
2026	(7,459,733)
2027	(6,867,242)
2028	(9,448,681)
Thereafter	(5,745,910)
<b>Total</b>	<b>\$ (59,925,428)</b>

***Actuarial Assumptions***

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases <sup>1</sup>	3.25% - 5.00%
Long-Term Investment Rate of Return <sup>2</sup>	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Singe Equivalent Interest Rate the Measurement Date	7.00%
Singe Equivalent Interest Rate the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

<sup>1</sup> - includes 2.75% wage inflation

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

\*\* Initial Medicare claims are set based on scheduled increases through plan year 2025

## Hoover City Board of Education Notes to Financial Statements

### Note 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

#### *Actuarial Assumptions (Continued)*

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+)/Setback (-)	Adjustment to Rates
Active Members	Teacher Employee below Median	None	65%
Service Retirees	Teacher below Median	Male: +2, Female: +2	Male: 108% ages < 63 96% ages > 67  Phasing down 63-67 Female: 112% ages < 69 98% ages > 74  Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor below Median	Male: +2, Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 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.

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

**Note 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

***Actuarial Assumptions (Continued)***

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

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

\*Includes assumed rate of inflation of 2.50%

***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 was 7.00%. 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. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2120.

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

**Note 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

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

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Net OPEB Liability	\$ 19,236,922	\$ 25,368,417	\$ 32,888,118

The following table presents the Board’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 7.00%, 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:

	6.00%	Current Discount Rate 7.00%	8.00%
Net OPEB Liability	\$ 31,364,301	\$ 25,368,417	\$ 20,335,051

***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, 2022. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).



## REQUIRED SUPPLEMENTARY INFORMATION





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

For the year ended September 30, 2023

	Budgeted Amounts		Actual on the Budgetary Basis*	Variance
	Original	Final Budget		
<b>Revenues</b>				
State of Alabama	\$ 83,067,077	\$ 84,261,547	\$ 88,954,948	\$ 4,693,401
Federal government	-	-	1,418	1,418
Local and other	98,178,556	98,178,556	113,777,723	15,599,167
<b>Total revenues</b>	<b>181,245,633</b>	<b>182,440,103</b>	<b>202,734,089</b>	<b>20,293,986</b>
<b>Expenditures</b>				
Instructional services	96,299,059	96,462,673	101,965,445	5,502,772
Instructional support	32,719,331	33,913,441	29,225,321	(4,688,120)
Operation and maintenance	19,547,402	19,547,402	17,244,349	(2,303,053)
Auxiliary services	7,573,000	9,095,000	10,347,591	1,252,591
General administration and central support	6,033,251	6,030,302	7,173,778	1,143,476
Capital outlay	-	2,103,948	3,103,863	999,915
Other	1,680,323	1,827,823	1,657,631	(170,192)
<b>Total expenditures</b>	<b>163,852,366</b>	<b>168,980,589</b>	<b>170,717,978</b>	<b>1,737,389</b>
Excess (deficiency) of revenues over (under) expenditures	17,393,267	13,459,514	32,016,111	18,556,597
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	1,060,320	1,114,009	3,246,273	2,132,264
Operating transfers out	(34,257,450)	(28,936,169)	(18,952,299)	(9,983,870)
<b>Net other financing sources (uses)</b>	<b>(33,197,130)</b>	<b>(27,822,160)</b>	<b>(15,706,026)</b>	<b>(12,116,134)</b>
Net change in fund balance	(15,803,863)	(14,362,646)	16,310,085	30,672,731
Fund balance, beginning of year	110,773,063	111,388,211	108,000,519	(3,387,692)
<b>Fund balance at end of year</b>	<b>\$ 94,969,200</b>	<b>\$ 97,025,565</b>	<b>\$ 124,310,604</b>	<b>\$ 27,285,039</b>

\*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 \$575,553 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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the collective net pension liability	1.372922%	1.385376%	1.389481%	1.434212%	1.315089%	1.304279%	1.332488%	1.323923%	1.328923%
Board's proportionate share of the collective net pension liability	\$ 213,363,000	\$ 130,507,000	\$ 171,874,000	\$ 158,579,000	\$ 130,754,000	\$ 128,191,000	\$ 144,255,000	\$ 138,558,000	\$ 120,727,000
Board's covered payroll during the measurement period *	\$ 105,905,105	\$ 100,193,512	\$ 98,588,105	\$ 94,148,189	\$ 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	201.47%	130.25%	174.34%	168.44%	148.82%	148.53%	169.97%	165.35%	143.26%
Plan fiduciary net position as a percentage of the total pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

\* Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81a) is for the measurement period, which for the 9/30/2023 year is 10/1/2021 - 9/30/2022.

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**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 13,291,335	\$ 12,795,791	\$ 12,074,161	\$ 11,987,540	\$ 11,464,710	\$ 10,557,563	\$ 10,210,137	\$ 9,716,825	\$ 9,475,748
Contributions in relation to the contractually required	13,291,335	12,795,791	12,074,161	11,987,540	11,464,710	10,557,563	10,210,137	9,716,825	9,475,748
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll *	\$ 109,007,491	\$ 105,905,105	\$ 100,193,512	\$ 98,588,105	\$ 94,148,189	\$ 87,859,204	\$ 86,306,162	\$ 84,868,863	\$ 83,796,068
Contributions as a percentage of covered payroll	12.19%	12.08%	12.05%	12.16%	12.18%	12.02%	11.83%	11.45%	11.31%

\* Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2022 - 9/30/2023.

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**

	2022	2021	2020	2019	2018	2017
Board's proportion of the collective net OPEB liability	1.455906%	1.346922%	1.334233%	1.494267%	1.409995%	1.365477%
Board's proportionate share of the collective net OPEB liability	\$ 25,368,417	\$ 69,592,946	\$ 86,589,864	\$ 56,375,225	\$ 115,883,631	\$ 101,419,832
Board's covered-employee payroll during the measurement period *	\$ 105,905,105	\$ 100,193,512	\$ 98,588,105	\$ 94,148,189	\$ 87,859,204	\$ 86,306,162
Board's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	23.95%	69.46%	87.83%	59.88%	131.90%	117.51%
Plan fiduciary net position as a percentage of the total OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

\* Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97a) is for the reporting period (i.e., the measurement period), which for the 9/30/2023 year is 10/1/2021 - 9/30/2022.

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**

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 1,977,464	\$ 2,779,499	\$ 2,336,545	\$ 2,642,091	\$ 4,267,763	\$ 3,491,914
Contributions in relation to the contractually required contribution	<b>1,977,464</b>	2,779,499	2,336,545	2,642,091	4,267,763	3,491,914
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll *	\$ 109,007,491	\$ 105,905,105	\$ 100,193,512	\$ 98,588,105	\$ 94,148,189	\$ 87,859,204
Contributions as a percentage of covered-employee payroll	1.81%	2.62%	2.33%	2.68%	4.53%	3.97%

\* Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97a) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2022 - 9/30/2023.

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: NET PENSION LIABILITY

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

The total pension liabilities presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh MacDonald Consulting, LLC. The net pension liability is measured as the total pension liability less plan fiduciary net position. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

#### *Schedule of Employer Contributions*

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. Employer contribution rates for the fiscal year 2023 were 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members.

#### *Actuarial Assumptions*

The actuarially determined contribution rates in the Schedule of Pension Contributions were calculated as of September 30, 2020, which is 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 contribution rate in that schedule:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	5-year smoothed market
Amortization Method	Level percent closed
Remaining Amortization Period	27.1
Actuarial Assumptions:	
Investment rate of return*	7.70%
Projected Salary Increases^	3.25%-5.00%
Cost of Living Adjustments	None

\* Net of pension plan investment expense

^ Includes inflation at 2.75%

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

### Note 1: NET PENSION LIABILITY (Continued)

#### *Changes of Benefit Terms*

In 2022, the plan was amended to allow Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for police officers, firefighters, and correctional officers).

In 2022, the plan was amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

In 2021 the plan was amended to allow sick leave conversion for Tier II members and to increase the member contribution rates for Tier II members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers effective on October 1, 2021.

The member contribution rates were increased from 5.00% (6.00% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012. Members hired on or after January 1, 2013 (Tier II), are covered under a new benefit structure, as follows:

- (i) service retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer or correctional officer).
- (ii) Upon service or disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation (the 5 highest years in the last 10 years of Creditable Service).
- (iii) Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary

#### *Changes of Assumptions*

In 2021, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, including a change in the discount rate from 7.70% to 7.45%. In 2021 and later, the expectation of retired life mortality was changed to the Pub-2010 Teacher Retiree below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019.

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

### Note 1: NET PENSION LIABILITY (Continued)

#### *Changes of Assumptions (Continued)*

In 2018, the discount rate was changed from 7.75% to 7.70%.

In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 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. 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.

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



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

### Note 2: OTHER POST EMPLOYMENT BENEFITS (OPEB)

#### ***Methods and Assumptions Used in Calculations of Actuarially Determined Contributions***

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2020, which is 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 contribution rate in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Remaining Amortization Period	21 years, closed
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment Rate of Return*	5.00%
Healthcare Cost Trend Rate*	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate*	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024
Year of Ultimate Trend Rate	
Optional Plans Trend Rate	2.00%

\* Includes price inflation at 2.75%

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

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

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

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

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

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

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

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



## SUPPLEMENTARY 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 auditor's 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

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 \$53,063,228 for the fiscal year that ended September 30, 2023.
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) \$24,495,000 aggregate principal amount of the Board's Public School Warrants, Series 2021, dated April 29, 2021, and (as of September 30, 2023) outstanding in the aggregate principal amount of \$15,845,000.
  - (b) \$108,630,000 aggregate principal amount of the Board's Capital Outlay Warrants, Series 2019, dated November 26, 2019, and (as of September 30, 2023) outstanding in the aggregate principal amount of \$106,610,000.
  - (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, 2023) outstanding in the aggregate principal amount of \$14,630,000.
4. The average annual debt service on the warrants listed above is \$10,735,142.
5. The maximum annual debt service on the warrants listed above is \$13,301,552.

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

<i>For the years ended September 30,</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
State of Alabama	\$ 68,982,299	\$ 70,042,438	\$ 69,433,830	\$ 72,942,472	\$ 73,015,688	\$ 78,771,163	\$ 82,665,155	\$ 84,544,925	\$ 86,946,165	\$ 93,174,828
Federal government	6,321,501	6,527,790	6,470,562	7,134,653	6,851,104	7,414,561	8,902,352	13,548,535	19,099,463	11,788,261
Local	86,208,420	85,506,500	90,715,405	103,160,169	98,922,722	101,410,999	102,780,133	104,157,799	110,839,986	127,141,327
Other	2,707,490	2,782,277	3,426,555	2,519,272	1,568,963	2,583,625	2,160,338	1,975,255	2,564,988	3,115,075
<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>196,507,978</b>	<b>204,226,514</b>	<b>219,450,602</b>	<b>235,219,491</b>
<b>Other Financing Sources</b>										
Proceeds from borrowings	-	-	-	14,885,000	-	-	108,630,000	24,495,000	-	-
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	19,801,029	25,923,268	26,866,954	27,448,042
<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>128,431,029</b>	<b>50,418,268</b>	<b>26,866,954</b>	<b>27,448,042</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>324,939,007</b>	<b>254,644,782</b>	<b>246,317,556</b>	<b>262,667,533</b>
<b>Expenditures</b>										
Instructional services	93,131,120	91,622,703	92,313,177	91,191,958	94,576,956	102,110,847	101,995,445	104,595,987	115,255,621	115,035,241
Instructional support	25,084,506	24,292,693	24,373,123	25,302,334	25,445,617	27,577,243	25,343,454	28,587,679	30,436,238	32,803,352
Operation and maintenance	16,099,025	16,028,955	15,058,547	14,810,298	15,916,958	16,993,416	16,995,020	16,817,015	17,067,401	17,757,913
Auxiliary services	15,902,396	15,853,583	16,625,736	16,941,740	16,470,468	17,888,994	13,151,016	10,514,383	21,051,349	22,415,771
General administrative and central support	2,811,850	2,729,633	3,219,429	4,207,379	3,803,000	5,096,541	5,175,963	6,375,052	6,100,832	7,258,192
Capital outlay	3,226,720	112,789	2,214,170	2,627,823	11,461,220	15,768,581	7,212,672	10,668,975	9,567,195	6,634,854
Debt service	10,850,596	10,836,848	10,809,922	10,676,603	11,843,525	11,797,987	13,400,173	13,144,286	12,612,913	12,720,236
Other	5,007,662	4,771,873	4,912,390	3,992,834	3,740,011	3,133,753	6,915,054	9,924,293	5,693,863	4,324,080
<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>190,188,797</b>	<b>200,627,670</b>	<b>217,785,412</b>	<b>218,949,639</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	19,801,029	25,923,268	26,866,954	27,448,042
Other uses	-	-	-	14,816,953	-	-	107,802,614	24,289,870	-	-
<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>127,603,643</b>	<b>50,213,138</b>	<b>26,866,954</b>	<b>27,448,042</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>317,792,440</b>	<b>250,840,808</b>	<b>244,652,366</b>	<b>246,397,681</b>
<b>Net change in fund balances</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>7,146,567</b>	<b>3,803,974</b>	<b>1,665,190</b>	<b>16,269,852</b>
<b>Fund balances at beginning of year</b> (see note below)	<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>108,004,876</b>	<b>115,151,443</b>	<b>117,300,907</b>	<b>118,966,097</b>
<b>Fund balances at 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>	<b>\$ 115,151,443</b>	<b>\$ 118,955,417</b>	<b>\$ 118,966,097</b>	<b>\$ 135,235,949</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. The Board's beginning fund balances as of September 30, 2022 was restated due to an adjustment related to the payroll accrual.

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

For the year ended September 30, 2023

Description	Assistance Listing 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	28-91000123	\$ 618,778	\$ -
COVID Pand School Lunch Program	10.555	28-91001023 & 28-91000923	381,176	-
National School Lunch Program	10.555	28-91000523	2,873,093	-
National School Lunch Program *	10.555		524,370	-
<i>Total Child Nutrition Cluster</i>			<u>4,397,417</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<u>4,397,417</u>	<u>-</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	16-9100623 & 16-9100723	2,477,766	-
COVID-19: Special Education Grants to States - ARPA	84.027X	16-91001423	190,825	-
Special Education Preschool Grants	84.173	16-9100923	49,324	-
COVID-19: Special Education Preschool Grants - ARPA	84.173X	16-91001523	41,778	-
<i>Total Special Education (IDEA) Cluster</i>			<u>2,759,693</u>	<u>-</u>
Title I Grants to Local Educational Agencies	84.010	15-91000323	1,279,424	-
Career and Technical Education -- Basic Grants to States	84.048	23-91001423 & 23-91000923	121,520	-
English Language Acquisition State Grants	84.365	15-91002323 & 15-9100212	95,785	-
Supporting Effective Instruction State Grants	84.367	15-91001723	49,439	-
		15-91003723 & 15-91003823 & 46-		
COVID-19: Education Stabilization Fund - ESSER II	84.425D	91000623 & 09-21160123	559,348	-
COVID-19: Education Stabilization Fund - ESSER III	84.425U	15-91003923 & 15-91004123	2,440,345	-
COVID-19: Education Stabilization Fund - ARPA Homeless II	84.425W	15-91004323	13,052	-
<i>Total ALN 84.425</i>			<u>3,012,745</u>	<u>-</u>
<b>Total U.S. Department of Education</b>			<u>7,318,606</u>	<u>-</u>
<b>Direct Programs</b>				
Airforce ROTC Grant	12.U01		70,954	-
<b>Total Direct Programs</b>			<u>70,954</u>	<u>-</u>
<b>Total Department of Defense</b>				
<b>Social Security Administration Passed through State Department of Education</b>				
<i>Disability Insurance/SSI Cluster</i>				
Social Security Disability Insurance	96.001	31-9203012 & 31-92030123	1,418	-
<i>Total Disability Insurance/SSI Cluster</i>			<u>1,418</u>	<u>-</u>
<b>Total Social Security Administration</b>			<u>1,418</u>	<u>-</u>
<b>Total Federal Awards</b>			<u>\$ 11,788,395</u>	<u>\$ -</u>

\* USDA Commodities Received (Non-cash assistance)

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

### **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, 2023.

### **Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: 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.

### **Note 4: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: 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.

### **Note 5: INDIRECT COST**

The Board has elected not to use the 10% de minimis indirect cost rate during the fiscal year ended September 30, 2023.

**Hoover City Board of Education**  
**Notes to Supplementary Schedule of Expenditures of Federal Awards**

**Note 6: 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, 2023.

**Note 7: TRANSFERABILITY OF ESEA PROGRAMS**

LEAs may transfer up to 100 percent of their allotments from Title II, Part A (84.367) and Title IV, Part A (84.424) to the other program or to Title I, Part A (84.010). For the year ended September 30, 2023, the Board transferred \$150,000 from Title II and \$80,929 from Title IV into Title I, increasing the total allotment of Title I to \$1,279,424.



# REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS





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

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, 2023, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements, and have issued our report thereon dated March 11, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

March 11, 2024

**INDEPENDENT AUDITOR’S 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**

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

We have audited the Hoover City Board of Education’s (the Board) compliance with the types of compliance requirements identified as subject to audit 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, 2023. The Board’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Board's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

March 11, 2024

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

For the year ended September 30, 2023

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

#### Financial statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes       no

Significant deficiency(ies) identified?

yes       none reported

Noncompliance material to financial statements noted?

yes       no

#### Federal awards

Internal control over major programs:

Material weakness(es) identified?

yes       no

Significant deficiency(ies) identified?

yes       none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes       no

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

84.027

*Special Education (IDEA) Cluster*

84.027X

Special Education Grants to States

84.173

COVID-19: Special Education Grants to States - ARPA

84.173X

Special Education Preschool Grants

COVID-19: Special Education Preschool Grants - ARPA

84.425D, 84.425U,  
and 84.425W

COVID-19 Education Stabilization Fund

84.010

Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B program:

\$ 750,000

Auditee qualified as low-risk auditee?

yes       no

(Continued)

**Hoover City Board of Education**  
**Schedule of Findings and Questioned Costs (Continued)**

*For the year ended September 30, 2023*

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**Section II - Financial statement findings**

There were no matters to be reported.

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

There were no matters to be reported.

Board of Education

Rex Blair  
Craig Kelley  
Kermit Kendrick  
Alan Paquette  
Amy Tosney

Dr. Kevin Maddox  
*Superintendent*



**HOOVER  
CITY SCHOOLS**

2810 METROPOLITAN WAY  
HOOVER, ALABAMA 35243  
(205) 439-1000

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Hoover City Board of Education submits the following summary schedule of prior audit findings for the year ended September 30, 2023:

**FINDINGS – FINANCIAL STATEMENTS (Material Weakness):**

Audit Finding Reference	Corrective Action Plan	Person Responsible	Current Status
2022-001 Payroll and Related Benefit Accruals	The Chief School Financial Officer, Michele McCay, updated the school calendar used for accrual calculation.	Michele McCay, Chief School Financial Officer	Corrective action was taken.