

Hoover City Board of Education

Financial Statements

September 30, 2015



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**Hoover City Board of Education
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September 30, 2015**

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Independent Auditor's 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, 2015, 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.

Auditor's Responsibility

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

Emphasis of matter

As discussed in Note 12 and Note 15 to the basic financial statements, during 2015 the Board adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statements No. 71, *Pension Transactions for Contributions Subsequent to the Measurement Date*. As a result of the adoption, the Board has restated its net position as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

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, 2015, 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 and the Schedule of the Board's Proportionate Share of Net Pension Liability and the Schedule of Board Contributions on pages 4.1 through 4.5 and 37-39 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, schedule of expenditures of federal awards and schedule of state government

appropriations are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and lending institutions and are not a required part of the basic financial statements. These schedules 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2016, 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 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 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.

Car, Riggs & Ingram, L.L.C.

Birmingham, Alabama
March 3, 2016

Hoover City Board of Education
Management's Discussion and Analysis (M D & A)
September 30, 2015

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 2015. 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 cash basis of accounting and their presentation is largely consistent with historical presentations.

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.

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. However, balances of these funds are not considered material to the financial statements and therefore have been included in the governmental funds.

Government-wide Financial Analysis

Following is a condensed financial analysis, presented in comparative format, of the government-wide net assets of the Board as of September 30, 2015:

	<u>Government Activities</u>		Percent Change
	2014	2015	
Current and other assets	\$110,510,450	\$105,818,190	-4.25%
Noncurrent assets	2,026,598	1,946,591	-3.95%
Capital assets	241,825,909	235,138,759	-2.77%
Deferred outflows attributable to pension plan	-	10,875,748	
Deferred charges on refunding	<u>10,513,531</u>	<u>9,454,562</u>	-10.07%
Total assets	<u>\$364,876,488</u>	<u>\$363,233,850</u>	-0.45%
Current liabilities	19,783,699	16,534,719	-16.42%
Long-term liabilities	<u>187,381,741</u>	<u>304,263,031</u>	62.38%
Total liabilities	<u>207,165,440</u>	<u>320,797,750</u>	54.85%
Deferred inflows – pension plan investments	-	9,052,000	
Deferred revenues	<u>359,328</u>	<u>412,323</u>	14.75%
Total liabilities and deferred inflows	<u>207,524,768</u>	<u>330,262,073</u>	59.20%
Net position			
Net investment in capital assets	64,039,297	59,933,882	- 6.41%
Unrestricted	<u>93,312,423</u>	<u>(26,962,105)</u>	- 128.89%
Total net position	<u>\$157,351,720</u>	<u>\$32,971,777</u>	-79.05%

Following is a condensed schedule of revenues and expenditures from governmental activities for the year ended September 30, 2015 presented with comparative data for the previous year:

	<u>Government Activities</u>		Percent Change
	2014	2015	
Revenues			
Program Revenues:			
Charges for services	\$ 12,560,990	\$ 11,991,874	-4.53%
Operating grants and contributions	70,868,238	70,900,773	0.05%
Capital grants and contributions	4,081,108	3,614,818	-11.43%
General Revenues:			
Property taxes	66,095,490	66,760,042	1.01%
Local sales tax	1,597,888	1,644,852	2.94%
City appropriation	2,000,000	2,345,881	17.29%
Other general revenues	<u>6,410,933</u>	<u>6,910,395</u>	7.79%
	<u>163,614,647</u>	<u>164,168,635</u>	0.34%
Expenses			
Instructional services	98,360,841	97,234,950	-1.14%
Instructional support services	25,159,392	24,362,538	-3.17%
Operation and maintenance services	16,519,445	16,422,427	-0.59%
Auxiliary services	16,587,700	16,494,009	-0.56%
General administrative services	2,861,502	2,779,611	-2.86%
Interest and fiscal charges	8,380,862	8,236,317	-1.72%
Other expenses	<u>4,432,171</u>	<u>4,097,726</u>	-7.55%
	<u>172,301,913</u>	<u>169,627,578</u>	-1.55%
Decrease in net assets	(8,687,266)	(5,458,943)	-37.16%
Net position, beginning	<u>166,038,986</u>	<u>38,430,720</u>	-76.85%
Net position, ending ¹	<u>\$ 157,351,720</u>	<u>\$ 32,971,777</u>	-79.05%

As noted in the above shown condensed presentations, the Board's total net position reflects a decrease of \$124.3 million. The decrease is primarily a result of the restatement to the beginning balance as a result of the Board's implementation of GASB Statement No. 68.

¹2015 Net Position beginning balance reflects the Board's implementation of Governmental Accounting Standards Board Statement (GASB) 68 *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27) as described in Note 15 to the Hoover City Board of Education's 2015 Financial Statements.

Fund Financial Analysis

The September 30, 2015 financial statements reported a combined fund balance of \$92,907,957 which is a decrease of \$1,390,072 from the previous year's fund balance. This net decrease was primarily the result of debt service expenditures offset by a reduction in accrued salaries, capital outlay, and cost for repairs and maintenance. Results of the Board's major funds are discussed below:

General Fund

The fiscal year 2015 financial statements reflected a net increase in the balance of the General Fund of \$7,968,376 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 increase in state and local revenue and a reduction in accrued salaries and cost of repairs and maintenance.

Other Governmental Funds

The Other Governmental Funds decreased \$9.4 million in 2015 primarily as a result of debt service payments.

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 1.41% more than budget. Actual expenditures were \$6.46 million or 4.64% less than budgeted expenditures. The variance in revenues and other financing sources is primarily attributable to greater than anticipated revenues from other funding sources, including, but not limited to, an increase in E-Rate funds, grants and other local sources. The variance in expenditures was primarily related to a reduction in accrued salary costs, personnel costs, timing of various technology expenditures, and utilities costs.

Capital Assets and Debt Administration

Capital Assets

Net capital assets decreased by \$6.7 million in 2015, which is attributable to \$8.0 million in depreciation expense offset by \$1.3 million of capital asset additions. The additions were primarily related to textbooks and equipment.

Debt Administration

The Board's outstanding warrant liability decreased by \$3 million to \$178.6 million during 2015 as a result of regularly scheduled principal payments.

Next Year's Budget

An increase in funding from the City of Hoover and a stable student enrollment are expected to yield an overall increase in revenues next year for Hoover City Schools.

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 Cathy Antee, Hoover City Board of Education, 2810 Metropolitan Way, Hoover, Alabama 35243.

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

<i>September 30, 2015</i>	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 90,136,500
Investments	12,778,220
Due from other governments	2,608,334
Inventories	295,136
Total current assets	105,818,190
Noncurrent assets	
Bond discount, net	1,946,591
Capital assets:	
Land	18,771,456
Buildings and improvements	297,152,118
Equipment, furniture and vehicles	20,059,610
Textbooks and library books	12,600,471
Construction in progress	39,323
Accumulated depreciation	(113,484,219)
Total capital assets, net of depreciation	235,138,759
Total noncurrent assets	237,085,350
Total assets	342,903,540
Deferred outflows of resources	
Deferred charges on refunding	9,454,562
Attributable to pension plan - see note 12	10,875,748
Total assets and deferred outflows of resources	\$ 363,233,850

See Notes to Financial Statements

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 2,294,039
Salaries and benefits payable	10,203,871
Warrants payable	3,070,000
Accrued interest payable	966,809
Total current liabilities	16,534,719
Noncurrent liabilities	
Warrants payable	175,585,000
Bond premium	7,951,031
Net pension liability	120,727,000
Total noncurrent liabilities	304,263,031
Total liabilities	320,797,750
Deferred inflows of resources	
Deferred revenue	412,323
Net difference between projected and actual earnings on pension plan investments	9,052,000
Total deferred inflows of resources	9,464,323
Net position	
Net investment in capital assets	59,933,882
Unrestricted (deficit)	(26,962,105)
Total net position	\$ 32,971,777



Hoover City Board of Education
Statement of Activities

September 30, 2015

Functions/Programs	Expenses
Governmental activities	
Instructional services	\$ 97,234,950
Instructional support	24,362,538
Operation and maintenance	16,422,427
Auxiliary services	16,494,009
General administration and central support	2,779,611
Other	4,097,726
Interest and fiscal charges	8,236,317
	<hr/>
Total governmental activities	\$ 169,627,578

See Notes to Financial Statements

Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities
\$ 4,149,312	\$ 42,813,162	\$ 269,738	\$ (50,002,738)
-	9,754,127	-	(14,608,411)
-	11,611,502	-	(4,810,925)
7,842,562	6,721,982	582,000	(1,347,465)
-	-	-	(2,779,611)
-	-	753,047	(3,344,679)
-	-	2,010,033	(6,226,284)
<u>\$ 11,991,874</u>	<u>\$ 70,900,773</u>	<u>\$ 3,614,818</u>	<u>(83,120,113)</u>

General revenues

Taxes:

Property taxes	66,760,042
Local sales tax	1,644,852
Miscellaneous taxes	4,232
City appropriations	2,345,881
Interest	327,350
General contributions to the Board	515,831
Other	6,062,982
Total general revenues	<u>77,661,170</u>
Change in net position	<u>(5,458,943)</u>
Net position - beginning of year as originally stated	157,351,720
Restatement	<u>(118,921,000)</u>
Net position - beginning of year restated	<u>38,430,720</u>
Net position - end of year	<u><u>\$ 32,971,777</u></u>

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

September 30, 2015

	General
Assets	
Current assets	
Cash	\$ 79,601,584
Interfund receivables	35,467
Due from government entities	1,809,321
Investments	-
Inventory	33,528
Total assets	\$ 81,479,900
Liabilities	
Current liabilities	
Accounts payable	\$ 1,899,812
Accrued liabilities	9,915,300
Interfund payables	1,075,605
Total current liabilities	12,890,717
Deferred inflows of resources	
Deferred revenues	24,995
Fund balances	
Non-spendable: inventory	33,528
Committed for encumbrances	87,026
Committed for construction projects	-
Committed for special school purposes	-
Assigned for debt service	-
Unassigned	68,443,634
Total fund balances	68,564,188
Total liabilities, deferred inflows of resources and fund balances	\$ 81,479,900

See Notes to Financial Statements

Other Governmental Funds	Totals Governmental Funds
\$ 10,534,916	\$ 90,136,500
1,482,840	1,518,307
799,013	2,608,334
12,778,220	12,778,220
261,608	295,136
<hr/>	
<u>\$ 25,856,597</u>	<u>\$ 107,336,497</u>
\$ 394,227	\$ 2,294,039
288,571	10,203,871
442,702	1,518,307
<hr/>	
<u>1,125,500</u>	<u>14,016,217</u>
<u>387,328</u>	<u>412,323</u>
261,608	295,136
667,557	754,583
709,677	709,677
9,521,676	9,521,676
9,421,067	9,421,067
3,762,184	72,205,818
<hr/>	
<u>24,343,769</u>	<u>92,907,957</u>
<u>\$ 25,856,597</u>	<u>\$ 107,336,497</u>

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

Year ended September 30, 2015

Total fund balances - Governmental funds \$ 92,907,957

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	\$	18,771,456	
Buildings and improvements		297,152,118	
Equipment, furniture and vehicles		20,059,610	
Textbooks and library books		12,600,471	
Construction in progress		39,323	
Accumulated depreciation		<u>(113,484,219)</u>	
Total capital assets, net of depreciation			235,138,759

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	1,946,591
Deferred charges from refunding	9,454,562

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	10,875,748
--	------------

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:

	Current Liabilities	Noncurrent Liabilities	
Warrants payable	\$ 3,070,000	\$ 183,536,031	
Net pension liability	-	120,727,000	
Accrued interest payable	966,809	-	
Total liabilities	<u>\$ 4,036,809</u>	<u>\$ 304,263,031</u>	(308,299,840)

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

(9,052,000)

Total net position - governmental activities

\$ 32,971,777

See Notes to Financial Statements

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

Year ended September 30, 2015

	General
Fund balances beginning of year	\$ 60,595,812
Revenues	
State of Alabama	66,321,053
Federal government	2,500
Local	71,174,395
Other	2,679,645
Total revenues	140,177,593
Other financing sources	
Operating transfers in	687,934
Total other financing sources	687,934
Total revenues and other financing sources	140,865,527
Expenditures	
Instructional services	83,195,400
Instructional support	21,526,490
Operation and maintenance	15,714,011
Auxiliary services	6,347,725
General administration and central support	2,688,483
Capital outlay	80,379
Debt service	-
Other	716,899
Total expenditures	130,269,387
Other fund uses	
Operating transfers out	2,627,764
Total other fund uses	2,627,764
Total expenditures and other fund uses	132,897,151
Excess of revenues and other sources over (under) expenditures and other fund uses	7,968,376
Fund balances, end of year	\$ 68,564,188

See Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 33,702,217	\$ 94,298,029
3,721,385	70,042,438
6,525,290	6,527,790
14,332,105	85,506,500
102,632	2,782,277
<u>24,681,412</u>	<u>164,859,005</u>
7,260,442	7,948,376
<u>7,260,442</u>	<u>7,948,376</u>
<u>31,941,854</u>	<u>172,807,381</u>
8,427,303	91,622,703
2,766,203	24,292,693
314,944	16,028,955
9,505,858	15,853,583
41,150	2,729,633
32,410	112,789
10,836,848	10,836,848
4,054,974	4,771,873
<u>35,979,690</u>	<u>166,249,077</u>
-	-
5,320,612	7,948,376
<u>5,320,612</u>	<u>7,948,376</u>
<u>41,300,302</u>	<u>174,197,453</u>
(9,358,448)	(1,390,072)
<u>\$ 24,343,769</u>	<u>\$ 92,907,957</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, 2015

Net changes in fund balances - total governmental funds \$ (1,390,072)

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

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

This is the amount by which depreciation (\$8,030,631) exceeded capital outlay (\$1,359,923) in the current period. (6,670,708)

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.

Principal payments on long term debt 2,945,000

The net effect of transactions involving the disposition of capital assets is to decrease net assets. (16,442)

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.

Net amortization expense (included in interest expense) (363,266)

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

Difference in pension expense related to deferred outflows and inflows of resources 17,747

Decrease in accrued interest payable 18,798

Change in net position of governmental activities \$ (5,458,943)



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 thirty (30) 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 and Investments*

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Board.

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.

Investments are stated at cost or amortized cost, which approximates market value.

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.

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

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-term Obligations (continued)

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 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

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. *Compensated Absences (continued)*

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, 2015 the Board has accrued a liability in the amount of \$648,444.

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 are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Position / Fund Equity (continued)

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. The Board has not presented any of its fund balance as assigned.

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. 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

Hoover City Board of Education Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pensions (continued)

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.

NOTE 2 – RECONCILIATION OF FINANCIAL STATEMENTS

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

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

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

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

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2014-2015 fiscal year was September 15, 2014. The Board approved its original 2014-2015 annual budget on September 8, 2014 and amended May 11, 2015, primarily to allow for federal program carryover, additional allocations and adjustments for technology and security expenditures.

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.

Hoover City Board of Education Notes to Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2015, 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.

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.

Investments

The following investments were held by the Board at September 30, 2015:

Certificates of Deposit	\$ 12,778,220
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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.

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.

Interest revenues of \$327,350 are included in revenues for 2015.

Hoover City Board of Education Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance October 1, 2014	Additions	Retirements and Reclassifications	Balance September 30, 2015
Capital assets not being depreciated:				
Land	\$ 18,771,456	\$ -	\$ -	\$ 18,771,456
Construction in progress	1,296,049	-	(1,256,726)	39,323
Total capital assets not being depreciated	20,067,505	-	(1,256,726)	18,810,779
Capital assets being depreciated:				
Exhaustible land improvements	4,809,683	20,706	-	4,830,389
Building and improvements	290,934,081	130,922	1,256,726	292,321,729
Equipment, furniture and vehicles	20,379,176	435,646	(755,212)	20,059,610
Textbooks and library books	11,827,822	772,649	-	12,600,471
Total capital assets being depreciated	327,950,762	1,359,923	501,514	329,812,199
Less accumulated depreciation for:				
Exhaustible land improvements	1,678,656	247,612	-	1,926,268
Building and improvements	78,140,534	6,182,006	-	84,322,540
Equipment, furniture and vehicles	17,133,420	872,191	(738,770)	17,266,841
Textbooks and library books	9,239,748	728,822	-	9,968,570
Total accumulated depreciation	106,192,358	8,030,631	(738,770)	113,484,219
Total capital assets being depreciated, net	221,758,404	(6,670,708)	1,240,284	216,327,980
Total governmental activities capital assets, net	\$ 241,825,909	\$ (6,670,708)	\$ (16,442)	\$ 235,138,759

**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	\$	6,655,283
Instructional support		73,125
Operation and maintenance		478,526
Auxiliary services		773,433
General administrative and central support		50,264
Total governmental activities depreciation expense	\$	8,030,631

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	\$ 749,000	\$ 39,323	\$ 709,677

NOTE 6 – LONG-TERM DEBT

On August 1, 2010 the Board issued \$117,885,000 in 24 Mill Tax special revenue refunding bonds with interest rates ranging between 4.25% and 5.00%. The Board issued the bonds 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. The Board used a portion of the proceeds to purchase U.S. Government securities. These securities were deposited into an irrevocable trust to provide for the future debt service and redemption of the refunded bonds in accordance with the escrow trust agreement. As a result, the refunded warrants are considered defeased, and the Board has removed the liability from its accounts. Those warrants were fully paid off in 2012.

As a result of the refunding of the Series 2001, Series 2002 and Series 2002-A Warrants the Board has recorded deferred charges of \$6,810,722 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. The unamortized portion of these costs as of September 30, 2015 was \$4,103,895.

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

NOTE 6 – LONG-TERM DEBT (CONTINUED)

On December 27, 2012 the Board issued \$51,915,000 in 24 Mill Tax special revenue refunding bonds with interest rates of 4% or 5% depending upon the maturity date. The Board issued the bonds 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. The Board used a portion of the proceeds to purchase U.S. Government securities. These securities were deposited into an irrevocable trust to provide for the future debt service and redemption of the refunded bonds in accordance with the escrow trust agreement. As a result, the refunded warrants are considered defeased, and the Board has removed the liability from its accounts. During the fiscal year ended September 30, 2015, the outstanding principal of the defeased warrants was completely paid off by the funds that had been placed into escrow.

As a result of the refunding of the Series 2005 Warrants, the Board has recorded deferred charges of \$6,955,869 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. The unamortized portion of these costs as of September 30, 2015 was \$5,350,667.

As of September 30, 2015, the Board's long-term debt consisted of the following:

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 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%.	112,125,000
Series 2005 Capital Outlay Warrants with a maturity date of February 15, 2027, interest payable semi-annually at rates ranging from 3% to 5%.	14,615,000
Total warrants	\$ 178,655,000

**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 and Notes	
	Principal	Interest
2016	\$ 3,070,000	\$ 7,734,475
2017	3,215,000	7,577,350
2018	4,535,000	7,406,275
2019	4,705,000	7,197,950
2020	6,470,000	6,950,925
2021-2025	36,205,000	30,276,450
2026-2030	33,995,000	22,452,676
2031-2035	38,480,000	14,790,551
2036-2040	47,980,000	5,282,689
Total	\$ 178,655,000	\$ 109,669,341

Interest paid on long-term debt was \$7,884,850 for the year ended September 30, 2015.

The Series 2005, Series 2010 and Series 2012 Warrants were issued in December 2005, August 2010 and December 2012, 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, 2015 were \$37,160,907.

The following changes occurred in the liabilities for warrants for the year ended September 30, 2015:

	Balance September 30, 2014	Additions	Principal Payments	Balance September 30, 2015
Warrants Payable	\$ 181,600,000	\$ -	\$ (2,945,000)	\$ 178,655,000

**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, 2015:

	Premium	Discount	Total
Series 2005, Capital Outlay Warrants	\$ -	\$ 1,041,621	\$ 1,041,621
Amount amortized in prior years	-	(902,194)	(902,194)
Series 2010, Capital Outlay Warrants	-	2,191,080	2,191,080
Amount amortized in prior years	-	(303,909)	(303,909)
Series 2012, Special School Tax Warrants	(10,084,234)	-	(10,084,234)
Amount amortized in prior years	1,357,493	-	1,357,493
Unamortized amount – beginning	(8,726,741)	2,026,598	(6,700,143)
Current year amortization	775,710	(80,007)	695,703
Unamortized amount – ending	\$ (7,951,031)	\$ 1,946,591	\$ (6,004,440)

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2015 consist of the following:

Due to the General Fund from Other Governmental Funds	\$ 35,467
Due to Other Governmental Funds from:	
Other Governmental Funds	407,235
General Fund	1,075,605
Total	\$ 1,518,307

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, 2015 consist of the following:

General fund to Other Governmental Funds	\$ 2,627,764
Other Governmental Funds to:	
General Fund	687,934
Other Governmental Funds to Other Governmental Funds	4,632,678
Total	\$ 7,948,376

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 \$280,597 for 2015. Commodities consumed were approximately \$261,348 for 2015.

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, 2015 amounted to \$2,000,000.

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

NOTE 12 – PENSION PLAN (CONTINUED)

Benefits provided (Continued)

monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits 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. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% 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

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

NOTE 12 – PENSION PLAN (CONTINUED)

Contributions (Continued)

accrued liability. Total employer contributions to the pension plan from the System were \$9,525,152 for the year ended September 30, 2015.

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

At September 30, 2015 the System reported a liability of \$120,727,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. 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 30, 2014 the System’s proportion was 1.328923%, which was an increase (decrease) of .017394% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the System recognized pension expense of \$9,507,405. At September 30, 2015 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
Net difference between projected and actual earnings on plan investments	\$ -	\$ 9,052,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,400,000	-
Employer contributions subsequent to the Measure Date	9,475,748	-
Total	\$ 10,875,748	\$ 9,052,000

**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)

Deferred outflows of resources includes \$9,475,748 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, 2016. 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:	
2016	\$ (1,913,000)
2017	(1,913,000)
2018	(1,913,000)
2019	(1,913,000)
2020	-
	\$ (7,652,000)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return*	8.00%
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, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

Hoover City Board of Education Notes to Financial Statements

NOTE 12 – PENSION PLAN (CONTINUED)

Actuarial assumptions

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	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 8%. 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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability (Asset)	\$164,467,000	\$120,727,000	\$83,654,000

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, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015 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, 2014 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 Education 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 09/30/15
Individual Coverage - Non-Medicare Eligible	\$ 151.00
Individual Coverage - Medicare Eligible	10.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	391.00
Family Coverage - Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	250.00
Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible	109.00
Tobacco surcharge	\$28 per month
Optional Plans (Hospital Indemnity, Cancer, Dental, Vision)	*
Surviving Spouse - Non-Medicare Eligible	700.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	934.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	907.00
Surviving Spouse - Medicare Eligible	354.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	595.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	568.00

* 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 \$45 for family dental.

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 will no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five year period.

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:

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

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

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2014	\$ 714	\$ 220.09	30.83%	\$ 4,702,694	100%
2015	780	180.76	23.17%	3,876,715	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 2015 financial statements for RDS is \$868,371.

NOTE 14 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- Fair value measurement and application;
- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.

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



Hoover City Board of Education Notes to Financial Statements

NOTE 15 – RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended September 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effect on net position of contributions made by the Board during the measurement period (fiscal year ended September 30, 2014). As a result, beginning net position for the year ended September 30, 2015 was restated which decreased by \$118,921,000.

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, 2015

	Budgeted Amounts		Actual on the Budgetary Basis*	Variance
	Original	Final Budget		
Fund balances, beginning of year	\$ 60,671,030	\$ 60,595,812	\$ 60,595,812	\$ -
Revenues				
State of Alabama	65,543,086	66,316,245	66,321,053	4,808
Federal government	-	-	2,500	2,500
Local and other	71,187,903	71,187,903	73,163,675	1,975,772
Total revenues	136,730,989	137,504,148	139,487,228	1,983,080
Other financing sources				
Operating transfers in	1,407,212	1,407,212	1,378,299	(28,913)
Total revenues and other financing sources	138,138,201	138,911,360	140,865,527	1,954,167
Expenditures				
Instructional services	85,351,899	88,185,106	83,195,400	4,989,706
Instructional support	21,250,235	21,217,770	21,526,490	(308,720)
Operation and maintenance	16,196,433	16,487,209	15,714,011	773,198
Auxiliary services	6,783,648	6,783,648	6,347,725	435,923
General administration and central support	2,557,092	2,557,942	2,688,483	(130,541)
Other	646,935	646,935	797,278	(150,343)
Total expenditures	132,786,242	135,878,610	130,269,387	5,609,223
Other fund uses				
Operating transfers out	3,473,736	3,480,376	2,627,764	852,612
Total expenditures and other fund uses	136,259,978	139,358,986	132,897,151	6,461,835
Excess of revenues and other sources over expenditures and other fund uses	1,878,223	(447,626)	7,968,376	8,416,002
Fund balances, end of year	\$ 62,549,253	\$ 60,148,186	\$ 68,564,188	\$ 8,416,002

* 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 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 Net Pension Liability
Teachers' Retirement Plan of Alabama
Last Fiscal Year*

	2015
System's proportion of the net pension liability	1.328923%
System's proportionate share of the net pension liability	120,727,000
Systems covered-employee payroll	84,269,726
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.26%
Plan fiduciary net position as a percentage of the total pension liability	71.01%

* The amounts presented for each fiscal year were determined as of prior fiscal ending September 30.

**Hoover City Board of Education
 Schedule of Board Contributions
 Teachers' Retirement Plan of Alabama
 Last Fiscal Year***

	2015
Contractually required contribution	\$ 9,475,748
Contributions in relation to the contractually required contribution	9,475,748
Contribution deficiency (excess)	\$ -
System's covered-employee payroll	\$ 83,796,068.00
Contributions as a percentage of covered-employee payroll	11.31%

* The amounts presented for each fiscal year were determined as of prior fiscal ending September 30.

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 \$37,160,907 for the fiscal year that ended September 30, 2015.
2. Attached hereto is a summary of revenue, 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) \$14,615,000 aggregate principal amount of the Board's Capital Outlay Warrants, Series 2005, dated December 15, 2005, and (as of September 30, 2015) outstanding in the aggregate principal amount of \$14,615,000.
 - (b) \$115,070,000 aggregate principal amount of the Board's Capital Outlay Warrants, Series 2010, dated August 1, 2010, and (as of September 30, 2015) outstanding in the aggregate principal amount of \$112,125,000.
 - (c) \$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, 2015) outstanding in the aggregate principal amount of \$51,915,000.
4. The average annual debt service on the warrants listed above is \$11,532,974.
5. The maximum annual debt service on the warrants listed above is \$13,367,925.

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>	2010	2011	2012	2013	2014	2015
Revenues						
State of Alabama	\$ 54,787,560	\$ 58,299,626	\$ 62,114,981	\$ 63,574,762	\$ 68,982,299	\$ 70,042,438
Federal government	9,490,289	12,996,084	5,763,953	6,572,935	6,321,501	6,527,790
Local	85,049,609	82,993,731	82,441,355	82,678,620	86,208,420	85,506,500
Other	1,997,138	1,885,147	1,980,714	2,002,212	2,707,490	2,782,277
Total revenues	151,324,596	156,174,588	152,301,003	154,828,529	164,219,710	164,859,005
Other financing sources						
Proceeds from borrowings	117,885,000	-	-	61,999,234	-	-
Operating transfers in	46,468,694	38,906,938	18,858,947	8,234,689	8,978,874	7,948,376
Total other financing sources	164,353,694	38,906,938	18,858,947	70,233,923	8,978,874	7,948,376
Total revenues and other financing sources	315,678,290	195,081,526	171,159,950	225,062,452	173,198,584	172,807,381
Expenditures						
Instructional services	83,437,172	82,065,055	82,981,742	89,117,455	93,131,120	91,622,703
Instructional support	23,281,110	22,846,023	22,905,195	23,018,117	25,084,506	24,292,693
Operation and maintenance	16,074,690	16,108,511	15,838,377	15,496,430	16,099,025	16,028,955
Auxiliary services	15,501,587	16,479,695	15,153,453	16,955,543	15,902,396	15,853,583
General administrative and central support	2,377,197	2,324,549	2,180,416	2,502,294	2,811,850	2,729,633
Capital outlay	768,762	1,356,359	9,964,053	6,076,147	3,226,720	112,789
Debt service	16,350,161	8,490,436	8,430,548	7,788,900	10,850,596	10,836,848
Other	5,087,655	4,807,904	4,424,115	4,665,796	5,007,662	4,771,873
Total expenditures	162,878,334	154,478,532	161,877,899	165,620,682	172,113,875	166,249,077
Other fund uses						
Operating transfers out	46,468,694	38,906,938	18,858,947	8,234,689	8,978,874	7,948,376
Other uses	114,870,722	-	-	61,447,966	-	-
Total other fund uses	161,339,416	38,906,938	18,858,947	69,682,655	8,978,874	7,948,376
Total expenditures and other fund uses	324,217,750	193,385,470	180,736,846	235,303,337	181,092,749	174,197,453
Excess of revenues and other sources over (under) expenditures and other fund uses	(8,539,460)	1,696,056	(9,576,896)	(10,240,885)	(7,894,165)	(1,390,072)
Fund balances, beginning of year (see note below)	129,323,645	120,784,185	122,009,975	112,433,079	102,192,194	94,298,029
Fund balances, end of year	\$ 120,784,185	\$ 122,480,241	\$ 112,433,079	\$ 102,192,194	\$ 94,298,029	\$ 92,907,957

Note: The Board's fund balances as of September 30, 2011 were restated due to a correction of the receivable from the City of Hoover. The revenues in the above schedule are shown as originally reported.

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

Year ended September 30, 2015

Description	Federal CFDA Number	Project Period	
		From	To
Federal Funds Passed Through State Dept. of Ed.			
ED-Vocational Education Basic Grant	84.048	10/1/2014	9/30/2015
ED-Vocational Education Basic Grant	84.048	10/1/2013	9/30/2014
ED-Education of the Handicapped (IDEA-B)	84.027	10/1/2014	9/30/2015
ED-Education of the Handicapped (IDEA-B)	84.027	10/1/2013	9/30/2014
ED-Title I	84.010	10/1/2014	9/30/2015
ED-Title I	84.010	10/1/2013	9/30/2014
ED-Handicapped Preschool Grants	84.173	10/1/2014	9/30/2015
ED-Handicapped Preschool Grants	84.173	10/1/2013	9/30/2014
Improving Teacher Quality	84.367	10/1/2014	9/30/2015
Improving Teacher Quality	84.367	10/1/2013	9/30/2014
ED-English Language Acquisition	84.365	10/1/2014	9/30/2015
ED-English Language Acquisition	84.365	10/1/2013	9/30/2014
Advanced Placement Fee Program	84.330	10/1/2014	9/30/2015
Total U.S. Department of Education			
USDA-Commodities	10.550	10/1/2014	9/30/2015
USDA - State Administrative Expenses for Child Nutrition	10.560	10/1/2014	9/30/2015
USDA-School Breakfast	10.553	10/1/2013	9/30/2014
USDA-School Breakfast	10.553	10/1/2014	9/30/2015
USDA-National School Lunch Program	10.555	10/1/2013	9/30/2014
USDA-National School Lunch Program	10.555	10/1/2014	9/30/2015
Total U.S. Department of Agriculture			
HHS-Disability Determination	96.001	10/1/2014	9/30/2015
Total U.S. Department of Health and Human Services			
Total Federal Funds Passed through State Department of Education			
Total Federal Awards			

* Commodities only were received

Total Grant Award	Accrued (Deferred) Grant Revenue September 30, 2014	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Grant Revenue September 30, 2015
\$ 122,220	\$ -	\$ 122,220	\$ 122,220	\$ 122,220	\$ -
17,672	17,672	17,672	-	-	-
2,397,939	-	2,330,939	2,338,175	2,338,175	7,236
295,930	295,930	295,930	-	-	-
1,224,702	-	1,224,702	1,173,025	1,173,025	(51,677)
179,093	179,093	179,093	-	-	-
29,873	-	29,873	29,873	29,873	-
4,839	4,839	4,839	-	-	-
204,926	-	148,290	204,926	204,926	56,636
5,224	5,224	5,224	-	-	-
113,682	-	113,682	111,230	111,230	(2,452)
10,333	10,333	10,333	-	-	-
10,086	-	10,086	10,086	10,086	-
4,616,519	513,091	4,492,883	3,989,535	3,989,535	9,743
-	-	*	280,597	280,597	-
18,579	-	18,579	18,579	18,579	-
103,508	103,508	103,508	-	-	-
543,094	-	437,703	543,094	543,094	105,391
381,419	381,419	381,419	-	-	-
1,693,485	-	1,356,240	1,693,485	1,693,485	337,245
2,740,085	484,927	2,297,449	2,535,755	2,535,755	442,636
2,500	-	2,500	2,500	2,500	-
2,500	-	2,500	2,500	2,500	-
7,359,104	998,018	6,792,832	6,527,790	6,527,790	452,379
\$ 7,359,104	\$ 998,018	\$ 6,792,832	\$ 6,527,790	\$ 6,527,790	\$ 452,379

Hoover City Board of Education
Supplementary Schedule of State Government Appropriations

Year ended September 30, 2015

Description	Appropriation Period		Total Appropriation
	From	To	
Foundation Program Fund	10/1/2014	9/30/2015	\$ 64,826,384
Public School Fund	10/1/2014	9/30/2015	2,746,503
NBTS Grants	10/1/2014	9/30/2015	735,040
Alabama Reading Initiative	10/1/2014	9/30/2015	508,450
School Nurse Program	10/1/2014	9/30/2015	464,002
Career Tech	10/1/2014	9/30/2015	305,392
At Risk Student Program	10/1/2014	9/30/2015	165,102
Commodity Rebates	10/1/2014	9/30/2015	71,008
State-wide Purchasing	10/1/2014	9/30/2015	62,169
English as a Second Language	10/1/2014	9/30/2015	49,086
Financial Assistance - Preschool	10/1/2014	9/30/2015	28,575
Technology Coordinator	10/1/2014	9/30/2015	27,147
Gifted Education	10/1/2014	9/30/2015	19,249
21st Century Workforce Grant	10/1/2014	9/30/2015	16,107
Legislative Special Appropriation	10/1/2014	9/30/2015	11,380
Operations and Maintenance	10/1/2014	9/30/2015	5,534
Advanced Placement	10/1/2014	9/30/2015	810
Teacher of the Year Program	10/1/2014	9/30/2015	500
Total state assistance			\$ 70,042,438

Cash Received			
October 1, 2013- September 30, 2014	Revenue Recognized	Expenditures	Encumbrances
\$ 64,826,384	\$ 64,826,384	\$ 64,826,384	\$ -
2,746,503	2,746,503	2,746,503	-
735,040	735,040	735,040	-
508,450	508,450	508,450	-
464,002	464,002	464,002	-
305,392	305,392	305,392	-
165,102	165,102	165,102	-
71,008	71,008	71,008	-
62,169	62,169	62,169	-
49,086	49,086	49,086	-
28,575	28,575	28,575	-
27,147	27,147	27,147	-
19,249	19,249	19,249	-
16,107	16,107	16,107	-
11,380	11,380	11,380	-
5,534	5,534	5,534	-
810	810	810	-
500	500	500	-
\$ 70,042,438	\$ 70,042,438	\$ 70,042,438	\$ -

Hoover City Board of Education Notes to Supplementary Schedules

NOTE 1 – SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

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 Circular A-133.

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, 2015.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards and the Schedule of State Government Appropriations 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. The encumbrances are shown as deductions from the 2015 appropriations of state funds on the schedule because subsequent expenditures against the encumbrances are made under the authority of the 2015 appropriations. 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.

Other Reports

HOOVER CITY BOARD OF EDUCATION

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



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

To the Members 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, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 3, 2016.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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
March 3, 2016

HOOVER CITY BOARD OF EDUCATION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hoover City Board of Education, 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, 2015.

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 compliance 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 OMB Circular A-133, 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Birmingham, Alabama
March 3, 2016

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, 2015

Section I - Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Noncompliance material to financial statements noted?

 yes x no

Federal awards

Internal control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133?

 yes x no

Identification of major programs:

CFDA Number(s)

10.553

10.555

Name of Federal Program or Cluster

School Breakfast Program

School Lunch Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

 x yes no



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

Year ended September 30, 2015

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