

HARTSELLE CITY BOARD OF EDUCATION
HARTSELLE, ALABAMA
BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2024
Together With Independent Auditor's Report

HARTSELLE CITY BOARD OF EDUCATION

SEPTEMBER 30, 2024

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Independent Auditor's Report

Members of the Board
Hartselle City Board of Education
Hartselle, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hartselle City Board of Education, a component unit of the City of Hartselle, Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Hartselle City Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hartselle City Board of Education, as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hartselle City Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hartselle City Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hartselle City Board of Education's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, budgetary comparison information, pension information and postemployment benefits other than pensions (OPEB) information on pages 48-52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hartselle City Board of Education's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2025, on our consideration of the Hartselle City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hartselle City Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hartselle City Board of Education's internal control over financial reporting and compliance.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
February 13, 2025

Hartselle City Board of Education

Management's Discussion and Analysis (MD&A)

September 30, 2024

The Management's Discussion and Analysis (MD&A) of the Hartselle City Board of Education's (the Board's) financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2024. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Please read in conjunction with the Board's financial statements and notes to the financial statements, which immediately follow this analysis.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34; *Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Financial Highlights

Our financial statements provide these insights into the results of this year's operations:

- The total costs of the Board's programs for the year were \$56.2 million. After taking away a portion of these costs paid for with Program Revenue (Charges for Services, Operating and Capital Grants, and Contributions) the net cost that required funding from Hartselle City and Morgan County taxpayers was \$13.3 million. The State's Foundation Program provided \$25.2 million toward the cost of programs. The Foundation Program requires a 10-mill equivalency local match that is derived from locally collected ad valorem taxes. The matching requirement for the year was \$1.37 million.
- For the current year, the General Fund's revenues and other fund sources exceeded expenditures and other sources by \$2,357,124. At the end of the current fiscal year, the unreserved fund balance for the General Fund is \$11,060,107, which is equivalent to 2.93 months operating balance.

Using the Financial Statements – An Overview for the User

As a result of the implementation of the GASB 34 reporting model, the financial section now consists of five parts – *Management's Discussion and Analysis* (this section), *the Independent Auditors' Report*, *the Basic Financial Statements*, *Required Supplemental Information*, and *Other Supplemental Information*.

The Board's basic financial statements are comprised of three components: 1) *Government-wide Financial Statements*, 2) *Fund Financial Statements*, and 3) *Notes to the Basic Financial Statements*.

Government-wide Financial Statements – The focus of these statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the board reported in the *Government-wide Financial Statements* are classified as governmental activities. These activities include the following:

- Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.

- Operation and maintenance include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Auxiliary services include student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, fleet insurance; and food service expenses such as lunchroom managers, cooks, cashiers and servers' salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of food service equipment and facilities.
- General administration and central support include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Interest and fiscal charges include interest, but not principal payments, on long-term debt issues, and other expenses related to the issuance and continuance of debt issues.
- Others include the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the kindergarten through 12th grade instructional programs.

Government-wide Statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The *Statement of Net Position* (page 13) is most closely related to a balance sheet. It presents information on all of the board's assets (what it owns) and deferred outflows of resources, less its and liabilities (what it owes), and deferred inflows of resources with the difference reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The *Statement of Activities* (page 14) is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related statements on a fund basis, but with some modifications. All of the funds of the Board can be classified into the governmental fund category.

Governmental Fund Financial Statements begin on page 15. These statements account for basically the same governmental activities reported in the *Government-wide Financial Statements*. The *Fund Financial Statements* display information on each of the Board's most important governmental funds or *major funds*. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's *major funds* are the General Fund, the Debt Service Fund and the Capital Projects Fund.

The *Fund Financial Statements* are still measured on the modified-accrual basis of accounting as reported in the previous fiscal years, where revenues are recorded when they become measurable and available and expenditures are recorded when the related liability is incurred, except for principal and interest on long-term debt, which is recognized when due. As a result, the *Fund Financial Statements* focus more on the near-term use and availability of spendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *Government-wide Financial Statements* which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *Government-wide Financial Statements* and the governmental funds reported in the *Fund Financial Statements* are reconciled on page 16 and page 18 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financing decisions.

The *Notes to the Basic Financial Statements* provide additional information that is essential for the statements to fairly represent the Board's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *Notes to the Basic Financial Statements* begin immediately following the financial statements.

After the presentation of the basic financial statements, the reporting model requires additional required supplemental information to be presented following the notes to the basic financial statements. The required supplemental information provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

(MD&A continues on the next page)

Financial Analysis of the Board as a Whole

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to **Table 1** when reading the following analysis of net position. The Board's assets exceeded liabilities by \$52,944,826 at September 30, 2024.

- Of this figure, \$69,329,339, reflects the Board's net investment in capital assets. Since these capital assets represent investment in land, buildings, school buses, furniture and equipment, this portion of the net position is not available for future spending or funding of operations.
- Restricted net position is reported separately to show external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use net position for day-to-day operations. Approximately \$18,964,013 is restricted for debt service and \$1,821,702 is restricted for capital projects at September 30, 2024.

| TABLE 1: SUMMARY OF NET POSITION (Table 1) As of September 30, 2020 - 2024 | | | | | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 2024 Governmental Activities | 2023 Governmental Activities | 2022 Governmental Activities | 2021 Governmental Activities | 2020 Governmental Activities |
| Current Assets | \$46,264,990 | \$39,889,066 | \$19,418,583 | \$17,049,656 | \$14,931,014 |
| Noncurrent Assets and Deferred Outflows | 118,457,794 | 107,444,993 | 89,177,692 | 88,674,992 | 76,490,200 |
| Total | 164,722,784 | 147,334,059 | 108,596,275 | 105,724,648 | 91,421,214 |
| Current Liabilities | 7,294,922 | 6,628,154 | 3,901,443 | 3,738,430 | 3,760,016 |
| Noncurrent Liabilities and Deferred Inflows | 104,483,036 | 106,382,567 | 95,792,795 | 98,474,847 | 89,068,633 |
| Total | 111,777,958 | 113,010,721 | 99,694,238 | 102,213,277 | 92,828,649 |
| Net Position | | | | | |
| Net Investment in Capital Assets | 69,329,339 | 52,817,740 | 28,679,247 | 27,401,914 | 24,855,235 |
| Restricted for: | | | | | |
| Capital Projects | 1,821,702 | 239,877 | 646,237 | 316,712 | 137,382 |
| Debt Service | 18,964,013 | 17,191,197 | 15,477,047 | 13,819,961 | 12,218,145 |
| Other Purposes | | | | | |
| Unrestricted | (37,170,228) | (35,925,476) | (35,900,493) | (38,027,216) | (38,618,197) |
| Total Net Position | \$52,944,826 | \$34,323,338 | \$8,902,038 | \$3,511,371 | (\$1,407,435) |

(MD&A continues on the next page)

The results of this year's operations as a whole are reported in detail in the *Statement of Activities*. **Table 2** condenses the results of the operations for the fiscal year into a format where the reader can easily see the total revenues and expenses of the Board for the year. **Table 2** also shows the breakdown by function for total revenues and expenditures in percentages and the impact operations had on net position as of September 30, 2023 and September 30, 2024.

| SUMMARY OF CHANGES IN NET POSITION – STATEMENT OF ACTIVITIES (Table 2) Fiscal Years Ended September 30, 2023 and 2024 | | | | |
|--|---|--|---|--|
| | 2024 Governmental Activities | 2024 Percent of Total | 2023 Governmental Activities | 2023 Percent of Total |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 5,650,646 | 7.55% | \$ 5,503,807 | 7.17% |
| Operating Grants and Contributions | 35,947,291 | 48.01% | 31,631,405 | 41.22% |
| Capital Grants and Contributions | 1,325,659 | 1.77% | 2,308,669 | 3.01% |
| General Revenues: | | | | |
| Property Taxes | 5,024,843 | 6.71% | 4,880,333 | 6.36% |
| Sales and Use Taxes | 4,164,117 | 5.56% | 4,195,632 | 5.47% |
| Other Taxes | 649,198 | 0.87% | 575,272 | 0.75% |
| Grants and Contributions not | | | | |
| Restricted for Specific Purposes | 18,307,080 | 24.45% | 24,564,554 | 32.01% |
| Interest | 891,867 | 1.19% | 676,766 | 0.88% |
| Gain on Disposition of Capital Assets | - | 0.00% | 28,534 | 0.04% |
| Miscellaneous | 2,910,322 | 3.89% | 2,372,099 | 3.09% |
| Total Revenue | 74,871,023 | | 76,737,071 | |
| Expenses: | | | | |
| Instruction | \$ 29,967,469 | 53.28% | \$ 26,891,035 | 52.40% |
| Instructional Support | 10,415,577 | 18.52% | 9,439,013 | 18.39% |
| Operation and Maintenance | 4,658,646 | 8.28% | 4,147,829 | 8.08% |
| Auxiliary Services: | | | | |
| Transportation | 1,782,385 | 3.17% | 1,721,743 | 3.36% |
| Food Service | 2,506,045 | 4.46% | 2,326,030 | 4.53% |
| General Administration | 3,628,844 | 6.45% | 4,176,934 | 8.14% |
| Interest and Fiscal Charges | 1,135,101 | 2.01% | 579,798 | 1.13% |
| Other | 2,155,468 | 3.83% | 2,033,389 | 3.96% |
| Total Expenses | 56,249,535 | | 51,315,771 | |
| Change in Net Position | 18,621,488 | | 25,421,300 | |
| Beginning Net Position | 34,323,338 | | 8,902,038 | |
| Ending Net Position | \$ 52,944,826 | | \$ 34,323,338 | |

Governmental Activities – As shown in **Table 2** above, the Board's net position increased by \$18,621,488. The total cost of services rendered by the Board was \$56,249,535, and its revenues were \$74,871,023, for the year that ended September 30, 2024. It is important to note that not all of these costs were borne by the taxpayers of Hartselle City and Morgan County.

- Some of the cost, \$5,650,646, were paid by users of the services provided during the year, such as school lunches, summer school, and participation in extracurricular activities in the local schools.
- State and federal governments subsidized certain programs with grants and contributions totaling \$35,947,291.

- Other program revenue sources, such as capital grants, donations, etc. provided \$1,325,659 in revenues.

Table 3 is a condensed statement taken from the *Statement of Activities* (page 14) showing the total cost for providing services for the board's activities. The total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the board used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

| NET COST OF GOVERNMENTAL ACTIVITIES (Table 3) | | |
|--|-------------------------------|-----------------------------|
| Fiscal Year Ended September 30, 2024 | | |
| | Total Cost of Services | Net Cost of Services |
| Instruction | \$29,967,469 | \$4,628,979 |
| Instructional Support | 10,415,577 | 3,832,061 |
| Operation and Maintenance | 4,658,646 | 211,139 |
| Auxiliary Services: | | |
| Transportation | 1,782,385 | 286,945 |
| Food Service | 2,506,045 | 163,188 |
| General Administration | 3,628,844 | 2,861,182 |
| Interest and Fiscal Charges | 1,135,101 | 1,135,101 |
| Other | 2,155,468 | 567,344 |
| Total Expenses | \$56,249,535 | \$13,325,939 |

Performance of School Board Funds

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by the taxpayers and other entities, and it may also help provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the fund financial statements, which begin on page 15.

- **Governmental Funds** – The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements (note that the fund relationship between the *Fund Financial Statements* and the *Government-wide Financial Statements* are reconciled on pages 16 and 18, the financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of \$34,921,692.
- **General Fund** – The general fund is the primary operating fund of the Board. The net change in fund balance for the fiscal year as a result from operations was an increase of \$2,357,124. The Board used a portion of its local support for approximately 56 locally funded units. These units are teachers and administrators that the board chooses to employ above the number allocated by the SDE.
- **Debt Service Fund** – This fund is used to accumulate and account for financial resources in anticipation of debt service payments. These resources are restricted and not available to fund the Board's daily operations.

- **Capital Projects Fund** – This fund is used to accumulate and account for financial resources to be used for the acquisition or construction of major capital assets. These resources are restricted and not available to fund the Board’s daily operations.
- **Other Governmental Funds** – This is a combined total of several funds, none of which are considered major funds. This includes special revenue funds, other capital project funds and several other small funds.

Budgets

On or before October 1 of each year, the Board is mandated by State law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department of Education normally requires such budgets to be submitted by September 15th of each year. The Board received an extension from the State Department of Education. The fiscal year 2024 Original Budget was adopted by the Board on September 19, 2023. Over the course of the year, the Board revised the annual budget one time to include many federal grants and state allocations that were not available at the time of the original budget approval.

Capital Assets

The Board’s investment in capital assets for its governmental activities for the year ended September 30, 2024, amounted to \$95,321,898, net of accumulated depreciation. The Board’s investment in capital assets includes: land, land improvements, buildings, building improvements, equipment, vehicles, and construction in progress (shown in *Table 4*).

| CAPITAL ASSETS (Table 4) As of September 30, 2024 | |
|--|----------------------------|
| | Governmental Activities |
| Land | \$1,803,103 |
| Construction in Progress | 42,381,838 |
| Land Improvements | 1,849,100 |
| Buildings and Improvements | 73,785,197 |
| Equipment and Furniture | 1,638,543 |
| Vehicles | 2,783,420 |
| Less: Accumulated Depreciation | (28,919,303) |
| Total Capital Assets | \$95,321,898 |

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are listed in the notes to the financial statements.

Long-Term Debt

At the end of the fiscal year the Board had \$26,577,300 in long-term debt payable. **Table 5** provides a synopsis of the Board's activities with respect to long-term debt. Additional information on long-term-debt is located in the Notes to the Financial Statements.

| LONG-TERM DEBT (Table 5) As of September 30, 2024 | | | | | |
|--|---------------------------------|----------------------|----------------------|---------------------------------|-----------------------------------|
| | Debt Outstanding 10/01/23 | Issued/ Increased | Repaid/ Decreased | Debt Outstanding 09/30/24 | Amounts Due Within One Year |
| Notes Payable – Series 2018 | \$3,572,796 | \$ - | \$150,337 | \$3,422,459 | \$156,884 |
| Financed Purchases | - | 811,000 | 223,026 | 587,974 | 183,338 |
| Warrants Payable: | | | | | |
| Series 2009-D | 22,128,000 | - | - | 22,128,000 | - |
| Series 2013-A | 68,964 | - | 33,936 | 35,028 | 35,028 |
| Series 2014-A | 124,670 | - | 60,751 | 63,919 | 63,919 |
| Series 2020-C | 345,884 | - | 5,964 | 339,920 | 5,992 |
| Total Long-Term Debt | \$26,240,314 | \$811,000 | \$474,014 | \$26,577,300 | \$445,161 |

Economic Factors and Next Year's Budget

The following, currently known Hartselle City and Morgan County economic factors were considered as we move into the 2024-2025 fiscal year.

Population/Enrollment - Hartselle has a 2024 population of 16,008. Hartselle is currently growing at a rate of 0.84% annually and its population has increased by 3.45% since the most recent census, which recorded a population of 15,474 in 2020.

Hartselle City Schools' enrollment figures have remained steady during the last 10 years but have trended upward in the last few years.

| School Year | Enrollment | Increase/ Decrease |
|----------------|------------|-----------------------|
| 2025 | 3,677 | 29 |
| 2024 | 3,648 | 3 |
| 2023 | 3,645 | 49 |
| 2022 | 3,596 | 40 |
| 2021 | 3,556 | 108 |
| 2020 | 3,528 | 53 |
| 2019 | 3,475 | 145 |
| 2018 | 3,330 | 124 |
| 2017 | 3,206 | 126 |
| 2016 | 3,080 | 20 |
| 2015 | 3,060 | |

Property Taxes - The 2024 fiscal year will continue the annual property tax reappraisal for Morgan County; consequently, property tax revenues for the 2025 budget year were estimated with a conservative decrease. The Board also has to consider a lawsuit the Morgan County Tax Assessors Office lost which will result in the Board reimbursing previously received Property Tax revenues.

Unemployment - The unemployment rate in Morgan County for October 2024 was 2.6%, which is a decrease from the 2.7% for October 2023. Morgan County's unemployment rate was lower than the state's average unemployment rate of 2.9% and lower than the national rate of 4.1% as of October 2024.

Medical Costs – Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP health insurance costs statewide have risen dramatically during the past several years. PEEHIP employer costs were \$6,996 in 2005, \$8,016 in 2006, \$8,604 in 2007, \$9,300 in 2008, \$9,024 in 2009, \$9,024 in 2010 and 2011 and were reduced to \$8,568 per employee during the fiscal years 2012, 2013 and 2014. For the 2015 and 2016 fiscal year the cost remained stable at \$9,360 per employee. For 2017 through 2025 the employer cost is \$9,600, but is projected to increase for 2026.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, Contact Bradley Colburn, Chief School Finance Officer, by mail at Hartselle City Board of Education, 305 College Street NE, Hartselle, Alabama 35640, by e-mail at bradley.colburn@hartselletigers.org, or by calling (256)773-5419 during regular business hours, Monday through Friday, from 8:00 AM to 4:30 PM.

HARTSELLE CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
September 30, 2024

Governmental Activities

Assets

| | |
|--|---------------------------|
| Cash and Cash Equivalents | \$ 5,087,545 |
| Investments | 14,530,000 |
| Receivables | 3,013,818 |
| Ad Valorem Property Tax Receivable | 4,524,533 |
| Inventories | 145,081 |
| Restricted Assets, Cash with Fiscal Agents | 18,964,013 |
| Capital Assets, Net | <u>95,321,898</u> |
| Total Assets | <u>141,586,888</u> |

Deferred Outflows of Resources

| | |
|--|--------------------------|
| Deferred Charge on Refunding of Debt | 1,839 |
| Employer Pension Contribution | 3,348,117 |
| Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability | 11,278,000 |
| Employer Other Postemployment Benefits (OPEB) Contribution | 440,487 |
| Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability | <u>8,067,453</u> |
| Total Deferred Outflows of Resources | <u>23,135,896</u> |

Liabilities

| | |
|---------------------------------------|--------------------------|
| Accounts Payable | 3,059,040 |
| Unavailable Revenue | 56,735 |
| Salaries and Benefits Payable | 3,702,990 |
| Accrued Interest Payable | 25,924 |
| Noncurrent Liabilities: | |
| Due Within One Year | 450,233 |
| Due in More Than One Year | 26,431,435 |
| Net Pension Liability (Board's Share) | 49,069,000 |
| Net OPEB Liability (Board's Share) | <u>6,017,815</u> |
| Total Liabilities | <u>88,813,172</u> |

Deferred Inflows of Resources

| | |
|--|--------------------------|
| Unavailable Revenue - Property Taxes | 4,524,533 |
| Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability | 662,000 |
| Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability | <u>17,778,253</u> |
| Total Deferred Inflows of Resources | <u>22,964,786</u> |

Net Position

| | |
|----------------------------------|-----------------------------|
| Net Investment in Capital Assets | 69,329,339 |
| Restricted for: | |
| Construction of Capital Assets | 1,821,702 |
| Debt Service | 18,964,013 |
| Unrestricted (Deficit) | <u>(37,170,228)</u> |
| Total Net Position | <u>\$ 52,944,826</u> |

HARTSELLE CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Functions | Expenses | Program Revenues | | | Net (Expenses) |
|---|----------------------|---------------------|----------------------|---------------------|-------------------------|
| | | Charges for | Operating | Capital | Revenues and |
| | | Services | Grants and | Grants and | Changes in Net Position |
| | | | Contributions | Contributions | Governmental |
| | | | | | Activities |
| Instructional services | \$ 29,967,469 | \$ 725,935 | \$ 24,491,053 | \$ 481,502 | \$ (4,268,979) |
| Instructional support services | 10,415,577 | 1,713,371 | 4,870,145 | - | (3,832,061) |
| Operation and maintenance services | 4,658,646 | 204,875 | 3,580,419 | 662,213 | (211,139) |
| Student transportation services | 1,782,385 | 144,890 | 1,168,606 | 181,944 | (286,945) |
| Food services | 2,506,045 | 2,104,969 | 237,888 | - | (163,188) |
| General administrative services | 3,628,844 | 502,118 | 265,544 | - | (2,861,182) |
| Interest and fiscal charges | 1,135,101 | - | - | - | (1,135,101) |
| Other expenses | <u>2,155,468</u> | <u>254,488</u> | <u>1,333,636</u> | <u>-</u> | <u>(567,344)</u> |
| Total | \$ 56,249,535 | \$ 5,650,646 | \$ 35,947,291 | \$ 1,325,659 | (13,325,939) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | 5,024,843 |
| Local sales tax | | | | | 4,164,117 |
| Other taxes | | | | | 649,198 |
| Grants and contributions not restricted for specific programs | | | | | 18,307,080 |
| Investment earnings | | | | | 891,867 |
| Miscellaneous | | | | | <u>2,910,322</u> |
| Total general revenues | | | | | <u>31,947,427</u> |
| Change in Net Position | | | | | 18,621,488 |
| Net Position--beginning | | | | | <u>34,323,338</u> |
| Net Position--ending | | | | | <u>\$ 52,944,826</u> |

HARTSELLE CITY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|------------------------------|----------------------------------|---|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 5,087,545 | \$ 5,087,545 |
| Cash with fiscal agents | - | 18,964,013 | - | - | 18,964,013 |
| Investments | 14,530,000 | - | - | - | 14,530,000 |
| Receivables | 1,631,123 | - | 1,131,014 | 251,681 | 3,013,818 |
| Ad valorem property tax receivable | 4,524,533 | - | - | - | 4,524,533 |
| Due from other funds | 18,023 | - | - | 2,044 | 20,067 |
| Inventories, at cost | - | - | - | 145,081 | 145,081 |
| TOTAL ASSETS | <u>\$ 20,703,679</u> | <u>\$ 18,964,013</u> | <u>\$ 1,131,014</u> | <u>\$ 5,486,351</u> | <u>\$ 46,285,057</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,620,989 | \$ - | \$ 1,131,014 | \$ 307,037 | \$ 3,059,040 |
| Due to other funds | 516 | - | - | 19,551 | 20,067 |
| Unearned revenues | - | - | - | 56,735 | 56,735 |
| Salaries and benefits payable | 3,497,534 | - | - | 205,456 | 3,702,990 |
| TOTAL LIABILITIES | <u>5,119,039</u> | <u>-</u> | <u>1,131,014</u> | <u>588,779</u> | <u>6,838,832</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | <u>4,524,533</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,524,533</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | 145,081 | 145,081 |
| Restricted | - | 18,964,013 | - | 1,821,702 | 20,785,715 |
| Assigned | - | - | - | 2,930,789 | 2,930,789 |
| Unassigned | 11,060,107 | - | - | - | 11,060,107 |
| TOTAL FUND BALANCES | <u>11,060,107</u> | <u>18,964,013</u> | <u>-</u> | <u>4,897,572</u> | <u>34,921,692</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 20,703,679</u> | <u>\$ 18,964,013</u> | <u>\$ 1,131,014</u> | <u>\$ 5,486,351</u> | <u>\$ 46,285,057</u> |

HARTSELLE CITY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total fund balances--governmental funds [page 15] **\$ 34,921,692**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

| | | |
|-------------------------------|---------------------|------------|
| The cost of capital assets is | \$ 124,241,201 | |
| Accumulated depreciation is | <u>(28,919,303)</u> | 95,321,898 |

Deferred charges on refunding of debt are reported as deferred inflows of resources and are not available to pay for current period expenditures and therefore, are deferred on the statement of net position.

1,839

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

14,626,117

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

(662,000)

Deferred outflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.

8,507,940

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

(17,778,253)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

| | | |
|---------------------------------------|---------------------|---------------------|
| Current portion of long-term debt | (450,233) | |
| Non-current portion of long-term debt | <u>(81,518,250)</u> | <u>(81,968,483)</u> |

Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.

(25,924)

Total net position--governmental activities [page 13] **\$ 52,944,826**

HARTSELLE CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2024

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|------------------------------|----------------------------------|---|---|
| Revenues: | | | | | |
| State sources | \$ 32,644,197 | \$ 412,687 | \$ - | \$ 2,160,400 | \$ 35,217,284 |
| Federal sources | 1,683 | - | - | 2,795,332 | 2,797,015 |
| Local sources | 12,197,369 | 1,772,816 | 16,742,825 | 5,034,642 | 35,747,652 |
| Other sources | 476,696 | - | - | 44,173 | 520,869 |
| TOTAL REVENUES | 45,319,945 | 2,185,503 | 16,742,825 | 10,034,547 | 74,282,820 |
| Expenditures: | | | | | |
| Instructional services | 24,397,593 | - | - | 1,957,646 | 26,355,239 |
| Instructional support services | 7,395,405 | - | - | 2,385,058 | 9,780,463 |
| Operation and maintenance services | 4,351,052 | - | - | 327,183 | 4,678,235 |
| Student transportation services | 1,558,647 | - | - | 104,153 | 1,662,800 |
| Food services | - | - | - | 2,713,764 | 2,713,764 |
| General administrative services | 3,080,499 | - | - | 96,324 | 3,176,823 |
| Other | 1,491,239 | - | - | 601,775 | 2,093,014 |
| Capital outlay | 283,117 | - | 16,742,825 | 887,126 | 17,913,068 |
| Debt service: | | | | | |
| Principal retirement | 223,026 | - | - | 250,988 | 474,014 |
| Other debt service | - | - | - | 565,641 | 565,641 |
| Interest and fiscal charges | - | 412,687 | - | 162,778 | 575,465 |
| TOTAL EXPENDITURES | 42,780,578 | 412,687 | 16,742,825 | 10,052,436 | 69,988,526 |
| Excess (deficiency) of revenues over expenditures | 2,539,367 | 1,772,816 | - | (17,889) | 4,294,294 |
| Other financing sources (uses) | | | | | |
| Indirect cost | 315,048 | - | - | - | 315,048 |
| Long-term debt issued | 811,000 | - | - | - | 811,000 |
| Interfund transfers in | 551,683 | - | - | 1,877,551 | 2,429,234 |
| Other financing sources | 17,577 | - | - | 302,026 | 319,603 |
| Sale of capital assets | - | - | - | 3,057 | 3,057 |
| Interfund transfers out | (1,877,551) | - | - | (551,683) | (2,429,234) |
| TOTAL OTHER FINANCING SOURCES (USES) | (182,243) | - | - | 1,630,951 | 1,448,708 |
| NET CHANGE IN FUND BALANCES | 2,357,124 | 1,772,816 | - | 1,613,062 | 5,743,002 |
| FUND BALANCES, BEGINNING OF YEAR | 8,702,983 | 17,191,197 | - | 3,284,510 | 29,178,690 |
| FUND BALANCES, END OF YEAR | \$ 11,060,107 | \$ 18,964,013 | \$ - | \$ 4,897,572 | \$ 34,921,692 |

HARTSELLE CITY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
September 30, 2024

Total net change in fund balances--governmental funds [page 17] **\$ 5,743,002**

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

| | | |
|--|--------------------|-----------------------------|
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period: | | |
| Capital outlays | \$ 18,154,972 | |
| Depreciation expense | <u>(1,927,509)</u> | 16,227,463 |
| Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of Net Position and does not affect the statement of activities. | | |
| | | 474,014 |
| Proceeds from issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. | | |
| | | (811,000) |
| In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount. | | |
| Loss on disposition of capital assets | | (240,302) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Accrued interest payable, current year increase/(decrease) | (1,156) | |
| Compensated absences, current year increase/(decrease) | 37,785 | |
| Amortization of bond discounts/premiums/issuance costs | (4,850) | |
| Pension expense, current year increase/(decrease) | 5,469,125 | |
| OPEB expense, current year increase/(decrease) | <u>(2,460,615)</u> | (3,040,289) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: donated assets | | |
| | | <u>268,600</u> |
| Total change in net position--governmental activities [page 14] | | <u>\$ 18,621,488</u> |

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hartselle City Board of Education (the Board), a component unit of the City of Hartselle, Alabama, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-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 Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Hartselle City Board of Education.

The Hartselle City Board of Education is a legally separate agency of the State of Alabama. However, for financial reporting, the board is considered a component unit of the City of Hartselle, Alabama (the City) due primarily to the following:

The City issues bonds to meet the financing needs related to various capital projects undertaken by the Board. The City services the bond debt and is obligated for it.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary 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 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. The Board allocates indirect expense to the various functions. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the program. Revenues which are not classified as program revenues, including all local taxes, are presented as general revenues of the Board.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each presented in a separate column. All remaining governmental funds are aggregated and presented in a single column.

The Board reports the following major governmental funds:

General Fund – This is the Board's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The Hartselle City Board of Education General Fund primarily received revenues from the Education Trust Fund (ETF), appropriated by the Alabama legislature, and local taxes. Amounts appropriated from the Education Trust Fund are allocated to the Board on a formula basis.

Debt Service Fund – Debt service funds are used to account for the accumulation of resources for the Board's payments of principal and interest on long-term debt.

Capital Projects Fund – The Capital project fund is used to account for financial resources to be used for the construction of a new elementary school.

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

Special Revenue Funds – Special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds – Debt service funds account for the accumulation of resources for and for the payment of the Board's principal and interest payments on long-term debt that are not included in a major fund.

Capital Projects Fund – Capital projects are used to account for financial resources to be used for the acquisition or construction of major capital facilities that are not included in the major fund.

Basis of Accounting (Measurement Focus)

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

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

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Measurement Focus) (Continued)

Governmental Fund Financial Statements:

Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within sixty days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Recently Issued and Adopted Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections* – This statement defines accounting changes and prescribes accounting and financial reporting for each type of accounting change and error correction. The Board adopted this statement effective October 1, 2023. The adoption of this statement by the Board had no impact on the financial statements.

GASB Statement No. 101, *Compensated Absences* – This statement requires liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This statement will become effective in the fiscal year 2025.

GASB Statement No. 102, *Certain Risk Disclosures* – This statement requires governments to disclose certain risks related to concentrations and constraints. The goal is to provide transparency regarding the financial impact of these risks. This statement will become effective in the fiscal year 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements* – This statement seeks to improve clarity and consistency of the financial reporting model. It focuses on enhancing the presentation and understanding of financial information by revising certain elements in the financial reporting model. This statement will become effective in the fiscal year 2026.

The Board will analyze the effects of these pronouncements and adopt them if applicable, on the dates they become effective.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the Board. Investments are stated at fair value.

Receivables

Receivables include *Due from other governments* in the government-wide financial statements and 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.

Property Tax Calendar - The Morgan County Commission levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

Inventories

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

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than capitalized as an asset. GAAP require only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of \$5,000 for furniture and equipment and \$50,000 for buildings. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (Continued)

Capital Assets (Continued)

All reported capital assets except for land, land improvements, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 25-50 years |
| Furniture and Equipment | 5-20 years |
| Vehicles | 8-10 years |

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense / expenditure) until then. The Board has several items that qualify for reporting in this category. They are the deferred charge on refunding of debt, the deferred pension contributions made to the pension plan subsequent to the measurement date, the proportionate share of collective deferred outflows related to the net pension liability, the deferred OPEB contributions made to the trust subsequent to the measurement date and the proportionate share of collective deferred outflows related to the net OPEB liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three types of items, *unavailable revenue*, is reported in the statement of net position and also in the governmental funds balance sheet, the proportionate share of collective deferred inflows related to the net pension liability and the proportionate share of collective deferred inflows related to the net OPEB liability.

Long-term Obligations

In the government-wide financial statements, the unmatured principal long-term debt, finance leases, and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. Premiums and discounts for warrants (bonds) and other long-term debt are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. Bond issuance costs, except for prepaid insurance costs, are expensed in the period incurred. Prepaid insurance costs are expensed over the life of the debt.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (Continued)

Long-term Obligations (Continued)

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as an other financing source. Any discount resulting from a disparity between the market rate and the stated rate of interest is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. At the inception of a finance lease, an amount equal to the present value of the net minimum lease payment is reported as an other financing source and as an expenditure. The governmental funds balance sheet does not reflect a liability for long-term debt.

Compensated Absences

For vacation leave and other compensated absences with similar characteristics, a liability is recognized as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are 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.

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.

Professional and support personnel are provided up to five days of personal leave per year depending on years of service, with pay. The State provides funding, at the substitute rate, for up to two days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to two days of unused personal leave. Since unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Twelve-month employees are allowed up to 15 days of vacation per year with pay depending on years of service. No employee may accrue more than 20 vacation days. Since vacation days can be accrued, a liability for unpaid leave is accrued in the financial statements.

Professional and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick days. 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 in the financial statements of the Board.

The entire compensated absences liability is reported on the government-wide financial statements.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. **Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (Continued)**

Compensated Absences (Continued)

For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not reported.

Net Position/Fund Balances

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

Net Investment in Capital Assets – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

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 – is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Board itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove for change the constraint.

Assigned fund balance – amounts that are intended to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates authority.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. **Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (Continued)**

Net Position/Fund Balances (Continued)

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported in the general fund

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. The Board of Education along with the Superintendent and Chief School Finance Officer will periodically review all restricted, committed, and assigned fund balances. The Chief School Finance Officer will prepare and submit an annual report of all restricted, committed and assigned funds for the Board of Education.

D. **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

E. **Pensions**

The Teachers' Retirement System of Alabama (the Plan or TRS) 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 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 the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

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

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

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual appropriated 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 2023-2024 fiscal year was September 15, 2023. The Board was granted an extension by the Department of Education to submit the budget. The Board approved and submitted its original 2023-2024 budget on September 19, 2023.

Neither the city superintendent of education nor the Board can 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 amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years.

The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

While the Board is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program).

The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the **Code of Alabama 1975**, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

The Board has deposits totaling \$18,964,013 in the debt service fund shown as cash with fiscal agents on the fund financial statements and restricted assets on the government-wide financial statements. Funds are invested with the State of Alabama and in U.S. Treasury Notes.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity</u> |
|---------------------------|---------------------|-----------------|
| QSCB Sinking Fund Account | <u>\$18,964,013</u> | 12/15/2025 |
| Total | <u>\$18,964,013</u> | |

B. Investments

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the Code of Alabama 1975, Section 19-3-120 and Section 19-3-120.1. As of September 30, 2024, the Board had the following investments and maturities recorded at fair value:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity</u> |
|-------------------------|---------------------|-----------------|
| U.S. Treasury Portfolio | <u>\$14,530,000</u> | 09/30/2025 |
| Total | <u>\$14,530,000</u> | |

NOTE 4 RECEIVABLES

| Due from other Governments 9/30/2024 | General Fund | Special Revenue Fund | Capital Projects Fund | Total |
|---|---------------------|-----------------------------|------------------------------|---------------------|
| State of Alabama | \$ 407,505 | \$ 242,197 | \$ - | \$ 649,702 |
| Morgan County | 5,305,407 | - | - | 5,305,407 |
| TVA - in lieu of tax | 142,952 | - | - | 142,952 |
| Commissioner of License | 49,601 | - | - | 49,601 |
| City of Hartselle | 31,332 | - | 1,131,014 | 1,162,346 |
| Other | <u>218,859</u> | <u>9,484</u> | <u>-</u> | <u>228,343</u> |
| Total Governmental Activities | <u>\$ 6,155,656</u> | <u>\$ 251,681</u> | <u>\$ 1,131,014</u> | <u>\$ 7,538,351</u> |

NOTES CONTINUE ON NEXT PAGE

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 5 FIXED ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

| | Balance September 30, 2023 | Increase/ Reclassifications Additions | Decrease/ Reclassifications Retirements | Balance September 30, 2024 |
|--|----------------------------------|---|---|----------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 1,470,516 | \$ 369,665 | \$ 37,078 | \$ 1,803,103 |
| Construction in progress | 25,778,329 | 17,693,239 | 1,089,730 | 42,381,838 |
| Total capital assets not being depreciated | 27,248,845 | 18,062,904 | 1,126,808 | 44,184,941 |
| Capital assets being depreciated: | | | | |
| Buildings & improvements | 75,600,639 | 94,591 | 1,910,033 | 73,785,197 |
| Land improvements--exhaustible | 792,377 | 1,113,903 | 57,180 | 1,849,100 |
| Vehicles | 2,656,239 | 199,836 | 72,655 | 2,783,420 |
| Equipment | 1,868,730 | 42,068 | 272,255 | 1,638,543 |
| Total capital assets being depreciated | 80,917,985 | 1,450,398 | 2,312,123 | 80,056,260 |
| Less accumulated depreciation for: | | | | |
| Buildings | 23,685,372 | 1,206,292 | 1,557,420 | 23,334,244 |
| Building improvements | 2,485,218 | 375,543 | 177,156 | 2,683,605 |
| Land improvements--exhaustible | 280,302 | 66,037 | 49,272 | 297,067 |
| Vehicles | 1,412,475 | 207,971 | 72,655 | 1,547,791 |
| Equipment | 1,237,327 | 71,666 | 252,397 | 1,056,596 |
| Total accumulated depreciation | 29,100,694 | 1,927,509 | 2,108,900 | 28,919,303 |
| Total capital assets being depreciated, net | 51,817,291 | (477,111) | 203,223 | 51,136,957 |
| Total governmental activities capital assets, net | \$ 79,066,136 | \$ 17,585,793 | \$ 1,330,031 | \$ 95,321,898 |
| Depreciation expense was charged to governmental functions as follows: | | | | |
| Instructional services | | \$ 1,636,243 | | |
| Instructional support services | | 12,146 | | |
| Operation and maintenance services | | 19,760 | | |
| Student transportation services | | 197,555 | | |
| Food services | | 31,732 | | |
| General administrative services | | 30,073 | | |
| Total governmental activities depreciation expense | | \$ 1,927,509 | | |

NOTE 6 DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

B. Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

C. Contributions

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

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

C. Contributions (Continued)

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.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters' contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contributions rate increases were a result of Act 537 of the Legislature of 2021 which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the year ended September 30, 2024, was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$3,348,117 for the year ended September 30, 2024.

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

At September 30, 2024, the Board reported a liability of \$49,069,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the Board's proportion was 0.307491%, which was an increase (decrease) of 0.007023% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Board recognized pension expense of \$8,817,000. At September 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 4,387,000 | \$ 662,000 |
| Changes of assumptions | 1,380,000 | - |
| Net difference between projected and actual earnings on pension plan investments | 3,365,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | - |
| Employer contributions reported subsequent to the measurement date | 2,146,000 | - |
| | 3,348,117 | - |
| Total | <u>\$ 14,626,117</u> | <u>\$ 662,000</u> |

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

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

Employer contributions subsequent to the measurement date of \$3,348,117 are reported as deferred outflows of resources related to pensions resulting from system contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2025. 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: | | |
|---------------------------------|----|-----------|
| 2025 | \$ | 3,797,000 |
| 2026 | | 2,429,000 |
| 2027 | | 4,353,000 |
| 2028 | | 37,000 |
| 2029 | | - |
| Thereafter | | - |

E. Actuarial Assumptions

The total pension liability as of September 30, 2023 was determined by an actuarial valuation as of September 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|---------------|
| Inflation | 2.50% |
| Investment rate of return* | 7.45% |
| Projected salary increases | 3.25% - 5.00% |
| <i>*Net of pension plan investment expense</i> | |

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

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

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

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

E. Actuarial Assumptions (Continued)

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

| | Target Allocation | Long-Term Expected Rate of Return* |
|---------------------------------------|----------------------|--|
| Fixed Income | 15.0% | 2.8% |
| U.S. Large Stocks | 32.0% | 8.0% |
| U.S. Mid Stocks | 9.0% | 10.0% |
| U.S. Small Stocks | 4.0% | 11.0% |
| International Developed Market Stocks | 12.0% | 9.5% |
| International Emerging Market Stocks | 3.0% | 11.0% |
| Alternatives | 10.0% | 9.0% |
| Real Estate | 10.0% | 6.5% |
| Cash Equivalents | 5.0% | 2.5% |
| Total | <u>100.0%</u> | |

*Includes assumed rate of inflation of 2.00%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease (6.45%) | Current Rate (7.45%) | 1% Increases (8.45%) |
|---|--------------------------------|---------------------------------|---------------------------------|
| Board's proportionate share of collective net pension liability | \$64,103,000 | \$49,069,000 | \$36,424,000 |

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at:

www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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

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

B. Benefits Provided

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

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

B. Benefits Provided (Continued)

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan, VIVA Health Plan (offered through the Public Education Employees Health Insurance Fund PEEHIF), Marketplace (Exchange) Plans, Alabama State Employees Insurance Board, Local Government Health Insurance Board, Medicaid, ALL Kids, Tricare, or Champus, as their primary coverage, or are enrolled in a Health Savings Account (HSA), or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug Plan (MAPDP) is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

C. Contributions

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

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

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

At September 30, 2024, the Board reported a liability of \$6,017,815 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. The Board's proportion of the net OPEB liability was based on the Board's share of contributions to the OPEB plan relative to the total employer projected contributions of all participating PEEHIP employers. At September 30, 2023, the Board's proportion was 0.31307720%, which was a decrease of 0.03026446% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Board recognized OPEB expense (revenue) of \$(2,023,156) with no special funding situations. At September 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 117,668 | \$ 9,495,934 |
| Changes of assumptions | 5,069,802 | 5,953,245 |
| Net difference between projected and actual earnings on OPEB plan investments | 205,557 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,674,426 | 2,329,074 |
| Employer contributions reported subsequent to the measurement date | 440,487 | - |
| Total | <u>\$ 8,507,940</u> | <u>\$ 17,778,253</u> |

Employer contributions paid subsequent to the measurement date of \$440,487 are reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2025.

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

Year ended September 30:

| | |
|------------|----------------|
| 2025 | \$ (3,095,411) |
| 2026 | (1,552,789) |
| 2027 | (1,510,743) |
| 2028 | (2,147,610) |
| 2029 | (1,351,033) |
| Thereafter | (53,214) |

NOTES CONTINUE ON NEXT PAGE

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

E. Actuarial assumptions

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

| | |
|---|-------------------|
| Inflation | 2.50% |
| Salary Increases ¹ | 5.00% - 3.25% |
| Long-Term Investment Rate of Return ² | 7.00% |
| Municipal Bond Index Rate at the Measurement Date | 4.53% |
| Municipal Bond Index Rate at the Prior Measurement Date | 4.40% |
| Year Fiduciary Net Position (FNP) is Projected to be Depleted | N/A |
| Single Equivalent Interest Rate at Measurement Date | 7.00% |
| Single Equivalent Interest Rate at Prior Measurement Date | 7.00% |
| Healthcare Cost Trend Rate | |
| Initial Trend Rate | |
| Pre-Medicare Eligible | 7.00% |
| Medicare Eligible | ** |
| Ultimate Trend Rate | |
| Pre-Medicare Eligible | 4.50% in 2033 FYE |
| Medicare Eligible | 4.50% in 2033 FYE |

¹Includes 2.75% wage inflation.

²Compounded annually, net of investment expense, and includes inflation.

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

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

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

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

E. Actuarial assumptions (Continued)

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2022 valuation.

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|--------------------------------------|--------------------------|--|
| Fixed Income | 30.0% | 4.4% |
| U.S. Large Stocks | 38.0% | 8.0% |
| U.S. Mid Stocks | 8.0% | 10.0% |
| U.S. Small Stocks | 4.0% | 11.0% |
| International Developed Market Stock | 15.0% | 9.5% |
| Cash | 5.0% | 1.5% |
| Total | 100.0% | |

* Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member for participating employers. Approximately, 11.051% of

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

F. Discount Rate (Continued)

the employer contributions were used to assist in funding retiree benefit payments in 2023 and it is assumed that the 11.051% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members were projected through 2121.

G. Sensitivity of the Board's proportionate share of the Net OPEB liability to changes in the healthcare cost trend rates.

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

| | Current Healthcare Trend Rate | | |
|--------------------|---|---|---|
| | 1% Decrease (6.00% decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare Eligible) | (7.00% decreasing to 4.50% for pre- Medicare, Known decreasing to 4.50% for Medicare Eligible) | 1% Increase (8.00% decreasing to 5.50% for pre- Medicare, Known decreasing to 5.50% for Medicare Eligible) |
| Net OPEB Liability | \$ 4,561,439 | \$ 6,017,815 | \$ 7,786,149 |

The following table presents the Board's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease (6.00%) | Current Rate (7.00%) | 1% Increase (8.00%) |
|--------------------|--------------------------------|---------------------------------|--------------------------------|
| Net OPEB Liability | \$ 7,428,980 | \$ 6,017,815 | \$ 4,816,729 |

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 8 LONG-TERM OBLIGATIONS

A. Long-term Obligation Activity:

| | September 30, 2023 | | | September 30, 2024 | |
|-------------------------------------|-----------------------|---------------------|-------------------|-----------------------|------------------------|
| | Balance | Additions | Reductions | Balance | Due Within One Year |
| Governmental Activities | | | | | |
| PSCA Series 2009-D | \$ 22,128,000 | \$ - | \$ - | \$ 22,128,000 | \$ - |
| PSCA Series 2013-A | 68,964 | - | 33,936 | 35,028 | 35,028 |
| PSCA Series 2014-A | 124,670 | - | 60,751 | 63,919 | 63,919 |
| PSCA Series 2020-C | 345,884 | - | 5,964 | 339,920 | 5,992 |
| Total Warrants Outstanding | 22,667,518 | - | 100,651 | 22,566,867 | 104,939 |
| Plus Premium | 12,680 | - | 7,608 | 5,072 | 5,072 |
| Total Warrants Payable | 22,680,198 | - | 108,259 | 22,571,939 | 110,011 |
| City of Hartselle Funding Agreement | 3,572,796 | | 150,337 | 3,422,459 | 156,884 |
| Financed Purchases | | 811,000 | 223,026 | 587,974 | 183,338 |
| Compensated Absences | 261,511 | 37,785 | - | 299,296 | - |
| Net Pension Liability | 46,695,000 | 2,374,000 | - | 49,069,000 | - |
| Net OPEB Liability | 5,982,551 | 35,264 | - | 6,017,815 | - |
| Total Long Term Debt | <u>\$ 79,192,056</u> | <u>\$ 3,258,049</u> | <u>\$ 481,622</u> | <u>\$ 81,968,483</u> | <u>\$ 450,233</u> |

The premiums of long-term debt are amortized using the straight-line method over the life of the debt in the government-wide statements.

B. Long-term debt at September 30, 2024 are comprised of the following individual issues:

| | Interest Rates % | Issue Date | Maturity Date | Amount Outstanding |
|--|---------------------|---------------|------------------|-----------------------|
| Governmental Activities | | | | |
| <u>Warrants Payable</u> | | | | |
| PSCA Series 2009-D | 1.87 | 12/15/2009 | 12/15/2025 | \$ 22,128,000 |
| PSCA Series 2013-A | 3.00 - 5.00 | 6/24/2013 | 6/1/2025 | 35,028 |
| PSCA Series 2014-A | 4.30 - 5.00 | 8/4/2014 | 2/1/2025 | 63,919 |
| PSCA Series 2020-C | 0.253 - 2.44 | 10/20/2020 | 6/1/2033 | 339,920 |
| Total Warrants | | | | 22,566,867 |
| <u>City of Hartselle Funding Agreement</u> | 4.27 | 6/15/2010 | 5/15/2040 | 3,422,459 |
| Total Governmental Activities | | | | <u>\$ 25,989,326</u> |

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

PSCA Series 2009-D - The Board has participated in the Alabama Public School and College Authority (PSCA) Pool Qualified School Construction Bonds (QSCB). The proceeds were used for construction of the new Hartselle Senior High School. State revenues are pledged for the repayment of the principal and interest. The warrant calls for annual sinking fund deposits of \$1,151,567 which together with investment income will be used to accumulate resources in order to pay the principal due at maturity.

PSCA Series 2013-A Warrants – The Board has participated in the Alabama Public School and College Authority (PSCA) Pool Warrants. The proceeds were used for purposes related to new construction. State revenues are pledged for the repayment of the principal and interest.

PSCA Series 2014-A Warrants – The Board has participated in the refunding of *PSCA Series 2005-A Warrants*. The initial warrants were used for construction projects. State revenues are pledged for the repayment of the principal and interest.

City of Hartselle Funding Agreement – A part of the issuance of 2010 Warrants by the City of Hartselle used for school construction the repayment of which is supported by a special tax levied by the City for this purpose, the Board agreed to pay \$25,000 per month to the City for the duration of the 2010 Warrants. In June of 2018, the City of Hartselle participated in the refunding of the 2010 Warrants. However, this refunding did not change the terms of payments to the City of Hartselle by the Board.

PSCA Series 2020-C Warrants – The Board has participated in the Alabama Public School and College Authority (PSCA) Pool Warrants. In October 2020, PSCA refunded the PSCA Series 2013-A Warrants. The Series 2020-C Bonds are being issued for the purpose of paying the cost of advance refunding and retiring the Refunded Pool Bonds. State revenues are pledged for the repayment of the principal and interest. The advance refunding reduced debt service over the next 12 years by \$28,102. This results in an economic gain (difference between the present value of the debt service on the old and new debt) of \$61,942.

In September 2021 and April 2022, the Board entered into funding agreements with the City of Hartselle, Alabama. The City issued General Obligations School Warrants Series 2021-B and Series 2022 for the construction of a new elementary school. The City records the debt in their statement of net position. Repayment of the bonds is supported by a special tax levied by the City for this purpose. If the special tax collections are insufficient to cover the bond payments, the Board may be responsible for the remaining debt service for that year. In 2024, the Board was required to pay the City of Hartselle \$565,641. The Board could potentially be required to make a payment in fiscal year 2025.

NOTES CONTINUE ON NEXT PAGE

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

C. Debt Service Requirements on long-term debt at September 30, 2024 are as follows:

| Year Ended September 30, | <u>PSCASeries 2009-D</u> | | <u>PSCASeries 2013-A</u> | | <u>PSCASeries 2014-A</u> | | <u>PSCASeries 2020-C</u> | |
|-----------------------------|--------------------------|-------------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ - | \$ 412,687 | \$ 35,028 | \$ 1,182 | \$ 63,919 | \$ 1,598 | \$ 5,992 | \$ 6,069 |
| 2026 | 22,128,000 | 103,172 | - | - | - | - | 39,928 | 6,014 |
| 2027 | - | - | - | - | - | - | 40,404 | 5,552 |
| 2028 | - | - | - | - | - | - | 40,936 | 5,005 |
| 2029 | - | - | - | - | - | - | 41,608 | 4,311 |
| 2030-2034 | - | - | - | - | - | - | 171,052 | 9,236 |
| 2035-2039 | - | - | - | - | - | - | - | - |
| 2040-2044 | - | - | - | - | - | - | - | - |
| | <u>\$22,128,000</u> | <u>\$ 515,859</u> | <u>\$ 35,028</u> | <u>\$ 1,182</u> | <u>\$ 63,919</u> | <u>\$ 1,598</u> | <u>\$ 339,920</u> | <u>\$ 36,187</u> |

| Year Ended September 30, | <u>City of Hartselle Funding Agreement</u> | | <u>Financed Lease</u> | | <u>Total</u> | |
|-----------------------------|--|---------------------|-----------------------|------------------|----------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2025 | \$ 156,884 | \$ 143,116 | \$ 183,338 | \$ 39,688 | \$ 445,161 | \$ 604,340 |
| 2026 | 163,717 | 136,283 | 195,713 | 27,313 | 22,527,358 | 272,782 |
| 2027 | 170,847 | 129,153 | 208,923 | 14,103 | 420,174 | 148,808 |
| 2028 | 178,288 | 121,712 | - | - | 219,224 | 126,717 |
| 2029 | 186,053 | 113,947 | - | - | 227,661 | 118,258 |
| 2030-2034 | 1,059,107 | 440,893 | - | - | 1,230,159 | 450,129 |
| 2035-2039 | 1,310,727 | 189,273 | - | - | 1,310,727 | 189,273 |
| 2040-2044 | 196,836 | 3,164 | - | - | 196,836 | 3,164 |
| | <u>\$ 3,422,459</u> | <u>\$ 1,277,541</u> | <u>\$ 587,974</u> | <u>\$ 81,104</u> | <u>\$ 26,577,300</u> | <u>\$ 1,913,471</u> |

D. Lease Obligations

Financed Purchases: During the year ended September 30, 2024, the Board entered into a four-year financed purchase agreement for the purchase of Chromebooks. An initial liability was recorded in the amount of \$811,000. The board is required to make annual payments in the amount of \$223,026. The agreement has an interest rate of 6.75%. The board determined that the individual items did not meet the asset capitalization threshold and therefore were not capitalized.

Leases: The Board has one lease for copier equipment. The lease payment is based on the usage of the equipment and does not have a fixed component. Therefore, GASB 87 does not apply to the lease.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 9 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 purchases commercial insurance for fidelity bonds and its property. Errors and omissions insurance is purchased from Alabama Risk Management for Schools (ARMS), a public entity risk pool. The ARMS collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

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 Adjustment 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 10 CONTINGENT LIABILITIES

Amounts received or receivable from grantor 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. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

NOTE 11 DEFERRED COMPENSATION PLAN

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The RSA-1 plan is administered by the Retirement Systems of Alabama. The plan is available to all Board employees participating in the Teachers' Retirement System. Participation is optional and permits employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are solely the property of the employees.

NOTE 12 INTERFUND BALANCES AND ACTIVITIES

Interfund transfers for the fiscal year ended September 30, 2024 consist of the following:

| | |
|---|--------------------|
| Transfers to general fund from special revenue fund | \$ 551,683 |
| Transfers to special revenue fund from general fund | 1,011,910 |
| Transfers to debt service fund from general fund | <u>865,641</u> |
| Total transfers | <u>\$2,429,234</u> |

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 13 PAYMENTS OF SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State and the City of Hartselle on behalf of the Board. Included in these items are payments from bond issue proceeds (Public School and College Authority), and payments on city bond issues for school purposes. These payments or services are reflected as revenues and expenditures on the Board's financial statements in the applicable funds for which they apply.

NOTE 14 ABATEMENTS

Alabama law does not authorize the abatement of property and sales taxes that are required to be paid by law for education purposes. The Board does not levy any taxes and accordingly cannot grant abatements of any type of tax.

NOTE 15 SUBSEQUENT EVENTS

Subsequent events were evaluated through February 13, 2025, which is the date the financial statements were available to be issued. The Board determined no events occurred that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

HARTSELLE CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) & ACTUAL
GENERAL FUND
For the year ended September 30, 2024

| | GENERAL FUND | | | | | |
|--|-------------------------|----------------------|---|---|--|--|
| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget-- Positive (Negative) | Budget to GAAP Differences Over (Under) | Actual Amounts GAAP Basis |
| | Original | Final | | | | |
| Revenues: | | | | | | |
| State sources | \$ 27,634,308 | \$ 28,360,358 | \$ 32,644,197 | \$ 4,283,839 | \$ - | \$ 32,644,197 |
| Federal sources | 1,760 | 1,760 | 1,683 | (77) | - | 1,683 |
| Local sources | 12,780,795 | 11,921,075 | 12,197,369 | 276,294 | - | 12,197,369 |
| Other sources | 315,570 | 315,570 | 476,696 | 161,126 | - | 476,696 |
| TOTAL REVENUES | 40,732,433 | 40,598,763 | 45,319,945 | 4,721,182 | - | 45,319,945 |
| Expenditures: | | | | | | |
| Instructional services | 23,480,394 | 23,645,820 | 24,423,555 | (777,735) | (25,962) | 24,397,593 |
| Instructional support services | 6,522,128 | 7,252,167 | 7,419,982 | (167,815) | (24,577) | 7,395,405 |
| Operation and maintenance services | 3,652,985 | 4,057,254 | 4,351,052 | (293,798) | - | 4,351,052 |
| Student transportation services | 1,403,985 | 1,531,169 | 1,559,736 | (28,567) | (1,089) | 1,558,647 |
| General administrative services | 3,474,523 | 3,522,757 | 3,080,498 | 442,259 | 1 | 3,080,499 |
| Other expenditures | 1,429,600 | 1,431,603 | 1,497,973 | (66,370) | (6,734) | 1,491,239 |
| Capital Outlay | - | 220,700 | 283,117 | (62,417) | - | 283,117 |
| Principal retirement | - | - | 223,026 | (223,026) | - | 223,026 |
| TOTAL EXPENDITURES | 39,963,615 | 41,661,470 | 42,838,939 | (1,177,469) | (58,361) | 42,780,578 |
| Excess (deficiency) of revenues over expenditures | 768,818 | (1,062,707) | 2,481,006 | 3,543,713 | 58,361 | 2,539,367 |
| Other Financing Sources (Uses) | | | | | | |
| Indirect cost | 315,436 | 330,668 | 315,048 | (15,620) | - | 315,048 |
| Long-term debt issued | - | - | 811,000 | 811,000 | - | 811,000 |
| Transfers in | 417,484 | 428,657 | 551,683 | 123,026 | - | 551,683 |
| Other financing sources | - | - | 17,577 | 17,577 | - | 17,577 |
| Sale of capital assets | - | - | - | - | - | - |
| Transfers out | (1,637,596) | (1,765,561) | (1,877,551) | (111,990) | - | (1,877,551) |
| TOTAL OTHER FUND SOURCES (USES) | (904,676) | (1,006,236) | (182,243) | 823,993 | - | (182,243) |
| NET CHANGE IN FUND BALANCE | (135,858) | (2,068,943) | 2,298,763 | 4,367,706 | 58,361 | 2,357,124 |
| FUND BALANCES, BEGINNING OF YEAR | 11,181,128 | 12,258,881 | 12,258,881 | - | (3,555,898) | 8,702,983 |
| FUND BALANCES, END OF YEAR | \$ 11,045,270 | \$ 10,189,938 | \$ 14,557,644 | \$ 4,367,706 | \$ (3,497,537) | \$ 11,060,107 |

HARTSELLE CITY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS) TO ACTUAL (GAAP)
GENERAL FUND
September 30, 2024

Total net change in fund balances (GAAP Basis) [page 17] **\$ 2,357,124**

Amounts reported budget are different from GAAP for the following reason:

Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits earned but not paid) are reported as expenditures on the financial statements. (58,361)

Net Change in Fund Balance (Budgetary Basis) [page 46] **\$ 2,298,763**

HARTSELLE CITY BOARD OF EDUCATION
SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
September 30,

| | <u>FY2024</u> <u>Plan Year 2023</u> | <u>FY2023</u> <u>Plan Year 2022</u> | <u>FY2022</u> <u>Plan Year 2021</u> | <u>FY2021</u> <u>Plan Year 2020</u> | <u>FY2020</u> <u>Plan Year 2019</u> |
|---|--|--|--|--|--|
| Board's proportion of the net pension liability | 0.307491% | 0.300468% | 0.287123% | 0.285352% | 0.259254% |
| Board's proportionate share of the net pension liability | \$ 49,069,000 | \$ 46,695,000 | \$ 27,048,000 | \$ 35,297,000 | \$ 28,665,000 |
| Board's covered payroll (prior year) | \$ 25,457,458 | \$ 23,227,745 | \$ 20,850,492 | \$ 20,223,323 | \$ 18,448,283 |
| Board's proportionate share of the net pension liability as a percentage of its covered payroll | 192.75% | 201.03% | 129.72% | 174.54% | 155.38% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.57% | 62.21% | 76.44% | 67.72% | 69.85% |

| | <u>FY2019</u> <u>Plan Year 2018</u> | <u>FY2018</u> <u>Plan Year 2017</u> | <u>FY2017</u> <u>Plan Year 2016</u> | <u>FY2016</u> <u>Plan Year 2015</u> | <u>FY2015</u> <u>Plan Year 2014</u> |
|---|--|--|--|--|--|
| Board's proportion of the net pension liability | 0.250383% | 0.244159% | 0.247497% | 0.249947% | 0.249156% |
| Board's proportionate share of the net pension liability | \$ 24,895,000 | \$ 23,997,000 | \$ 26,794,000 | \$ 26,159,000 | \$ 22,635,000 |
| Board's covered payroll (prior year) | \$ 16,661,060 | \$ 16,085,268 | \$ 15,701,234 | \$ 15,808,209 | \$ 15,799,217 |
| Board's proportionate share of the net pension liability as a percentage of its covered payroll | 149.42% | 149.19% | 170.65% | 165.48% | 143.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.29% | 71.50% | 67.93% | 67.51% | 71.01% |

HARTSELLE CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
September 30,

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 3,348,117 | \$ 3,101,242 | \$ 2,805,278 | \$ 2,511,389 | \$ 2,460,997 |
| Contributions in relation to the contractually required contribution | <u>3,348,117</u> | <u>3,101,242</u> | <u>2,805,278</u> | <u>2,511,389</u> | <u>2,460,997</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered payroll (current year) | \$ 27,406,798 | \$ 25,457,458 | \$ 23,227,745 | \$ 20,850,492 | \$ 20,223,323 |
| Contributions as a percentage of covered payroll | 12.22% | 12.18% | 12.08% | 12.04% | 12.17% |

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 2,254,035 | \$ 2,009,822 | \$ 1,911,221 | \$ 1,860,602 | \$ 1,844,103 |
| Contributions in relation to the contractually required contribution | <u>2,254,035</u> | <u>2,009,822</u> | <u>1,911,221</u> | <u>1,860,602</u> | <u>1,844,103</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered payroll (current year) | \$ 18,448,283 | \$ 16,661,060 | \$ 16,085,268 | \$ 15,701,234 | \$ 15,808,209 |
| Contributions as a percentage of covered payroll | 12.22% | 12.06% | 11.88% | 11.85% | 11.67% |

HARTSELLE CITY BOARD OF EDUCATION
SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
September 30,

| | <u>FY 2024</u> | <u>FY 2023</u> | <u>FY 2022</u> | <u>FY 2021</u> | <u>FY 2020</u> | <u>FY 2019</u> | <u>FY 2018</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>Plan Year 2023</u> | <u>Plan Year 2022</u> | <u>Plan Year 2021</u> | <u>Plan Year 2020</u> | <u>Plan Year 2019</u> | <u>Plan Year 2018</u> | <u>Plan Year 2017</u> |
| Board's proportion of the net OPEB liability | 0.313077% | 0.343342% | 0.310001% | 0.300280% | 0.325598% | 0.292164% | 0.276055% |
| Board's proportionate share of the net OPEB liability | \$ 6,017,815 | \$ 5,982,551 | \$ 16,017,173 | \$ 19,487,754 | \$12,284,057 | \$ 24,012,160 | \$ 20,503,789 |
| Board's covered payroll (prior year) | \$ 25,457,458 | \$ 23,227,745 | \$ 20,850,492 | \$ 20,223,323 | \$18,448,283 | \$ 16,661,060 | \$ 16,085,268 |
| Board's proportionate share of the net OPEB liability as a percentage of its covered payroll | 23.64% | 25.76% | 76.82% | 96.36% | 66.59% | 144.12% | 127.47% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 49.42% | 48.39% | 27.11% | 19.80% | 28.14% | 14.81% | 15.37% |

HARTSELLE CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
September 30,

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually Required Contribution | \$ 440,487 | \$ 490,373 | \$ 658,030 | \$ 540,364 | \$ 600,566 | \$ 922,435 | \$ 721,896 |
| Contributions in relation to the contractually required contribution | <u>440,487</u> | <u>490,373</u> | <u>658,030</u> | <u>540,364</u> | <u>600,566</u> | <u>922,435</u> | <u>721,896</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered payroll (current year) | \$ 27,406,798 | \$ 25,457,458 | \$ 23,227,745 | \$ 20,850,492 | \$ 20,223,323 | \$ 18,448,283 | \$ 16,661,060 |
| Contributions as a percentage of covered payroll | 1.61% | 1.93% | 2.83% | 2.59% | 2.97% | 5.00% | 4.33% |

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended September 30, 2024

NOTE A - Budgetary information

The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

While the board is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

NOTE B - Changes in actuarial assumptions

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

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

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

NOTE C - Recent plan changes

The 9/30/2022 valuation reflects the impact of Act 2022-222.

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

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

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

NOTE D - Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the Schedule of OPEB contributions were calculated as of September 30, 2020, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

| | |
|-------------------------------|--------------------------------|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of pay |
| Remaining Amortization Period | 21 year, closed |
| Asset Valuation Method | Market Value of Assets |
| Inflation | 2.75% |
| Healthcare Cost Trend Rate | |
| Pre-Medicare Eligible | 6.50% |
| Medicare Eligible* | ** |
| Ultimate Trend Rate: | |
| Pre-Medicare Eligible | 4.75% |
| Medicare Eligible | 4.75% |
| Year of Ultimate Trend Rate | 2027 for Pre-Medicare Eligible |
| | 2024 for Medicare Eligible |
| Optional Plans Trend Rate | 2.00% |
| Investment Rate of Return | 5.00%, including inflation |

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

SUPPLEMENTARY INFORMATION

HARTSELLE CITY BOARD OF EDUCATION
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended September 30, 2024

| | Federal Assistance <u>Listing Number</u> | <u>Expenditures</u> |
|---|---|-------------------------|
| <u>U. S. DEPARTMENT OF EDUCATION</u> | | |
| Passed through State Department of Education: | | |
| Special Education Cluster | | |
| Grants to States | 84.027 | \$ 835,629 |
| Preschool Grants | 84.173 | 90,553 |
| Subtotal Special Education Cluster | | <u>926,182</u> |
| Education Stabilization Cluster | | |
| Elementary and Secondary School Emergency Relief II | 84.425D | 10,791 |
| Elementary and Secondary School Emergency Relief (ARP) | 84.425U | 119,722 |
| Subtotal Education Stabilization Cluster | | <u>130,513</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 305,730 |
| Career and Technical Education - Basic Grants to States | 84.048 | 26,464 |
| Career and Technical Education - Program Improvement | 84.048A | 3,105 |
| Supporting Effective Instruction State Grants | 84.367 | 69,670 |
| Student Support and Academic Enrichment Program | 84.424 | 22,719 |
| Total Passed Through State Department of Education | | <u>1,484,383</u> |
| <u>U. S. DEPARTMENT OF AGRICULTURE</u> | | |
| Passed through State Department of Education: | | |
| Child Nutrition Cluster | | |
| School Breakfast Program | 10.553 | 302,666 |
| National School Lunch Program | 10.555 | 770,205 |
| National School Lunch Program - Covid Relief | 10.555 | 95,116 |
| Food Distribution Program | 10.555 | 142,962 |
| Subtotal Child Nutrition Program | | <u>1,310,949</u> |
| Total U. S. Department of Agriculture | | <u>1,310,949</u> |
| <u>SOCIAL SECURITY ADMINISTRATION</u> | | |
| Passed through State Department of Education: | | |
| Social Security - Disability Insurance | 96.001 | 520 |
| Total Social Security Administration | | <u>520</u> |
| <u>DEPARTMENT OF THE INTERIOR</u> | | |
| Passed through Morgan County Commission: | | |
| National Wildlife Refuge Fund | 15.659 | 1,163 |
| Total U.S. Department of Interior | | <u>1,163</u> |
| TOTAL FEDERAL ASSISTANCE | | <u>\$ 2,797,015</u> |

See accompanying notes to schedule of expenditures of federal awards.

HARTSELLE CITY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended September 30, 2024

NOTE A - BASIS OF PRESENTATION

The accompany schedule of expenditures of federal awards (the Schedule) includes federal award activity of The Hartselle City Board of Education (Board) under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, change of net position, or cash flow of the Board.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed. At September 30, 2024, the organization had food commodities totaling \$145,081 in inventory.

NOTE D - INDIRECT COST RATE

The Board has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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***

Members of the Board
Hartselle City Board of Education
Hartselle, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Hartselle City Board of Education, a component unit of the City of Hartselle, Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Hartselle City Board of Education's basic financial statements, and have issued our report thereon dated February 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hartselle City Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed

no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This 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.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
February 13, 2025

**Independent Auditor's Report on Compliance for Each Major Program
and Internal Control over Compliance Required by The Uniform Guidance**

Members of the Board
Hartselle City Board of Education
Hartselle, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Hartselle City Board of Education, a component unit of the City of Hartselle, Alabama, with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hartselle City Board of Education's major federal programs for the year ended September 30, 2024. Hartselle City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hartselle 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of the report.

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

Responsibilities of Management's for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hartselle City Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hartselle City Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hartselle City Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
February 13, 2025

HARTSELLE CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended September 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control of financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? _____ 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 not considered to be material weaknesses? _____ yes X none reported

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

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

Identification of major programs:

Federal Assistance Listing Number:

84.027 IDEA, Part B

84.173 IDEA, Preschool

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

Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.