

Hoover City Board of Education
Financial Statements
September 30, 2017



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Hoover City Board of Education
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September 30, 2017

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Independent Auditors' Report

To the Members of the
Hoover City Board of Education
Hoover, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hoover City Board of Education (the "Board"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hoover City Board of Education, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the Board's Proportionate Share of the Collective Net Pension Liability and the Schedule of Board Contributions on pages 4.1 through 4.6 and 39-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying schedule of bond disclosures, schedule of expenditures of federal awards and schedule of state government appropriations 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, schedule of expenditures of federal awards and schedule of state government appropriations 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 June 22, 2018 , 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.

Cary Riggs & Ingram, L.L.C.

Birmingham, Alabama
June 22, 2018

Hoover City Board of Education
Management's Discussion and Analysis (M D & A)
September 30, 2017

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, 2017. 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 fiscal year 2017. 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, 2017:

	<u>Government Activities</u>		Percent Change
	2016	2017	
Current and other assets	\$ 108,468,155	\$ 137,358,226	26.63%
Noncurrent assets	2,078,244	1,872,753	-9.89%
Capital assets	231,165,989	222,299,308	-3.84%
Deferred outflows attributable to pension plan	19,863,825	23,605,833	18.84%
Deferred charges on refunding	<u>8,395,593</u>	<u>7,666,094</u>	<u>-8.69%</u>
Total assets and deferred outflows of resources	<u>369,971,806</u>	<u>392,802,214</u>	<u>6.17%</u>
Current liabilities	18,765,725	21,750,529	15.91%
Long-term liabilities	<u>318,720,523</u>	<u>319,409,044</u>	<u>0.22%</u>
Total liabilities	336,825,287	341,159,573	1.09%
Deferred inflows – pension plan investments	<u>1,143,000</u>	<u>4,014,000</u>	<u>251.18%</u>
Total liabilities and deferred inflows of resources	<u>338,629,248</u>	<u>345,173,573</u>	<u>1.93%</u>
Net position			
Net investment in capital assets	58,806,973	52,586,884	-10.58%
Unrestricted	<u>(27,464,415)</u>	<u>(4,958,243)</u>	<u>-81.95%</u>
Total net position	\$ <u>31,342,558</u>	\$ <u>47,628,641</u>	<u>51.96%</u>

The Board's total net position was \$47,628,641 at the end of the fiscal year 2017; an increase of \$16,286,083 from the previous year. 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 \$(4,958,243). The Board's total net position amount is indicative of the Board's ability to operate and pay bills for the next year.

Following is a condensed schedule of revenues and expenditures from governmental activities for the year ended September 30, 2017 presented with comparative data for the previous year:

Revenues	<u>Government Activities</u>		Percent Change
	2016	2017	
Program Revenues:			
Charges for services	\$ 12,500,597	\$ 12,081,257	-3.35%
Operating grants and contributions	70,466,154	83,682,159	18.76%
Capital grants and contributions	3,392,490	3,373,443	-0.56%
General Revenues:			
Property taxes	71,078,613	72,434,519	1.91%
Local sales tax	1,867,266	1,874,309	0.38%
City appropriation	2,546,000	5,000,000	96.39%
Gain on disposal of capital assets	-	4,839,190	100%
Other general revenues	<u>7,383,192</u>	<u>6,974,396</u>	-5.54%
	<u>169,234,312</u>	<u>190,259,273</u>	12.42%
Expenses			
Instructional services	98,371,334	100,096,179	1.75%
Instructional support services	24,659,888	26,246,164	6.43%
Operation and maintenance services	15,433,150	15,498,041	0.42%
Auxiliary services	16,796,230	16,461,802	-1.99%
General administrative services	3,251,451	4,355,556	33.96%
Interest and fiscal charges	8,083,548	7,784,138	-3.70%
Other expenses	<u>4,267,930</u>	<u>3,531,310</u>	-17.26%
	<u>170,863,531</u>	<u>173,973,190</u>	1.82%
Increase/(decrease in net position)	(1,629,219)	16,286,083	1,099.63%
Net position, beginning	<u>32,971,777</u>	<u>31,342,558</u>	-4.94%
Net position, ending	<u>\$ 31,342,558</u>	<u>\$ 47,628,641</u>	51.96%

As noted in the above shown condensed presentations, the Board's total net position reflects an increase of \$16 million. The increase is primarily a result of the gain realized as a result of the sale of capital assets and increases in revenues received from local sources.

Fund Financial Analysis

The September 30, 2017 financial statements reported a combined fund balance of \$121,091,168 which is an increase of \$27,226,569 from the previous year's fund balance. This net increase was primarily the result the sale of capital assets and an increase in revenues received. Results of the Board's major funds are discussed below:

General Fund

The fiscal year 2017 financial statements reflected a net increase in the balance of the General Fund of \$25,902,544 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 an increase in State and local revenues as well as the sale of capital assets.

Other Governmental Funds

The Other Governmental Funds increased \$1,324,025 in 2017 primarily as a result of an increase in local revenues and a decrease in recurring expenditures.

General Fund Budget Variances

Differences between original and final budget amounts were primarily a result of state and other appropriations not finalized for inclusion in the original budget, reduction in salary accruals and expenditures.

Actual general fund revenues and other financing sources were \$12.5 million or 8.3% more than budget. Actual expenditures were \$12 million or 8.3% less than budgeted expenditures. The variance in revenues and other financing sources is primarily attributable to greater than anticipated revenues in local sources. The variance in expenditures was primarily related to a reduction in recurring expenditures, and renegotiation of service contracts.

Capital Assets and Debt Administration

Capital Assets

Net capital assets decreased by \$8.8 million in 2017, which is attributable to the sale of the Old Berry High School property.

Debt Administration

The Board's outstanding warrant liability decreased by \$3 million to \$172.6 million during 2017 as a result of regularly scheduled principal payments.

Next Year's Budget

An increase in funding from the City of Hoover, state revenues, tax revenues and a stable student enrollment are expected to yield an overall increase in revenues next year for Hoover City Schools. Expenditures will continue to be monitored to find the best return on investment.

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 Tina Hancock, Hoover City Board of Education, 2810 Metropolitan Way, Hoover, Alabama 35243.

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

<i>September 30, 2017</i>	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 65,900,505
Investments	51,916,776
Certificates of deposit	15,017,509
Due from other governments	4,275,495
Inventories	247,941
Total current assets	137,358,226
Noncurrent assets	
Other receivables	211,660
Bond discount, net	1,661,093
	1,872,753
Capital assets:	
Land	17,884,738
Buildings and improvements	290,454,485
Equipment, furniture and vehicles	18,993,596
Textbooks and library books	6,283,456
Construction in progress	2,598,344
Accumulated depreciation	(113,915,311)
Total capital assets, net of depreciation	222,299,308
Total noncurrent assets	224,172,061
Total assets	361,530,287
Deferred outflows of resources	
Deferred charges on refunding	7,666,094
Attributable to pension plan - see note 12	23,605,833
Total assets and deferred outflows of resources	\$ 392,802,214

See Notes to Financial Statements

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 4,589,313
Salaries and benefits payable	11,261,013
Warrants payable	4,575,000
Unearned revenue	416,732
Accrued interest payable	908,471
Total current liabilities	21,750,529
Noncurrent liabilities	
Warrants payable	168,065,000
Bond premium	6,399,611
Compensated absences	689,433
Net pension liability	144,255,000
Total noncurrent liabilities	319,409,044
Total liabilities	341,159,573
Deferred inflows of resources	
Attributable to pension plan - see note 12	4,014,000
Total liabilities and deferred inflows of resources	345,173,573
Net position	
Net investment in capital assets	52,586,884
Unrestricted (deficit)	(4,958,243)
Total net position	\$ 47,628,641

Hoover City Board of Education
Statement of Activities

September 30, 2017

Functions/Programs	Expenses
Governmental activities	
Instructional services	\$ 100,096,179
Instructional support	26,246,164
Operation and maintenance	15,498,041
Auxiliary services	16,461,802
General administration and central support	4,355,556
Other	3,531,310
Interest and fiscal charges	7,784,138
Total governmental activities	\$ 173,973,190

Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities
\$ 4,121,652	\$ 54,695,688	\$ -	\$ (41,278,839)
-	10,728,724	-	(15,517,440)
-	11,266,979	-	(4,231,062)
7,959,605	6,990,768	523,324	(988,105)
-	-	-	(4,355,556)
-	-	2,840,055	(691,255)
-	-	10,064	(7,774,074)
<u>\$ 12,081,257</u>	<u>\$ 83,682,159</u>	<u>\$ 3,373,443</u>	<u>(74,836,331)</u>

General revenues

Taxes:

Property taxes	72,434,519
Local sales tax	1,874,309
Miscellaneous taxes	6,059
City appropriations	5,000,000
Interest	465,891
General contributions to the Board	457,301
Insurance recoveries	173,300
Gain on disposal of fixed assets	4,839,190
Fund raising and sales	3,647,954
Other	2,223,891

Total general revenues	<u>91,122,414</u>
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Change in net position	16,286,083
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Net position - beginning of year	<u>31,342,558</u>
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Net position - end of year	<u><u>\$ 47,628,641</u></u>
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**Hoover City Board of Education
Balance Sheet—Governmental Funds**

September 30, 2017

	General
Assets	
Current assets	
Cash	\$ 56,390,257
Investments	35,445,428
Interfund receivables	25,377,155
Due from government entities	4,024,879
Certificates of deposit	-
Inventory	23,207
Total assets	\$ 121,260,926
Liabilities	
Current liabilities	
Accounts payable	\$ 4,246,324
Accrued liabilities	10,874,652
Unearned revenues	42,560
Interfund payables	1,013,862
Total current liabilities	16,177,398
Fund balances	
Non-spendable: inventory	23,207
Assigned for encumbrances	42,338
Assigned for construction projects	-
Assigned for special school purposes	-
Assigned for debt service	-
Assigned for capital projects	-
Unassigned	105,017,983
Total fund balances	105,083,528
Total liabilities, deferred inflows of resources and fund balances	\$ 121,260,926

See Notes to Financial Statements

Other Governmental Funds	Totals Governmental Funds
\$ 9,510,248	\$ 65,900,505
16,471,348	51,916,776
1,421,162	26,798,317
250,616	4,275,495
15,017,509	15,017,509
224,734	247,941
<u>\$ 42,895,617</u>	<u>\$ 164,156,543</u>

\$ 342,989	\$ 4,589,313
386,361	11,261,013
374,172	416,732
25,784,455	26,798,317
<u>26,887,977</u>	<u>43,065,375</u>
224,734	247,941
213,240	255,578
9,073,551	9,073,551
689,568	689,568
5,806,547	5,806,547
-	105,017,983
<u>16,007,640</u>	<u>121,091,168</u>
<u>\$ 42,895,617</u>	<u>\$ 164,156,543</u>

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

Year ended September 30, 2017

Total fund balances - Governmental funds \$ 121,091,168

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		290,454,485	
Equipment, furniture and vehicles		18,993,596	
Textbooks and library books		6,283,456	
Construction in progress		2,598,344	
Accumulated depreciation		<u>(113,915,311)</u>	
Total capital assets, net of depreciation			222,299,308

Debt discounts and 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.

Unamortized discounts			1,661,093
Deferred charges from refunding			7,666,094

Accounts receivable that represent amounts that the Board does not expect to receive
within 60 days of year end are not considered "available" and thus are not recorded in the
governmental funds. 211,660

Deferred outflows of resources related to pensions are applicable to future periods and, therefore,
are not reported in the governmental funds
Deferred outflows of resources - pension 23,605,833

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

	<u>Current</u>		<u>Noncurrent</u>	
	<u>Liabilities</u>		<u>Liabilities</u>	
Warrants payable	\$ 4,575,000	\$	174,464,611	
Net pension liability	-		144,255,000	
Compensated absences	-		689,433	
Accrued interest payable	908,471		-	
Total liabilities	<u>\$ 5,483,471</u>	<u>\$</u>	<u>319,409,044</u>	(324,892,515)

Deferred inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. (4,014,000)

Total net position - governmental activities \$ 47,628,641

See Notes to Financial Statements

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

Year ended September 30, 2017

	General
Fund balances beginning of year	\$ 79,180,984
Revenues	
State of Alabama	69,464,458
Federal government	2,279
Local	78,791,658
Other	2,386,782
Total revenues	150,645,177
Other financing sources	
Proceeds of refunding bonds	-
Sale of capital assets	11,134,925
Operating transfers in	854,838
Total other financing sources	11,989,763
Total revenues and other financing sources	162,634,940
Expenditures	
Instructional services	82,884,699
Instructional support	22,566,470
Operation and maintenance	14,159,727
Auxiliary services	6,327,389
General administration and central support	4,099,093
Capital outlay	2,083,062
Debt service	-
Other	707,399
Total expenditures	132,827,839
Other fund uses	
Payment to refunded bond escrow agent	-
Operating transfers out	3,904,557
Total other fund uses	3,904,557
Total expenditures and other fund uses	136,732,396
Excess of revenues and other sources over (under) expenditures and other fund uses	25,902,544
Fund balances, end of year	\$ 105,083,528

See Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 14,683,615	\$ 93,864,599
3,478,014	72,942,472
7,132,374	7,134,653
24,368,511	103,160,169
132,490	2,519,272
<u>35,111,389</u>	<u>185,756,566</u>
14,885,000	14,885,000
18,000	11,152,925
8,151,894	9,006,732
<u>23,054,894</u>	<u>35,044,657</u>
<u>58,166,283</u>	<u>220,801,223</u>
8,307,259	91,191,958
2,735,864	25,302,334
650,571	14,810,298
10,614,351	16,941,740
108,286	4,207,379
544,761	2,627,823
10,676,603	10,676,603
3,285,435	3,992,834
<u>36,923,130</u>	<u>169,750,969</u>
14,816,953	14,816,953
5,102,175	9,006,732
<u>19,919,128</u>	<u>23,823,685</u>
<u>56,842,258</u>	<u>193,574,654</u>
1,324,025	27,226,569
<u>\$ 16,007,640</u>	<u>\$ 121,091,168</u>

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

Year ended September 30, 2017

Net changes in fund balances - total governmental funds	\$ 27,226,569
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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.</p>	
This is the amount by which depreciation (\$8,253,130) exceeded capital outlay and other capital purchases (\$5,526,884) in the current period.	(2,726,246)
<p>The amount paid in order to refund old debt ("recquisition price") is reported as an other financing use in the governmental funds. However, the carrying amount of the refunded debt (principal amount and unamortized discount) is reported as a reduction of long-term liabilities in the government-wide statement of net position.</p>	
	14,487,482
<p>Furthermore, the difference between the reacquisition price and the carrying amount of the old debt is deferred and amortized in the government-wide statement of net position.</p>	
	329,471
<p>The issuance of long-term debt provides current financial resources to governmental funds, but increase long-term liabilities in the government-wide statement of net position.</p>	
	(14,885,000)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt issued exceeded repayments.</p>	
Principal payments on long term debt	3,215,000
<p>The net effect of transactions involving the disposition of capital assets is to decrease net assets.</p>	
	(6,140,435)
<p>Discounts on debt are reported in the governmental funds as expenditures. However, these items are deferred on the Statement of Net Position and are amortized over the life of the debt.</p>	
Net amortization expense (included in interest expense)	(361,233)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the funds:</p>	
Difference in pension expense related to deferred outflows and inflows of resources	(4,825,992)
Increase in compensated absences	(72,231)
Decrease in accrued interest payable	38,698
Change in net position of governmental activities	\$ 16,286,083

See Notes to Financial Statements



Hoover City Board of Education Index to Financial Statement Notes

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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.

A. Reporting Entity

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

Criteria for determining if other entities are potential component units which should be reported within the Board's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationships with the Board are such that exclusion would cause the Board's basic financial statements to be misleading or incomplete. Based on these criteria, there are no material component units which should be included in the financial reporting entity of the Board.

B. Basis of Presentation, Basis of Accounting

Government-wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements (continued)

column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental fund:

- (1) General Fund – This is the Board's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. The Board's General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes including the special municipal ad valorem tax levied on all taxable property in the city for school purposes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.

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

- (1) Capital Projects Funds – Capital Projects Funds are 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).
- (2) Debt Service Funds -- Debt Service Funds are used to account for the accumulation of resources for the payment of the Board's general long-term debt principal and interest.
- (3) 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, Local School Activity Funds, and Local School Extended Day Programs.

C. Measurement Focus, Basis of Accounting

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

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

D. *Cash, Certificates of Deposit and Investments*

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

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

E. *Receivables*

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

F. *Property Tax Calendar*

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Tax Calendar (continued)

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

G. Inventories and Prepaid Items

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

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

H. Capital Assets

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

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

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

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

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-term Obligations

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

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

J. Compensated Absences

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

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

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

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

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. *Compensated Absences (continued)*

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 1st, each January 1st 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, 2017 the Board has accrued a liability in the amount of \$689,433.

K. *Net Position / Fund Equity*

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

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

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

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

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

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

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Position / Fund Equity (continued)

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. (Fund balance that is reported as “committed for special school purposes” includes amounts available for the payment of principal and interest and the operation of the child nutrition, extended day and other various local school programs.)

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 other governmental funds.

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

L. Pensions

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)

L. Pensions (continued)

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

M. Recently Issued Accounting Pronouncements

In fiscal year 2017, the Board adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.
- GASB Statement No. 77, *Tax Abatement Disclosures*.
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*

GASB Statement No. 74 (GASB 74) establishes accounting and financial reporting standards, but not funding or budgetary standards, for state and local governmental other postemployment benefit ("OPEB") plans. GASB 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. The adoption of GASB 74 had no impact on the Board's financial statements. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 77 (GASB 77) defines a tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those agreements that are entered into by other governments and that reduce the reporting government's tax revenues. There was no impact on the Board's financial statements as a result of the implementation of GASB 77. The requirements of GASB 77 are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 78 (GASB 78) amends the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of GASB Statement No. 27 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (a) is not a state or local government pension plan, (b) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Recently Issued Accounting Pronouncements (continued)

The Statement also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. There was no material impact on the Board's financial statements as a result of the implementation of GASB 78. The requirements of GASB 78 are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 80 (GASB 80) amends the blending requirements for the financial statement presentation of component units of all state and local governments by providing an additional criterion. As provided for in GASB 80, a component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member as identified in the component unit's articles of incorporation or bylaws. There was no impact on the Board's financial statements as a result of the implementation of GASB 80. The requirements of GASB 80 are effective for reporting periods beginning after June 15, 2016.

NOTE 2 – RECONCILIATION OF FINANCIAL STATEMENTS

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

A. Explanation of certain differences between the Governmental Funds Balance Sheet and the Statement of Net Position

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

B. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In

Hoover City Board of Education Notes to Financial Statements

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgets (continued)

accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2016-2017 fiscal year was September 15, 2016. The Board approved its original 2016-2017 annual budget on September 12, 2016 and amended March 22, 2017, to account for federal program carryover, grants and sale of property not known as 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, 2017, 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, 2017 was \$65,900,505, and the bank balances totaled \$69,981,847

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 amortized cost.

Hoover City Board of Education Notes to Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (continued)

The following investments were held by the Board at September 30, 2017:

Certificates of Deposit	\$ 15,017,509
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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.

A schedule of restricted investments is as follows:

General Fund:

Investment at fair market value:

US Treasury Notes (Level 1 Inputs)	\$ 35,445,428
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Other Governmental Funds:

Investment at fair market value:

US Treasury Notes (Level 1 Inputs)	16,471,348
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Total Investments	\$ 51,916,776
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Interest Rate Risk. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest revenues of \$465,891 are included in revenues for 2017.

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, 2017, was as follows:

	Balance		Retirements		Balance
	October 1, 2016	Additions	and Reclassifications		September 30, 2017
Capital assets not being depreciated:					
Land	\$ 18,771,456	\$ -	\$ (886,718)		\$ 17,884,738
Construction in progress	1,270,364	2,627,822	(1,299,842)		2,598,344
Total capital assets not being depreciated	20,041,820	2,627,822	(2,186,560)		20,483,082
Capital assets being depreciated:					
Exhaustible land improvements	5,075,080	-	-		5,075,080
Building and improvements	293,099,972	1,299,842	(9,020,409)		285,379,405
Equipment, furniture and vehicles	17,662,694	1,832,615	(501,713)		18,993,596
Textbooks and library books	13,625,065	1,066,447	(8,408,056)		6,283,456
Total capital assets being depreciated	329,462,811	4,198,904	(17,930,178)		315,731,537
Less accumulated depreciation for:					
Exhaustible land improvements	2,169,317	253,754			2,423,071
Building and improvements	90,588,349	6,250,458	(3,766,692)		93,072,115
Equipment, furniture and vehicles	14,776,383	764,614	(501,713)		15,039,284
Textbooks and library books	10,804,593	984,304	(8,408,056)		3,380,841
Total accumulated depreciation	118,338,642	8,253,130	(12,676,461)		113,915,311
Total capital assets being depreciated, net	211,124,169	(4,054,226)	(5,253,717)		201,816,226
Total governmental activities capital assets, net	\$ 231,165,989	\$ (1,426,404)	\$ (7,440,277)		\$ 222,299,308

**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	\$ 6,839,676
Instructional support	75,151
Operation and maintenance	491,784
Auxiliary services	794,862
General administrative and central support	51,657
Total governmental activities depreciation expense	\$ 8,253,130

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

	Project Authorization	Expended to Date	Commitment
Bumpus Middle School Upgrades	\$ 50,000	\$ 39,323	\$ 10,677
Hoover HS Band Room Addition	5,758,945	82,884	5,676,061
Hoover HS Turf and Track	1,318,460	907,088	411,372
Spain Park HS Turf and Track	1,422,492	1,093,089	329,403
Reroofing for Rocky Ridge ES and Simmons MS	487,451	475,960	11,491
Total	\$ 9,037,348	\$ 2,598,344	\$ 6,439,004

NOTE 6 – LONG-TERM DEBT

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

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

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

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

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The refunding of the Capital Outlay Warrants, Series 2005 reduced total debt service payments over the next 10 years by approximately \$1,169,234. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,055,130.

As a result of refunding the Series 2005 Capital Outlay Warrants, the Board recorded deferred charges in the government-wide Statement of Net Position. These charges represent the difference between the reacquisition price and the net carrying amounts of the refunded warrants. These costs are being amortized over the average remaining life of the refunded warrants at the time of refunding. The unamortized portion of these costs as of September 30, 2017 was \$329,471.

As a result of refunding debt issuances in prior years, the Board has recorded deferred charges in the government-wide Statement of Net Position. These charges represent the difference between the reacquisition price and the net carrying amounts of the refunded warrants. These costs are being amortized over the average remaining life of the refunded warrants at the time of refunding. The unamortized portion of these costs as of September 30, 2017 was \$7,336,623.

As of September 30, 2017, the Board's long-term debt consisted of the following:

Series 2010 Capital Outlay Warrants with a final maturity date of February 15, 2040, interest payable semi-annually at rates ranging from 4.25% to 5%.	\$ 105,840,000
Series 2012 Special School Tax Warrants with a final maturity date of February 15, 2025, interest payable semi-annually at rates ranging from 4% to 5%.	51,915,000
Series 2017 Public School Warrants with a final maturity date of February 15, 2027, interest payable semi-annually at 2.31%	14,885,000
Total warrants	\$ 172,640,000

Hoover City Board of Education Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

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

	Warrants	
	Principal	Interest
2018	\$ 4,575,000	\$ 7,268,963
2019	4,745,000	7,059,710
2020	6,510,000	6,811,756
2021	6,725,000	6,547,770
2022	6,955,000	6,274,925
2023-2027	37,290,000	26,374,513
2028-2032	33,740,000	19,653,251
2033-2037	42,095,000	11,177,845
2038-2040	30,005,000	1,948,945
Total	\$ 172,640,000	\$ 93,117,678

Interest paid on long-term debt was \$7,388,586 for the year ended September 30, 2017.

The Series 2010, Series 2012 and Series 2017 Warrants were issued in August 2010, December 2012 and June 2017, respectively. The principal and interest payments are payable out of proceeds of a special 24 mill ad valorem tax levied in the City of Hoover. Total receipts from the special 24 mill ad valorem tax for the year ended September 30, 2017 were \$40,478,629.

The following changes occurred in the liabilities for warrants for the year ended September 30, 2017:

	Balance		Principal	Refunded	Balance	
	September 30, 2016	Additions			September 30, 2017	Amount Due Within One Year
Series 2005 Capital Outlay Warrants	\$ 14,615,000	\$ -	\$ -	\$ (14,615,000)	\$ -	\$ -
Series 2010 Capital Outlay Warrants	109,055,000	-	(3,215,000)	-	105,840,000	-
Series 2012 Special School Tax Warrants	51,915,000	-	-	-	51,915,000	4,535,000
Series 2017 Public School Warrants	-	14,885,000	-	-	14,885,000	40,000
Total	\$ 175,585,000	\$ 14,885,000	\$ (3,215,000)	\$ (14,615,000)	\$ 172,640,000	\$ 4,575,000

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

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The following changes occurred in premium and discounts on long term debt for the year ended September 30, 2017:

	Premium	Discount	Total
Series 2005, Capital Outlay Warrants	\$ -	\$ 1,041,621	\$ 1,041,621
Amount amortized in prior years	-	(916,136)	(916,136)
Series 2010, Capital Outlay Warrants	-	2,191,080	2,191,080
Amount amortized in prior years	-	(449,981)	(449,981)
Series 2012, Special School Tax Warrants	(10,084,234)	-	(10,084,234)
Amount amortized in prior years	2,908,913	-	2,908,913
Unamortized amount – beginning	(7,175,321)	1,866,584	(5,308,737)
Current year amortization	775,710	(77,974)	697,736
Unamortized amount – ending	\$ (6,399,611)	\$ 1,661,093	\$ (4,738,518)

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2017 consist of the following:

Due to General Fund from:		
Other Governmental Funds	\$	25,377,155
Due to Other Governmental Funds from:		
Other Governmental Funds		407,300
General Fund		1,013,862
Total	\$	26,798,317

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

Interfund transfers for the fiscal year ended September 30, 2017 consist of the following:

General fund to Other Governmental Funds	\$	3,904,557
Other Governmental Funds to:		
General Fund		854,838
Other Governmental Funds to Other Governmental Funds		4,247,337
Total	\$	9,006,732

Hoover City Board of Education Notes to Financial Statements

NOTE 8 – RISK MANAGEMENT

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

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

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

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

Hoover City Board of Education Notes to Financial Statements

NOTE 9 – CONTINGENT LIABILITIES (CONTINUED)

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 \$426,248 for 2017. Commodities consumed were approximately \$374,750 for 2017.

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, 2017 amounted to \$5,000,000.

NOTE 12 – PENSION PLAN

Plan description

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

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

Hoover City Board of Education Notes to Financial Statements

NOTE 12 – PENSION PLAN (CONTINUED)

monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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

Contributions

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

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2017 was 12.01% of annual pay for Tier 1 members and 10.82% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions, including those allocable to administrative costs, to the pension plan from the System were \$10,210,137 for the year ended September 30, 2017.

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

At September 30, 2017 the System reported a liability of \$144,255,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015. The System'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

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

NOTE 12 – PENSION PLAN (CONTINUED)

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

30, 2016 the System's proportion was 1.332488%, which was an increase of .008565% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the System recognized pension expense of \$15,028,116. At September 30, 2017 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,715,000
Changes of assumptions	10,185,000	-
Net difference between projected and actual earnings on plan investments	2,085,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,432,000	299,000
Employer contributions subsequent to the measurement date	9,903,833	-
Total	\$ 23,605,833	\$ 4,014,000

Deferred outflows of resources includes \$9,903,833 related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2018	\$ 2,232,000
2019	2,232,000
2020	4,276,000
2021	409,000
2022	539,000
	\$ 9,688,000

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

NOTE 12 – PENSION PLAN (CONTINUED)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return*	7.75%
Projected salary increases	3.5% - 8.25%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of the actuarial valuation of TRS as of September 30, 2015 in conjunction with the assumptions from the most recent experience study prepared as of September 30, 2015. The results of the valuation were detailed in a report dated June 22, 2016, and the results of the experience study were detailed in a report dated July 1, 2016.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

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:

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

NOTE 12 – PENSION PLAN (CONTINUED)

Actuarial assumptions (continued)

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

*Includes assumed rate of inflation of 2.50%

Discount rate

The discount rate used to measure the total pension liability was 7.75%. 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.

Sensitivity of the System's proportionate share of the net pension liability to changes in the discount rate

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Plan's Net Pension Liability (Asset)	\$192,180,000	\$144,255,000	\$103,682,000

Hoover City Board of Education Notes to Financial Statements

NOTE 12 – PENSION PLAN (CONTINUED)

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, 2016. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2016. The auditor's report dated September 22, 2016 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2016 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16 as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Educations Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab.

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The Plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

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

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

	Fiscal Year Ending 09/30/17
Individual Coverage - Non-Medicare Eligible	\$ 166.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Non-spousal Dependent(s)	421.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	521.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible	280.00
Family Coverage - Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	310.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - No Spouse	280.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - with Non-Medicare Eligible Spouse	380.00
Family Coverage - Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible	139.00
Family Coverage - Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	169.00
Tobacco surcharge	\$50 per month
Wellness premium - \$50.00 per month	
PEEHIP Supplemental Plan	0
Optional Plans (Hospital Indemnity, Cancer, Dental, Vision)	*
Surviving Spouse - Non-Medicare Eligible	816.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	1,028.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	1,067.00
Surviving Spouse - Medicare Eligible	430.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	20.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	759.00

* Up to two optional plans can be taken by retirees at no cost if the retirees are not also enrolled in one of the Hospital Medical Plans. Otherwise, retirees can purchase the Optional Plans at the normal monthly rate of \$38 or \$50 for family dental.

Hoover City Board of Education Notes to Financial Statements

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

Members who retired on or after October 1, 2005, and before January 1, 2012, pay two percent of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retiree premium is reduced by two percent. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012 are

required to pay 1% more for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement.

The Board is required to contribute at a rate specified by the State for each active employee. The Board's share of premiums for retired Board employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for Board retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of		Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
			Active Employee Premiums Attributable to Retirees	Active Employee Premiums Attributable to Retirees		
2016	\$ 780	211.21	27.08%		4,599,901	100%
2017	800	152.57	19.07%		3,240,821	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill.

The Board has accounted for payments made by the federal government for retiree drug subsidy (RDS) payments in accordance with GASB Technical Bulletin 2006-1. This bulletin requires the RDS to be recorded as an "on-behalf payment", resulting in offsetting revenues and expenditures. The amount recognized in the 2017 financial statements for RDS is \$865,012.



Hoover City Board of Education Notes to Financial Statements

NOTE 14 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- OPEB – accounting and financial reporting by employers
- Split-interest agreements
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

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

NOTE 15 – SUBSEQUENT EVENTS

On October 27, 2017, the Board purchased real estate from the Pelham Board of Education in the amount of \$4,250,000. The Board plans to use the property, formerly known as Riverchase Middle School, as a career center in order to offer hands-on instruction in building and construction trades, welding, computer science, fire science, and the culinary and hospitality industry.

On November 15, 2017, the Board entered into a contract in the amount of \$5,426,166 for the construction of a new band department at Hoover high school. The Board anticipates that construction will be completed by July 31, 2018.

Required Supplementary Information

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

Year ended September 30, 2017

	Budgeted Amounts		Actual on the Budgetary Basis*	Variance
	Original	Final Budget		
Fund balances beginning of year	\$ 68,416,103	\$ 68,564,188	\$ 79,180,984	\$ 10,616,796
Revenues				
State of Alabama	69,108,198	69,404,756	69,464,458	59,702
Federal government	-	-	2,279	2,279
Local and other	65,548,072	68,055,572	80,668,656	12,613,084
Total revenues	134,656,270	137,460,328	150,135,393	12,675,065
Other financing sources				
Sale of capital assets	-	11,127,425	11,134,925	7,500
Operating transfers in	1,744,135	1,596,335	1,364,622	(231,713)
Total other financing sources	1,744,135	12,723,760	12,499,547	(224,213)
Total revenues and other financing sources	136,400,405	150,184,088	162,634,940	12,450,852
Expenditures				
Instructional services	84,918,319	84,857,124	82,884,699	1,972,425
Instructional support	21,744,675	22,250,013	22,566,470	(316,457)
Operation and maintenance	17,974,757	17,229,543	14,159,727	3,069,816
Auxiliary services	5,646,453	6,749,024	6,327,389	421,635
General administration and central support	3,324,871	3,164,871	4,099,093	(934,222)
Capital outlay	-	9,920,000	2,083,062	7,836,938
Other	701,395	708,895	707,399	1,496
Total expenditures	134,310,470	144,879,470	132,827,839	12,051,631
Other fund uses				
Operating transfers out	3,902,993	3,428,764	3,904,557	(475,793)
Total expenditures and other fund uses	138,213,464	148,308,234	136,732,396	11,575,838
Excess of revenues and other sources over expenditures and other fund uses	(1,813,059)	1,875,854	25,902,544	24,026,690
Fund balances, end of year	\$ 66,603,044	\$ 70,440,042	\$ 105,083,528	\$ 34,643,486

*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 \$509,784 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

	2017	2016	2015
Board's proportion of the collective net pension liability	1.332488%	1.323923%	1.328923%
Board's proportionate share of the collective net pension liability	\$ 144,255,000	\$ 138,558,000	\$ 120,727,000
Board's covered-employee payroll during the measurement period *	\$ 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 employee payroll	169.97%	165.35%	143.26%
Plan fiduciary net position as a percentage of the total pension liability	67.93%	67.51%	71.01%

* Board's covered-employee payroll during the measurement period is the total of those employees who are participating in the pension plan. For FY 2017, the measurement period is October 1, 2015 through September 30, 2016.

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
Teachers' Retirement System of Alabama
As of Fiscal Year End**

	2017	2016	2015
Contractually required contribution	\$ 10,210,137	\$ 9,716,825	\$ 9,475,748
Contributions in relation to the contractually required contribution	10,210,137	9,716,825	9,475,748
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Board's covered-employee payroll *	\$ 86,306,162	\$ 84,868,863	\$ 83,796,068
Contributions as a percentage of covered-employee payroll	11.83%	11.45%	11.31%

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

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

Other Information

Hoover City Board of Education Supplementary Schedule of Bond Disclosures

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

1. The net proceeds of the Special Tax (that is, the ad valorem tax levied by the City of Hoover at the rate of 24 mills per annum) were \$40,478,629 for the fiscal year that ended September 30, 2017.
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) \$115,070,000 aggregate principal amount of the Board's Capital Outlay Warrants, Series 2010, dated August 1, 2010, and (as of September 30, 2017) outstanding in the aggregate principal amount of \$105,840,000.
 - (b) \$51,915,000 aggregate principal amount of the Board's Special School Tax Warrants, Series 2012, dated December 27, 2012, and (as of September 30, 2017) outstanding in the aggregate principal amount of \$51,915,000.
 - (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, 2017) outstanding in the aggregate principal amount of \$14,885,000.
4. The average annual debt service on the warrants listed above is \$11,554,682.
5. The maximum annual debt service on the warrants listed above is \$13,675,363.

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

<i>Year ended September 30,</i>	2012	2013	2014	2015	2016	2017
Revenues						
State of Alabama	\$ 62,114,981	\$ 63,574,762	\$ 68,982,299	\$ 70,042,438	\$ 69,433,830	\$ 72,942,472
Federal government	5,763,953	6,572,935	6,321,501	6,527,790	6,470,562	7,134,653
Local	82,441,355	82,678,620	86,208,420	85,506,500	90,715,405	103,160,169
Other	1,980,714	2,002,212	2,707,490	2,782,277	3,426,555	2,519,272
Total revenues	152,301,003	154,828,529	164,219,710	164,859,005	170,046,352	185,756,566
Other financing sources						
Proceeds from borrowings	-	61,999,234	-	-	-	14,885,000
Sale of capital assets	-	-	-	-	-	11,152,925
Operating transfers in	18,858,947	8,234,689	8,978,874	7,948,376	9,021,350	9,006,732
Total other financing sources	18,858,947	70,233,923	8,978,874	7,948,376	9,021,350	35,044,657
Total revenues and other financing sources	171,159,950	225,062,452	173,198,584	172,807,381	179,067,702	220,801,223
Expenditures						
Instructional services	82,981,742	89,117,455	93,131,120	91,622,703	92,313,177	91,191,958
Instructional support	22,905,195	23,018,117	25,084,506	24,292,693	24,373,123	25,302,334
Operation and maintenance	15,838,377	15,496,430	16,099,025	16,028,955	15,058,547	14,810,298
Auxiliary services	15,153,453	16,955,543	15,902,396	15,853,583	16,625,736	16,941,740
General administrative and central support	2,180,416	2,502,294	2,811,850	2,729,633	3,219,429	4,207,379
Capital outlay	9,964,053	6,076,147	3,226,720	112,789	2,214,170	2,627,823
Debt service	8,430,548	7,788,900	10,850,596	10,836,848	10,809,922	10,676,603
Other	4,424,115	4,665,796	5,007,662	4,771,873	4,912,390	3,992,834
Total expenditures	161,877,899	165,620,682	172,113,875	166,249,077	169,526,494	169,750,969
Other fund uses						
Operating transfers out	18,858,947	8,234,689	8,978,874	7,948,376	9,021,350	9,006,732
Other uses	-	61,447,966	-	-	-	14,816,953
Total other fund uses	18,858,947	69,682,655	8,978,874	7,948,376	9,021,350	23,823,685
Total expenditures and other fund uses	180,736,846	235,303,337	181,092,749	174,197,453	178,547,844	193,574,654
Excess of revenues and other sources over (under) expenditures and other fund uses	(9,576,896)	(10,240,885)	(7,894,165)	(1,390,072)	519,858	27,226,569
Fund balances, beginning of year (see note below)	122,009,975	112,433,079	102,192,194	94,298,029	93,344,741	93,864,599
Fund balances, end of year	\$ 112,433,079	\$ 102,192,194	\$ 94,298,029	\$ 92,907,957	\$ 93,864,599	\$ 121,091,168

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

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

Year ended September 30, 2017

Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Project Period	
			From	To
Passed Through State Dept. of Education:				
		15-9100407, 23-9100037 and 23-9100047		
Career and Technical Education - Basic Grants to States <i>Special Education Cluster</i>	84.048		10/1/2016	9/30/2017
Special Education - Grants to States	84.027	16-9100027 and 16-9100057	10/1/2016	9/30/2017
Special Education - Grants to States	84.027	390684-16	10/1/2015	9/30/2016
Special Education - Preschool Grants <i>Total Special Education Cluster</i>	84.173	16-9100037	10/1/2016	9/30/2017
Title I Grants to Local Educational Agencies	84.010	15-9100017	10/1/2016	9/30/2017
Title I Grants to Local Educational Agencies	84.010	395384-16	10/1/2015	9/30/2016
Advanced Placement Test Fee Program	84.330b	07-2030107	10/1/2016	9/30/2017
Improving Teacher Quality State Grants	84.367	15-9100067	10/1/2016	9/30/2017
Improving Teacher Quality State Grants	84.367	395984-15	10/1/2016	9/30/2017
English Language Acquisition State Grants	84.365	15-9100347	10/1/2016	9/30/2017
English Language Acquisition State Grants	84.365	396184-16	10/1/2015	9/30/2016
Education for Homeless Children and Youth	84.196	15-9100117	10/1/2016	9/30/2017
Total U.S. Department of Education				
USDA-Commodities	10.550		10/1/2016	9/30/2017
Passed Through State Dept. of Education:				
State Administrative Expenses for Child Nutrition <i>Child Nutrition Cluster</i>	10.560	28-9100377	10/1/2016	9/30/2017
School Breakfast Program	10.553	28-9100317	10/1/2016	9/30/2017
School Breakfast Program	10.553	344284-16	10/1/2015	9/30/2016
National School Lunch Program	10.555	28-9100277	10/1/2016	9/30/2017
National School Lunch Program <i>Total Child Nutrition Cluster</i>	10.555	346684-16	10/1/2015	9/30/2016
Total U.S. Department of Agriculture				
Passed Through State Dept. of Education:				
Social Security - Disability Insurance	96.001	31-9203006	10/1/2016	9/30/2017
Total U.S. Department of Health and Human Services				
Total Federal Funds Passed through State Department of Education				
Total Federal Awards				

* Only commodities were received

** No funds were passed through to subrecipients

See Notes to Supplementary Schedules

Total Grant Award	Accrued (Deferred) Grant Revenue September 30, 2016	Cash Received	Revenue Recognized	Expenditures **	Accrued (Deferred) Grant Revenue September 30, 2017
\$ 129,645	\$ -	\$ 129,645	\$ 130,071	\$ 130,071	\$ 426
2,414,283	-	2,414,283	2,402,341	2,402,341	(11,942)
152,731	(152,731)	-	152,731	152,731	-
37,733	-	37,733	37,733	37,733	-
2,604,747	(152,731)	2,452,016	2,592,805	2,592,805	(11,942)
1,239,962	-	1,239,962	1,231,091	1,231,091	(8,871)
161,787	(161,787)	-	161,787	161,787	-
5,801	-	5,801	5,801	5,801	-
141,016	-	141,016	141,016	141,016	-
-	-	-	-	-	-
114,935	-	114,935	96,965	96,965	(17,970)
9,097	9,097	9,097	-	-	-
10,000	-	10,000	10,000	10,000	-
4,416,990	(305,421)	4,102,472	4,369,536	4,369,536	(38,357)
-	-	*	426,248	426,248	-
20,073	-	20,073	20,073	20,073	-
520,714	-	520,714	580,009	580,009	59,295
67,156	67,156	67,156	-	-	-
1,549,649	-	1,549,649	1,736,509	1,736,509	186,860
213,361	213,361	213,361	-	-	-
2,350,880	280,517	2,350,880	2,316,518	2,316,518	246,155
2,370,953	280,517	2,370,953	2,762,839	2,762,839	246,155
2,278	-	2,278	2,278	2,278	-
2,278	-	2,278	2,278	2,278	-
6,790,221	(24,904)	6,475,703	6,708,405	6,708,405	207,798
\$ 6,790,221	\$ (24,904)	\$ 6,475,703	\$ 7,134,653	\$ 7,134,653	\$ 207,798

Hoover City Board of Education Notes to Supplementary Schedules

NOTE 1 – SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

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

The U. S. Department of Education has been designated as the Board's oversight 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, 2017.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Accrued and Deferred Reimbursement

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

C. Indirect Cost

The Board has elected not to use the 10% de minimis indirect cost rate during the fiscal year ended September 30, 2017.

D. Federally Funded Insurance and Federally Funded Loans

The Board has no federally funded insurance and no federally funded loans or loan guarantees for the fiscal year ended September 30, 2017.

Other Reports

HOOVER CITY BOARD OF EDUCATION

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



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

To the Members of the
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, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

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

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

Birmingham, Alabama
June 22, 2018

HOOVER CITY BOARD OF EDUCATION

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



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OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the Members of the
Hoover City Board of Education
Hoover, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Hoover City Board of Education's (the "Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2017. 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.

Management's Responsibility.

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Carly Riggs & Ingram, L.L.C.

Birmingham, Alabama
June 22, 2018

Hoover City Board of Education

Schedule of Findings and Questioned Costs

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

Year ended September 30, 2017

Section I - Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Noncompliance material to financial statements noted?

 yes x no

Federal awards

Internal control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Type of 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 x no

Identification of major programs:

CFDA Number(s)

84.010

84.048

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies

Career and Technical Education -- Basic Grants to States

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

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no



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

Year ended September 30, 2017

Section II - Financial statement findings

There were no matters to be reported.

Section III - Federal Award Findings and Questioned Costs

Findings: None

Questioned costs: None