

**HOLLOW ROCK-BRUCETON
SPECIAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2023

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INTRODUCTORY SECTION

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
DIRECTORY
June 30, 2023

ELECTED OFFICIALS

Board Chairman	Brad Hurley
Board Member	Brandy Boyd
Board Member	Jim Holder
Board Member	Michael Graves
Board Member	April Hampton
Board Member	Nick Maness
Board Member	Tim Runions

APPOINTED OFFICIALS

Director of Schools	Dr. Myles Herbard
Business Manager	Kaitlin Carter

FINANCIAL SECTION



Independent Auditor's Report

Board of Education
Hollow Rock–Bruceton Special School District
Bruceton, Tennessee

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 Hollow Rock–Bruceton Special School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District'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 Hollow Rock–Bruceton Special School District as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the general fund and School Federal Projects Fund 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 the *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 District 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 these 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 District'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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement 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 the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 schedules and notes relating to pensions and other post-employment benefits (OPEB), as listed in the table of contents, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The supplementary and other information section, including the schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 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 supplementary and other information section, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report May 31, 2024, on our consideration of the Hollow Rock–Bruceton Special School District’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 District’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 District’s internal control over financial reporting and compliance.

ATA, PLLC

Martin, Tennessee
May 31, 2024

BASIC FINANCIAL STATEMENTS

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2023

ASSETS

Cash	\$ 2,714,685
Certificates of deposit	3,344,018
Taxes receivable	655,538
Due from other governmental agencies	130,504
Accounts receivable	198,854
Prepaid expenses	1,447
Inventory	3,276
Net pension asset	853,383
Stabilization reserve trust	71,382
Capital assets, not being depreciated	
Land	114,000
Capital assets, being depreciated, net	
Buildings and improvements	6,467,137
Other capital assets	607,770
Less accumulated depreciation	<u>(4,256,342)</u>
Total assets	<u>10,906,280</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related deferred outflows	1,251,110
OPEB related deferred outflows	<u>198,752</u>
Total deferred outflows of resources	<u>1,449,862</u>

LIABILITIES

Accrued expenses	755,655
Accrued interest	2,677
Long-term liabilities:	
Due within one year	368,032
Net OPEB liability	<u>461,595</u>
Total liabilities	<u>1,587,959</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue - property taxes	655,480
Pension related deferred inflows	240,776
OPEB related deferred inflows	<u>222,654</u>
Total deferred inflows of resources	<u>1,118,910</u>

NET POSITION

Net investment in capital assets	2,564,533
Restricted for	
Net pension asset	853,383
Stabilization reserve trust	71,382
Federal Projects	1,705
Career Ladder	509
Internal school funds	123,627
Scholarships	509
Cafeteria	323,400
Unrestricted	<u>5,710,225</u>
Total net position	<u>\$ 9,649,273</u>

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular education	\$ 3,706,069	8,644	1,757,722	\$ -	\$ (1,939,703)
Special education	516,116	-	451,592	-	(64,524)
Vocational education	124,314	-	17,189	-	(107,125)
Student support	341,252	-	-	-	(341,252)
Instructional staff	674,490	-	-	-	(674,490)
General administration	289,176	-	-	-	(289,176)
School administration	119,482	-	-	-	(119,482)
Business administration	66,168	-	-	-	(66,168)
Operation and maintenance of plant	487,085	-	-	-	(487,085)
Student transportation	11,538	-	-	-	(11,538)
Noninstructional Services					
Food service	522,019	19,668	614,011	-	111,660
Community Service	34,256	-	-	-	(34,256)
Early Childhood Education	125,856	-	104,880	-	(20,976)
Debt service	18,944	-	-	-	(18,944)
Depreciation - unallocated	170,361	-	-	-	(170,361)
Total District	\$ 7,207,126	\$ 28,312	\$ 2,945,394	\$ -	\$ (4,233,420)
General Revenues:					
Local taxes					735,330
Property taxes					683,489
Intergovernmental:					
Basic Education Program					4,356,916
Other					64,753
Interest					42,503
Other miscellaneous revenues					4,300
Total general revenues					<u>5,887,291</u>
Change in net position					
					1,653,871
Net position, beginning					<u>7,995,402</u>
Net position, ending					<u>\$ 9,649,273</u>

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

FUND FINANCIAL STATEMENTS

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	<u>MAJOR</u>		<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Federal Projects Fund</u>	<u>Other Governmental Funds</u>	
Assets				
Cash	\$ 2,333,618	\$ 1,705	\$ 379,362	\$ 2,714,685
Certificates of deposit	3,252,888	-	91,130	3,344,018
Accounts receivable	198,854			198,854
Taxes receivable	581,149	-	74,389	655,538
Due from other governments	129,808	-	696	130,504
Due from other funds	-	-	628	628
Stabilization reserve trust	71,382	-	-	71,382
Prepaid expenses	-	-	1,447	1,447
Inventory	-	-	3,276	3,276
Total assets	<u>\$ 6,567,699</u>	<u>\$ 1,705</u>	<u>\$ 550,928</u>	<u>\$ 7,120,332</u>
Liabilities				
Other accrued expenses	\$ 755,027	\$ -	\$ -	\$ 755,027
Due to other funds	628	-	-	628
Total liabilities	<u>755,655</u>	<u>-</u>	<u>-</u>	<u>755,655</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	581,149	-	74,331	655,480
Fund balances				
Nonspendable:				
Food service - inventory	-	-	3,276	3,276
Restricted:				
Federal Projects	-	1,705	-	1,705
Career Ladder	509	-	-	509
Stabilization reserve trust	71,382	-	-	71,382
Internal school funds	-	-	123,627	123,627
Scholarships	509	-	-	509
Cafeteria	-	-	323,400	323,400
Assigned for:				
Debt service	-	-	26,294	26,294
Unassigned	5,158,495	-	-	5,158,495
Total fund balances	<u>5,230,895</u>	<u>1,705</u>	<u>476,597</u>	<u>5,709,197</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,567,699</u>	<u>\$ 1,705</u>	<u>\$ 550,928</u>	<u>\$ 7,120,332</u>

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

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2023

Total governmental fund balances	\$ 5,709,197
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,932,565
Net pension/OPEB asset (liability) is not a financial resource (use) in the current period and, therefore, is not reported an asset (liability) in governmental funds.	
Net pension asset	853,383
Net OPEB liability	(461,595)
Deferred outflows of resources related to pensions/OPEB in which the consumption of net position will occur in future periods, therefore, it is not reported in the funds	
Deferred outflows of resources related to pensions	1,251,110
Deferred outflows of resources related to OPEB	198,752
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds	
Deferred inflows of resources related to pensions	(240,776)
Deferred inflows of resources related to OPEB	(222,654)
Some payables are not due and payable in the current period and, therefore are not reported in the funds	
Accrued interest	(2,677)
Long-term liabilities, including bonds, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(368,032)</u>
Net position of governmental activities	<u>\$ 9,649,273</u>

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

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2023

	<u>MAJOR</u>		<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Federal Projects Fund</u>	<u>Other Governmental Funds</u>	
REVENUES				
Taxes	\$ 1,342,226	\$ -	\$ 72,464	\$ 1,414,690
Intergovernmental	4,787,641	1,560,555	615,581	6,963,777
Meal sales	-	-	19,668	19,668
Interest earnings	40,473	-	2,031	42,504
Miscellaneous	17,893	-	-	17,893
Internal school fund revenue	-	-	367,580	367,580
Total revenues	<u>6,188,233</u>	<u>1,560,555</u>	<u>1,077,324</u>	<u>8,826,112</u>
EXPENDITURES				
Current:				
Instruction	3,360,311	1,124,226	355,138	4,839,675
Support services	1,686,780	436,876	-	2,123,656
Food services	-	-	518,824	518,824
Non-instructional services	133,465	-	-	133,465
Debt service:				
Principal on debt	232,090	-	113,910	346,000
Interest on debt	-	-	21,090	21,090
Other debt service	-	-	450	450
Total expenditures	<u>5,412,646</u>	<u>1,561,102</u>	<u>1,009,412</u>	<u>7,983,160</u>
Net change in fund balance	775,587	(547)	67,912	842,952
Fund balance - July 1, 2021	4,455,308	2,252	414,234	4,871,794
Increase (decrease) in inventory	-	-	(5,549)	(5,549)
Fund balance - June 30, 2023	<u>\$ 5,230,895</u>	<u>\$ 1,705</u>	<u>\$ 476,597</u>	<u>\$ 5,709,197</u>

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

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ 842,952
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount of principal repaid during the current year.</p>	
Principal payment	346,000
<p>Amortization of bond discount reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the governmental fund.</p>	
	11,031
<p>The increase (decrease) in inventory is reported as a direct change to beginning fund balance. However, in the statement of activities this change is reported in expense based on the consumption method.</p>	
	(5,549)
<p>The payment of pension/OPEB contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflows of resources.</p>	
Current year contributions - pension	266,724
Current year contributions - OPEB	27,094
<p>The actuarially determined pension revenue (expense) does not consume (acquire) current financial resources and, therefore, is not reported in the governmental funds. It is reported as revenue (expense) in the statement of activities.</p>	
Pension expense	(84,865)
OPEB expense	(70,462)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.</p>	
State share of OPEB expense	32,570
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlays	466,053
Depreciation	(180,273)
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities</p>	
	<u>2,596</u>
Change in net position of governmental activities	<u>\$ 1,653,871</u>

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes:				
Local option sales tax	\$ 385,000	\$ 385,000	\$ 723,499	\$ 338,499
Interstate telecommunications tax	725	725	4,799	4,074
County property tax	10,000	10,000	6,789	(3,211)
City/Special School District:				
Current property tax	385,000	385,000	556,467	171,467
Prior year's property tax	26,000	26,000	33,503	7,503
Interest and penalty	5,000	5,000	4,890	(110)
Payment in lieu of taxes	11,000	11,000	12,279	1,279
Total taxes	822,725	822,725	1,342,226	519,501
Intergovernmental:				
Licenses and permits:				
Marriage licenses	500	500	243	(257)
State revenues:				
State education funds:				
Basic Education Program	4,904,000	4,904,000	4,356,916	(547,084)
Other state education funds	183,277	251,925	254,344	2,419
Career Ladder	11,634	11,634	15,738	4,104
Other vocational	-	-	98,669	98,669
Other state revenues:				
Mixed drink tax	250	250	-	(250)
Other state revenues	-	-	1,130	1,130
Safe Schools	14,187	29,367	29,367	-
Total state revenues	5,113,348	5,197,176	4,756,164	(441,012)
Federal revenues:				
Federal funds received through state for				
COVID-19 GRANT 4	-	4,000	4,000	-
Total federal revenue	-	4,000	4,000	-
Total intergovernmental	5,113,848	5,201,676	4,760,407	(441,269)
Miscellaneous:				
Charges for Current Services:				
Other charges for service	-	5,585	8,643	3,058
Total Charges for Current Services	-	5,585	8,643	3,058

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Other local revenues:				
Interest earned	20,000	20,000	40,473	20,473
E-rate funding	600	600	-	(600)
Miscellaneous refunds	-	4,300	4,300	-
Contributions	-	1,500	4,950	3,450
Total other local revenues	<u>20,600</u>	<u>26,400</u>	<u>49,723</u>	<u>23,323</u>
Total miscellaneous	<u>20,600</u>	<u>31,985</u>	<u>58,366</u>	<u>26,381</u>
Total revenues	<u>5,957,173</u>	<u>6,056,386</u>	<u>6,160,999</u>	<u>104,613</u>
EXPENDITURES				
Instruction:				
Regular education:				
Teachers	2,147,301	2,037,322	1,928,193	(109,129)
Career ladder program	8,000	8,000	6,000	(2,000)
Homebound teachers	2,000	2,000	1,725	(275)
Teacher assistants	109,907	88,207	72,158	(16,049)
Bonus payments	2,920	-	-	-
Other salaries and wages	4,500	20,000	2,921	(17,079)
Non-certified substitute teachers	30,000	41,100	40,175	(925)
Social security	142,887	146,502	114,401	(32,101)
State retirement	199,038	235,980	150,724	(85,256)
Medical insurance	155,844	168,720	167,623	(1,097)
Unemployment compensation	329	529	302	(227)
Medicare	33,417	34,262	26,769	(7,493)
Contracts with other school systems	45,000	73,467	70,336	(3,131)
Maintenance and repair - equipment	6,000	6,000	3,228	(2,772)
Other contracted services	17,000	17,000	17,000	-
Instructional supplies/materials	44,500	46,000	40,755	(5,245)
Textbooks	45,000	60,000	54,779	(5,221)
Other supplies/materials	10,000	10,000	2,580	(7,420)
Other charges	6,000	20,011	14,957	(5,054)
Equipment	93,985	66,004	57,116	(8,888)
Total regular education	<u>3,103,628</u>	<u>3,081,104</u>	<u>2,771,742</u>	<u>(309,362)</u>

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Special education:				
Teachers	330,168	330,168	270,641	(59,527)
Career Ladder program	2,000	2,000	1,000	(1,000)
Teacher assistants	122,201	122,201	57,736	(64,465)
Non-certified substitute teacher	5,000	6,800	6,637	(163)
Social security	28,605	28,605	18,534	(10,071)
State retirement	39,658	50,579	27,079	(23,500)
Medical insurance	11,658	17,758	17,741	(17)
Unemployment compensation	30	74	10	(64)
Medicare	6,690	6,690	4,334	(2,356)
Maintenance and repair - equipment	1,500	1,500	112	(1,388)
Other contracted services	16,000	16,000	15,642	(358)
Instructional supplies/materials	2,000	2,000	783	(1,217)
Special education equipment	4,000	4,000	-	(4,000)
Other charges	-	164	164	-
Total special education	<u>571,510</u>	<u>590,539</u>	<u>420,413</u>	<u>(170,126)</u>
Vocational education:				
Teachers	96,147	96,147	86,209	(9,938)
Non-certified substitute teachers	800	1,900	1,875	(25)
Social security	6,011	6,011	4,012	(1,999)
State retirement	8,355	9,578	7,054	(2,524)
Medical insurance	19,609	17,286	-	(17,286)
Unemployment compensation	21	21	21	-
Medicare	1,406	1,406	938	(468)
Maintenance and repair - equipment	-	500	-	(500.00)
Instructional supplies	34,885	34,885	7,693	(27,192.00)
Other charges	9,975	9,975	2,621	(7,354)
Equipment	61,321	61,321	30,499	(30,822)
Total vocational education	<u>238,530</u>	<u>239,030</u>	<u>140,922</u>	<u>(98,108)</u>
Total instruction	<u>3,913,668</u>	<u>3,910,673</u>	<u>3,333,077</u>	<u>(577,596)</u>
Support services:				
Student support:				
Attendance:				
Travel	350	1,145	1,144	(1)
Other supplies and materials	200	-	-	-
Other charges	200	-	-	-
Total attendance	<u>750</u>	<u>1,145</u>	<u>1,144</u>	<u>(1)</u>

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Health services:				
Medical personnel	25,296	25,296	25,296	-
Social security	1,568	1,568	1,568	-
State retirement	2,198	2,198	2,127	(71)
Medical insurance	3,633	3,633	-	(3,633)
Unemployment compensation	30	30	10	(20)
Medicare	367	367	367	-
Drugs and medical supplies	200	200	200	-
Other supplies/materials	500	500	500	-
Other charges	800	800	723	(77)
Total health services	<u>34,592</u>	<u>34,592</u>	<u>30,791</u>	<u>(3,801)</u>
Other student support:				
Career Ladder program	1,000	1,000	1,000	-
Guidance personnel	115,943	116,043	116,043	-
Assessment personnel	77,530	77,530	75,178	(2,352)
Social security	12,057	12,057	11,251	(806)
State retirement	16,900	16,900	16,180	(720)
Medical insurance	10,044	10,044	9,626	(418)
Unemployment compensation	21	23	23	-
Medicare	2,820	2,818	2,631	(187)
Contracts with government agencies	57,000	-	-	-
Evaluation/testing	2,717	2,717	551	(2,166)
Maintenance and repair	2,000	2,000	-	(2,000)
Travel	-	4,500	3,303	(1,197)
Other supplies/materials	-	2,000	3,148	1,148
Other charges	-	57,000	81,522	24,522
Total other student support	<u>298,032</u>	<u>304,632</u>	<u>320,456</u>	<u>15,824</u>
Total student support	<u>333,374</u>	<u>340,369</u>	<u>352,391</u>	<u>12,022</u>
Instructional staff:				
Regular education:				
Director	55,546	55,546	39,346	(16,200)
Career Ladder program	1,000	1,000	1,000	-
Librarian(s)	55,987	56,537	56,532	(5)
Secretary	19,382	20,482	20,442	(40)
Aides	14,987	39,523	39,522	(1)
Social security	9,108	9,383	8,700	(683)

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
State retirement	11,081	11,081	9,757	(1,324)
Medical insurance	11,305	11,305	-	(11,305)
Unemployment compensation	30	30	-	(30)
Medicare	2,130	2,182	2,034	(148)
Maintenance and repair	1,000	1,000	-	(1,000)
Library books	5,500	5,500	5,500	-
Periodicals	500	500	210	(290)
Other charges	1,250	1,250	394	(856)
Total regular education	<u>188,806</u>	<u>215,319</u>	<u>183,437</u>	<u>(31,882)</u>
Special education:				
Director	3,900	3,900	3,900	-
Secretary	2,423	2,423	2,423	-
Clerical personnel	2,885	2,885	2,885	-
Social security	571	571	571	-
State retirement	800	800	800	-
Unemployment compensation	10	10	10	-
Medicare	134	134	134	-
Other contracted services	10,000	10,000	8,424	(1,576)
Total special education	<u>20,723</u>	<u>20,723</u>	<u>19,147</u>	<u>(1,576)</u>
Vocational education:				
Director	2,000	2,000	2,000	-
Clerical personnel	1,655	1,655	1,655	-
Social security	227	227	227	-
State retirement	318	318	318	-
Unemployment compensation	10	-	5	5
Medicare	53	53	53	-
Travel	2,500	2,500	877	(1,623)
Total vocational education	<u>6,763</u>	<u>6,753</u>	<u>5,135</u>	<u>(1,618)</u>

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Technology				
Director	30,708	30,708	30,708	-
Social security	1,904	1,904	1,840	(64)
State retirement	2,668	2,668	2,583	(85)
Medical insurance	600	-	-	-
Unemployment compensation	3	13	10	(3)
Medicare	445	445	430	(15)
Internet connectivity	1,000	-	-	-
Travel	500	500	252	(248)
Other contracted services	32,000	19,000	19,000	-
Cabling	5,000	1,500	1,500	-
Software	6,000	10,000	10,000	-
Other supplies and materials	1,500	3,585	3,585	-
Other equipment	13,200	25,200	25,200	-
Total technology	<u>95,528</u>	<u>95,523</u>	<u>95,108</u>	<u>(415)</u>
Total instructional staff	<u>311,820</u>	<u>338,318</u>	<u>302,827</u>	<u>(35,491)</u>
General administration:				
Board of Education services:				
Audit services	19,500	29,500	28,672	(828)
Dues and memberships	4,000	7,000	6,976	(24)
Legal services	4,500	4,500	112	(4,388)
Travel	7,000	9,000	8,095	(905)
Tuition	7,500	7,500	6,900	(600)
Other contracted services	5,300	6,700	6,600	(100)
Liability insurance	18,220	18,220	18,220	-
Trustee commissions	15,000	18,500	18,098	(402)
Workmen's compensation insurance	30,000	30,000	30,000	-
Fingerprint reimbursement	350	1,850	1,741	(109)
Employment drug testing	-	350	336	(14)
Other charges	5,000	10,000	9,008	(992)
Total Board of Education services	<u>116,370</u>	<u>143,120</u>	<u>134,758</u>	<u>(8,362)</u>

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Office of the Superintendent:				
County official/administrative officer	99,500	103,978	103,978	-
Secretary(s)	24,000	24,000	21,300	(2,700)
Other salaries and wages	800	800	800	-
Social security	7,707	7,707	7,707	-
State retirement	10,802	10,902	10,795	(107)
Medical insurance	1,200	1,200	-	(1,200)
Unemployment compensation	30	30	16	(14)
Medicare	1,802	1,802	1,802	-
Communication	5,000	5,000	1,147	(3,853)
Dues and memberships	4,000	4,000	2,422	(1,578)
Maintenance and repair	300	300	-	(300)
Postal charges	500	500	426	(74)
Travel	5,000	6,000	6,000	-
Other contracted services	1,500	1,500	1,500	-
Office supplies	2,500	2,500	1,918	(582)
Other charges	2,500	3,500	3,087	(413)
Total Office of the Superintendent	<u>167,141</u>	<u>173,719</u>	<u>162,898</u>	<u>(10,821)</u>
Total general administration	<u>283,511</u>	<u>316,839</u>	<u>297,656</u>	<u>(19,183)</u>
School administration:				
Office of the Principal:				
Principals	147,770	147,770	72,135	(75,635)
Career Ladder program	1,000	1,000	1,000	-
Secretary(s)	19,383	19,383	18,623	(760)
Social security	10,425	10,425	5,180	(5,245)
State retirement	14,612	14,612	7,807	(6,805)
Medical insurance	14,547	14,547	8,171	(6,376)
Unemployment compensation	30	30	20	(10)
Medicare	2,438	2,438	1,212	(1,226)
Communication	3,500	3,500	2,050	(1,450)
Dues and memberships	960	960	400	(560)
Postal charges	1,000	1,000	930	(70)
Travel	1,500	1,500	1,500	-
Other contracted services	7,500	7,725	2,719	(5,006)
Office supplies	7,000	7,000	4,460	(2,540)
Other charges	2,000	2,000	1,082	(918)
Total school administration	<u>233,665</u>	<u>233,890</u>	<u>127,289</u>	<u>(106,601)</u>

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
Business administration:				
Fiscal services:				
Accountants/bookkeepers	38,235	38,235	37,460	(775)
Other salaries and wages	850	850	850	-
Social security	2,371	2,421	2,419	(2)
State retirement	3,323	3,418	3,355	(63)
Medical insurance	600	358	-	(358)
Unemployment compensation	10	10	3	(7)
Medicare	554	567	566	(1)
Dues and memberships	200	200	200	-
Travel	1,800	1,884	1,884	-
Other contracted services	7,200	22,200	21,036	(1,164)
Office supplies	2,000	2,000	1,732	(268)
Other charges	300	300	18	(282)
Total business administration	57,443	72,443	69,523	(2,920)
Operation and maintenance of plant:				
Operation of plant:				
Supervisor/director	34,000	34,000	34,000	-
Custodial personnel	137,857	154,857	150,077	(4,780)
Social security	10,655	11,563	11,403	(160)
State retirement	14,934	9,934	8,913	(1,021)
Medical insurance	4,800	-	-	-
Unemployment compensation	85	128	120	(8)
Medicare	2,492	2,708	2,708	-
Rentals	2,500	2,500	460	(2,040)
Other contracted services	36,000	36,000	28,312	(7,688)
Electricity	119,000	119,000	108,425	(10,575)
Natural gas	37,000	37,000	29,900	(7,100)
Water and sewer	29,000	29,000	22,647	(6,353)
Other supplies and materials	40,000	40,000	38,241	(1,759)
Building and contents insurance	30,000	30,000	25,295	(4,705)
Other charges	1,000	1,000	567	(433)
Total operation of plant	499,323	507,690	461,068	(46,622)
Maintenance of plant:				
Maintenance and repair	53,000	53,000	45,000	(8,000)
Other contracted services	4,413	4,413	3,808	(605)
Maintenance equipment	500	500	500	-
Total maintenance of plant	57,913	73,093	64,488	(8,605)
Total operation and maintenance of plant	557,236	580,783	525,556	(55,227)

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
Student transportation:				
Contracts with other school systems	5,125	16,567	11,538	-
Total student transportation	5,125	16,567	11,538	-
Total support services	1,782,174	1,899,209	1,686,780	(207,400)
Non-instructional services:				
Early childhood education:				
Director	4,603	4,500	4,500	-
Teachers	53,838	52,838	52,838	-
Aides	14,987	13,305	13,305	-
Other salaries and wages	2,676	2,500	2,500	-
Non-certified substitute teachers	3,000	1,000	1,000	-
Social security	4,904	4,597	4,597	-
State retirement	6,613	6,450	6,450	-
Medical insurance	4,515	5,608	5,608	-
Unemployment compensation	100	75	75	-
Medicare	1,147	1,079	1,079	-
Communication	640	432	432	-
Maintenance and repair	150	-	-	-
Travel	150	-	-	-
Instructional supplies	250	750	750	-
Other supplies and materials	854	500	500	-
In-service/staff development	100	-	-	-
Other charges	6,451	5,246	5,246	-
Other contracted services	5,680	6,000	6,000	-
Building improvements	-	-	7,793	7,793
Site development	-	-	20,792	20,792
Other equipment	100	-	-	-
Total early childhood education	110,758	104,880	133,465	28,585
Capital outlay:				
Building improvements	20,000	9,207	-	(9,207)
Site development	10,000	20,793	-	(20,793)
Total capital outlay	30,000	30,000	-	(30,000)

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

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND**

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Debt service:				
Principal on bonds	250,000	250,000	232,090	(17,910)
Total debt service	<u>250,000</u>	<u>250,000</u>	<u>232,090</u>	<u>(17,910)</u>
Total non-instructional services	<u>390,758</u>	<u>384,880</u>	<u>365,555</u>	<u>(19,325)</u>
Total expenditures	<u>6,086,600</u>	<u>6,194,762</u>	<u>5,385,412</u>	<u>(804,321)</u>
Net change in fund balance	<u>\$ (129,427)</u>	<u>\$ (138,376)</u>	<u>775,587</u>	<u>\$ 913,963</u>
Fund balance - July 1, 2022			<u>4,455,308</u>	
Fund balance - June 30, 2023			<u>\$ 5,230,895</u>	
Reconciliation to governmental fund financial statements:				
Revenues per budget statement (page 12)		\$ 6,160,999		
Non-cash revenue not included in budget statement:				
On behalf payments for fringe benefits paid by State		<u>27,234</u>		
Revenues per governmental statement of revenues, expenditures and change in fund balances (page 9)		<u>\$ 6,188,233</u>		
Expenditures per budget statement (above)		\$ 5,385,412		
Non-cash expenditure not included in budget statement:				
On behalf payments for fringe benefits paid by State		<u>27,234</u>		
Expenditures per governmental statement of revenues, expenditures and change in fund balances (page 9)		<u>\$ 5,412,646</u>		

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES				
Federal through State:				
Vocational education - Basic Grants to States	\$ 17,189	\$ 17,189	\$ 17,189	\$ -
Title I - Grants to local education agencies	291,041	292,528	251,298	(41,230)
Special education - IDEA	187,198	199,623	149,335	(50,288)
Special education - Preschool	23,996	24,203	16,944	(7,259)
Title II	21,897	21,897	15,764	(6,133)
ESSER II	141,437	141,437	118,813	(22,624)
Math Implementation Grant	71,250	71,250	71,250	-
ESSER III	1,468,584	1,468,584	846,521	(622,063)
Student support	18,251	18,251	18,251	-
21st Century Community Learning Centers Cohort	50,000	50,000	36,939	(13,061)
Rural Education grant	18,251	18,251	18,251	-
Total Federal through State:	<u>2,309,094</u>	<u>2,323,213</u>	<u>1,560,555</u>	<u>(762,658)</u>
Total revenues	<u>2,309,094</u>	<u>2,323,213</u>	<u>1,560,555</u>	<u>(762,658)</u>
EXPENDITURES				
Instruction:				
Regular instruction:				
Teachers	500,544	500,544	273,216	(227,328)
Educational assistants	44,000	44,000	44,000	-
Other salaries and wages	122,000	102,000	30,204	(71,796)
Social security	41,326	41,326	21,025	(20,301)
State retirement	58,714	58,714	28,090	(30,624)
Medical insurance	112,721	84,721	10,238	(74,483)
Unemployment compensation	1,200	1,200	395	(805)
Medicare	9,666	9,666	4,917	(4,749)
Instructional supplies	60,000	60,000	42,423	(17,577)
Textbooks	80,000	80,000	49,295	(30,705)
Staff development	133,500	133,500	47,842	(85,658)
Other supplies and materials	48,574	47,527	34,424	(13,103)
Other charges	6,430	6,430	-	(6,430)
Equipment	341,251	407,961	397,969	(9,992)
Total regular instruction	<u>1,559,926</u>	<u>1,577,589</u>	<u>984,038</u>	<u>(593,551)</u>
Special education program:				
Aides	59,000	59,000	59,000	-
Social security	3,658	3,658	3,658	-
State retirement	5,015	5,015	5,015	-
Medical insurance	6,837	6,837	1,380	(5,457)
Unemployment compensation	107	107	107	-
Medicare	856	856	856	-
Other contracted services	55,000	55,000	40,488	(14,512)
Instructional supplies	17,221	19,450	2,715	(16,735)

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

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Other supplies and materials	5,000	7,000	3,245	(3,755)
Equipment	<u>15,500</u>	<u>17,500</u>	<u>11,333</u>	<u>(6,167)</u>
Total special education	<u>168,194</u>	<u>174,423</u>	<u>127,797</u>	<u>(46,626)</u>
Vocational education:				
Instructional supplies and materials	4,500	5,768	5,768	-
Other supplies and materials	5,500	6,100	6,100	-
Equipment	<u>2,391</u>	<u>523</u>	<u>523</u>	<u>-</u>
Total vocational education	<u>12,391</u>	<u>12,391</u>	<u>12,391</u>	<u>-</u>
Total instruction	<u>1,740,511</u>	<u>1,764,403</u>	<u>1,124,226</u>	<u>(640,177)</u>
Support services:				
Other student support:				
Other salaries and wages	2,250	2,250	2,250	-
Social security	140	140	140	-
State retirement	232	232	232	-
Unemployment compensation	4	4	4	-
Employer medicare liability	33	33	33	-
Travel	3,438	3,438	3,438	-
Other supplies and materials	2,000	2,000	443	(1,557)
In-service/staff development	<u>860</u>	<u>860</u>	<u>860</u>	<u>-</u>
Total other student support	<u>8,957</u>	<u>8,957</u>	<u>7,400</u>	<u>(1,557)</u>
Regular instruction:				
Supervisor/director	158,070	86,535	86,535	-
Other salaries and wages	15,000	15,000	2,850	(12,150)
Social security	10,125	5,752	5,602	(150)
State retirement	14,565	8,435	8,119	(316)
Medical insurance	20,000	10,000	10,000	-
Unemployment compensation	295	168	168	-
Medicare	2,369	1,346	1,311	(35)
Other contracted services	71,250	71,250	71,250	-
In-service-staff development	<u>17,500</u>	<u>17,500</u>	<u>15,420</u>	<u>(2,080)</u>
Total regular instruction	<u>309,174</u>	<u>215,986</u>	<u>201,255</u>	<u>(14,731)</u>
Special education program:				
Travel	2,500	2,500	1,724	(776)
Other contracted services	35,000	40,403	30,802	(9,601)
Evaluation and testing	<u>2,500</u>	<u>3,500</u>	<u>3,492</u>	<u>(8)</u>
Total special education	<u>40,000</u>	<u>46,403</u>	<u>36,018</u>	<u>(10,385)</u>
Vocational education:				
Travel	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>

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

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Total vocational education	500	500	500	-
Transportation:				
Contract with other school systems	3,000	3,000	-	(3,000)
Total transportation	3,000	3,000	-	(3,000)
Community Services:				
Supervisor/director	9,600	9,600	8,700	(900)
Teachers	20,000	20,000	14,532	(5,468)
Educational assistants	12,000	12,000	8,530	(3,470)
Social security	2,579	2,579	1,970	(609)
State retirement	3,615	3,615	2,684	(931)
Unemployment compensation	75	75	63	(12)
Medicare	603	603	461	(142)
Instructional supplies	1,528	1,528	-	(1,528)
Total community services:	50,000	50,000	36,940	(13,060)
Capital Outlay:				
Building improvements	156,951	133,963	54,951	(79,012)
Other Capital Outlay	-	100,000	99,812	(188)
Total capital outlay	156,951	233,963	154,763	(79,200)
Total support services	568,582	558,809	436,876	(121,933)
Total expenditures	2,309,093	2,323,212	1,561,102	(762,110)
Net change in fund balance	\$ 1	\$ 1	(547)	\$ (548)
Fund balance - July 1, 2022			2,252	
Fund balance - June 30, 2023			\$ 1,705	

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

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Hollow Rock–Bruceton Special School District (District) is a school district separately chartered by the State Legislature. The seven-member school board, which is the governing authority, is elected by the public, approves its own budgets and controls surpluses and deficits, has the authority to issue debt and to levy taxes, and has control over hiring and firing employees.

As required by generally accepted accounting principles for governmental units as promulgated by the Governmental Accounting Standards Board (GASB), these financial statements present all funds which comprise the District. After considering the criteria established by GASB, the District has determined that there are no component units that should be included in its report.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

The District reports the following major governmental funds:

The General Purpose Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Federal Projects Fund is used to account for federal grant income and expenditures.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Impact of Recently Issued Pronouncements

The District adopted the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability, reliability, relevance, and consistency of information about SBITAs. Management has determined that the District has no arrangements that are required to be reported under the new standard; therefore it had no impact on the current or prior year financial statements.

E. Assets, Liabilities, and Net Position/Fund Balance

Cash and Investments

The District's cash as reported in the financial statements includes cash on hand and demand deposits in financial institutions. State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

As of June 30, 2023, investments recorded in the District's books consisted solely of certificates of deposit. Investments also include \$509 in certificates of deposit restricted for scholarships.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds".

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax on every one hundred dollar (\$100) assessment of real and personal property located within the District. The current property tax is \$1.32460 on every \$100 of real and personal property located within the District.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied, billed and mailed on October 1. The payment due dates are October 1 through February 28 and become delinquent on March 1. The property taxes are collected by the Trustee of Carroll County and remitted to the District. District property tax revenues are recognized in the period for which they are levied.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred in the governmental fund statements until they become current receivables.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The Cafeteria Fund maintains an inventory consisting of food supplies using the purchases method and expenses inventory when purchased throughout the year. At year-end, the actual cost of the items in inventory is used to capitalize the inventory, with a corresponding entry to nonspendable fund balance in the Cafeteria Fund. For the government-wide statements, inventory is reported using the consumption approach.

Capital Assets

Capital assets, which include land, buildings and improvements, and other capital assets, are reported in the applicable district-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$25,000 (amount not rounded) or more and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment of the District is depreciated using the straight line method over the following useful lives:

Buildings and improvements	20 – 50 years
Other capital assets	4 – 20 years

On-Behalf Payments for Fringe Benefits

The District records on-behalf payments made by the State of Tennessee for postemployment health insurance benefits for employees not yet eligible for Medicare. Such payments are recorded as intergovernmental revenue and instruction expenses/expenditures in the district-wide and governmental fund financial statements, but are not included in the budgetary-basis statement.

Compensated Absences

No provision for compensated absences has been shown in the financial statements presented. District employees do not have a right to receive any unpaid vacation and/or sick leave upon leaving employment or retirement.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Pensions Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as the plans. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the plans. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the total 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 Teacher Group OPEB Plan and the Tennessee Plan administered by the Tennessee Department of Finance and Administration, and additions to/deductions from the Plans' fiduciary net position have been determined when due and payable in accordance with the benefit terms of the Plans.

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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for reporting as deferred outflows of resources are disclosed on page 5.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as deferred inflows of resources are disclosed on page 5 and 7.

Long-term Liabilities

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts have been deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period paid.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board of Education of the Hollow Rock-Bruceton Special School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned fund balance

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and the Director of Schools have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

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

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Restricted Assets

Restricted assets also consist of amounts held in a pensions stabilization trust by Tennessee Consolidated Retirement System (TCRS) for the benefit of the District's Teacher Retirement Plan. The purpose of this trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to the school system in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an irrevocable agreement and may only be used for the benefit of the District to fund retirement benefits upon approval of the TCRS Board of Directors. To date, the District has not withdrawn any funds from the trust to pay pensions costs. Trust documents provide that the funds are not subject to the claims of general creditors of the school department.

NOTE 2 –RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The financial statements include a reconciliation between the fund balance of total governmental funds and net position of governmental activities. One item in that reconciliation addresses long-term liabilities that are not reported in the funds. The details related to this item are as follows:

Bonds Payable	\$ 357,000
Plus : Issuance premium (being amortized over the life of the bonds)	<u>11,032</u>
	<u>\$ 368,032</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds, with the exception of State on-behalf payments for fringe benefits. These non-cash revenue and expenditure items are included in the governmental fund statements and district-wide statement of activities, but not in the budgetary comparison statements.

The Board of Education approves and appropriates the budgets annually. All annual appropriations lapse at the end of the fiscal year. As an extension of the formal budgetary process, the Board may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. Line item transfers within major categories are made upon the recommendation of the Director of Schools and approval by the Board. The District's policy is to not allow expenditures to exceed budgetary amounts at the function level without obtaining additional appropriation approval from the Board of Education.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third-party agents. As of June 30, 2023, all bank deposits were fully collateralized or insured.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

B. Receivables

Receivables at year end consist of taxes and intergovernmental receivables as shown on the balance sheet and statement of net position. No allowance for uncollectible receivables was recorded as of June 30, 2023. Amounts in the General Purpose fund due from other governments represent the normal amounts due from state and county governments for shared revenues and tax allocations.

C. Interfund Receivables and Payables

The interfund payable from the general fund to the Centralized Cafeteria Fund is for the inter-departmental balance at the end of the year. The composition of balances as of June 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
Centralized Cafeteria Fund	General Purpose	\$ 628
	Elimination for district-wide statements	(628)
		\$ -

D. Capital Assets

Depreciation expense was charged to functions/programs of the District as follows:

Food service	\$ 9,912
Depreciation - unallocated	170,361
Total depreciation expense - governmental activities	\$ 180,273

Capital asset activity for the year end June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 114,000	\$ -	\$ -	\$ 114,000
Total capital assets not being depreciated	114,000	-	-	114,000
Capital assets, being depreciated				
Buildings	6,467,137	-	-	6,467,137
Other capital assets	141,717	466,053	-	607,770
Total capital assets being depreciated	6,608,854	466,053	-	7,074,907
Less accumulated depreciation for:				
Buildings	4,009,883	150,848	-	4,160,731
Other capital assets	66,186	29,425	-	95,611
Total accumulated depreciation	4,076,069	180,273	-	4,256,342
Total capital assets being depreciated, net	2,532,785	285,780	-	2,818,565
Governmental activities capital assets, net	\$ 2,646,785	\$ 285,780	\$ -	\$ 2,932,565

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

E. Long-term Debt

School Refunding Bonds, Series 2019

During fiscal year 2019, the District issued the School Refunding Bonds, Series 2019, in the amount of \$1,689,000 for the purposes of retiring the School Refunding Bonds, Series 2009 and achieving debt service savings for the District. These bonds bear an interest rate of 3% and require interest payments semi-annually on April 1 and October 1 as long as the bonds remain outstanding, beginning October 1, 2019. Bond principal is payable on April 1 of each year, with the final maturity date of April 1, 2024.

The annual requirements to amortize the bonds as of June 30, 2023, are as follows:

Years Ending June 30, 2024	School refunding bonds, Series 2019		Total
	Principal	Interest	
	\$ 357,000	\$ 10,710	\$ 367,710

The following is a summary of long-term debt transactions for the year ended June 30, 2023:

	Beginning Balance	Additions	Retirements	Ending Balance	Due in One Year
Governmental activities:					
Refunding bonds, Series 2019	\$ 703,000	\$ -	\$ (346,000)	\$ 357,000	\$ 357,000
Plus bond premium	22,063	-	(11,031)	11,032	11,032
Net long-term debt	\$ 725,063	\$ -	\$ (357,031)	\$ 368,032	\$ 368,032

F. TCRS Stabilization Trust

Legal Provisions. The Hollow Rock-Bruceton Special School District is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The District has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the District.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The District may not impose any restrictions on investments placed by the trust on their behalf.

On June 30, 2023, the Hollow Rock-Bruceton Special School District had the following investments held by the trust on its behalf. These funds are recognized as restricted assets in the General Purpose Fund.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 22,128
Developed Market International Equity	N/A	N/A	9,993
Emerging Market International Equity	N/A	N/A	2,855
U.S. Fixed Income	N/A	N/A	14,277
Real Estate	N/A	N/A	14,277
Short-term Securities	N/A	N/A	7,138
NAV- Private Equity and Strategic Lending	N/A	N/A	714
Total			\$ 71,382

For further information concerning the legal provisions, investment policies, investment types, and credit risks of the District’s investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at:

https://treasury.tn.gov/Portals/0/Documents/Retirement/CAFR%20Reports/2022/2022TCRSReport_Full%20Report.pdf

NOTE 5 – OTHER INFORMATION

A. Pensions

I. Teacher Legacy Pension Plan of Tennessee Consolidated Retirement System

Plan description

The Tennessee Consolidated Retirement System (TCRS) was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Hollow Rock Bruceton Special School District with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees.

Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit, or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Hollow Rock Bruceton Special School District for *the year* ended June 30, 2023 to the Teacher Legacy Pension Plan were \$180,785, which is 8.69 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets)

At June 30, 2023, Hollow Rock Bruceton Special School District reported a liability (asset) of (\$829,251) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Hollow Rock Bruceton Special School District's proportion of the net pension liability was based on Hollow Rock Bruceton Special School District's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2022 Hollow Rock Bruceton Special School District's proportion was 0.067616 percent. The proportion measured as of June 30, 2021 was 0.069682 percent.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Pension expense

For the year ended June 30, 2023, Hollow Rock-Bruceton Special School District recognized a pension expense of \$16,243.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2023, Hollow Rock-Bruceton Special School District 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	\$ 136,409	\$ 140,118
Changes in assumptions	519,486	-
Net difference between projected and actual earnings on pension plan investments	14,180	-
Changes in proportion of Net Pension Liability (Asset)	26,514	2,331
Contributions subsequent to the measurement date of June 30, 2022	180,785	-
Total	\$ 877,374	\$ 142,449

Hollow Rock-Bruceton Special School District employer contributions of \$180,785, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction (increase) in net pension asset in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2024	\$ 90,113
2025	162,190
2026	(135,842)
2027	437,679
2028	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term

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expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following presents Hollow Rock- Bruceton Special School District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Hollow Rock- Bruceton Special School District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Hollow Rock- Bruceton Special School District’s proportionate share of the net pension liability (asset)	\$ 1,642,461	\$ (829,251)	\$ (2,888,023)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2023, Hollow Rock- Bruceton Special School District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

II. Teacher Retirement Plan of Tennessee Consolidated Retirement System

Plan description

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Hollow Rock Bruceton Special School District with memberships in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Teacher Retirement Plan is also known as the Hybrid Retirement Plan for State Employees and Teachers, or the “Hybrid Plan”. There are two components to the Hybrid Plan, a defined benefit component and a defined contribution component. Details of each component are described below:

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a. Defined Benefit Component of the Hybrid Plan

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Hollow Rock Bruceton Special School District for the year ended June 30, 2023 to the Teacher Retirement Plan were \$28,634 which is 2.73 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets)

At June 30, 2023, Hollow Rock Bruceton Special School District reported a liability (asset) of (\$15,809) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Hollow Rock

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Bruceton Special School District's proportion of the net pension liability (asset) was based on Hollow Rock Bruceton Special School District's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2022 Hollow Rock Bruceton Special School District's proportion was 0.052188 percent. The proportion measured as of June 30, 2021 was 0.042343 percent.

Pension expense

For the year ended June 30, 2023, Hollow Rock-Bruceton Special School District recognized a pension expense of \$22,281.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2023, Hollow Rock-Bruceton Special School District 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	\$ 864	\$ 9,605
Net difference between projected and actual earnings on pension plan investments	4,983	-
Changes in assumptions	18,519	-
Changes in proportion of Net Pension Liability (Asset)	5,247	7,337
Contributions subsequent to the measurement date of June 30, 2022	28,634	-
Total	\$ 58,247	\$ 16,942

Hollow Rock-Bruceton Special School District's employer contributions of \$28,634 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction (increase) of net pension liability (asset) in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$	301
2025		352
2026		(467)
2027		8,213
2028		854
Thereafter		3,419

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make

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projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following presents Hollow Rock- Bruceton Special School District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Hollow Rock- Bruceton Special School District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Hollow Rock- Bruceton Special School District’s proportionate share of the net pension liability (asset)	\$ 82,988	\$ (15,809)	\$ (87,961)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2023, Hollow Rock-Bruceton Special School District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

b. Defined Contribution Component of the Hybrid Plan

Upon first becoming a public school teacher in the Hybrid Plan, 2% of the employee’s compensation will be deferred automatically into the defined contribution component of the Hybrid Plan unless the employee makes an affirmative election not to contribute. The District will make a contribution to the defined contribution component of the plan on behalf of each member which equals to 5% of the member’s compensation, regardless of whether the member makes any employee contribution. The 5% employer contribution rate is established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees immediately vest in the employee and employer contributions to the defined contribution portion of the Hybrid Plan, and therefore there are no forfeitures necessary. There are no assets accumulating in a trust.

During the fiscal year 2023, the District contributed a total of \$11,844 in the defined contribution portion of the Hybrid Plan. There were no forfeitures during the year ended June 30, 2023.

III. Political Subdivision Pension Plan

Plan Description

Employees of Hollow Rock Bruceton Special School District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper

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operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting- and-Investment-Policies](https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies).

Benefits Provided

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employs entitled to but not yet receiving benefits	34
Active employees	34
	82

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Hollow Rock Bruceton Special School District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the employer contributions for Hollow Rock Bruceton Special School District were \$56,834 based on a rate of 8.69 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hollow Rock Bruceton Special School District’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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Net Pension Liability (Asset)

Hollow Rock-Bruceton Special School District’s net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

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Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Hollow Rock-Bruceton Special School District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/21	\$ 1,643,888	\$ 1,916,403	\$ (272,515)
Changes for the year:			
Service cost	65,678	-	65,678
Interest	113,786	-	113,786
Differences between expected and actual experience	100,068	-	100,068
Changes in assumptions	-	-	-
Contributions- employer	-	58,445	(58,445)
Contributions- employees	-	34,380	(34,380)
Net investment income	-	(74,113)	74,113
Benefit payments, including refunds of employee contributions	(47,683)	(47,683)	-
Administrative expense	-	(3,372)	3,372
Other changes	-	-	-
Net changes	<u>231,849</u>	<u>(32,343)</u>	<u>264,192</u>
Balance at 6/30/22	<u>\$ 1,875,737</u>	<u>\$ 1,884,060</u>	<u>\$ (8,323)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Hollow Rock-Bruceton Special School District calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Hollow Rock-Bruceton Special School District's net pension liability (asset)	\$ 290,789	\$ (8,323)	\$ (249,695)

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Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2023, Hollow Rock-Bruceton Special School District recognized pension expense of \$46,341.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, Hollow Rock-Bruceton Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,638	\$ 81,385
Net difference between projected and actual earnings on pension plan investments	9,129	-
Changes in assumption	150,888	-
Contributions subsequent to the measurement date of June 30, 2022	<u>56,834</u>	<u>-</u>
Total	<u>\$ 315,489</u>	<u>\$ 81,385</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2024	\$ 20,778
2025	32,479
2026	25,846
2027	81,493
2028	16,674
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2023, Hollow Rock-Bruceton Special School District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

Total Pension Expense

Total pension expense in the aggregate under all pension plans for the year ended June 30, 2023 was \$84,865 and is reported in the statement of activities in functional expenses.

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B. Other Post-Employment Benefits

I. Closed Teacher Group OPEB Plan

Plan description

Employees of Hollow Rock – Bruceton Special School District, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided

The District offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The District does not provide direct subsidy policy for pre-65 retiree insurance coverage and is only subject to the implicit subsidy. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees’ premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms

At July 1, 2022, the following employees of the District was covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	50
	53

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own

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developed policies. During the current reporting period, the District paid \$27,094 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions

The collective total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	8.37% for pre-65 in 2022, decreasing annually over a 7 year period to an ultimate rate of 4.50%. 8.99% for post-65 in 2022, decreasing annually over an 6 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022 valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate

The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

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Changes in Collective Total OPEB Liability

TGOP	Total OPEB liability
Balance at June 30, 2021	\$ 938,250
Changes for the year	
Service cost	51,893
Interest	20,980
Changes of benefit terms	-
Differences between expected and actual experience	(132,549)
Changes of assumptions	(80,200)
Benefit payments	(37,924)
Net change	(177,800)
Balance at June 30, 2022	\$ 760,450
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 298,855
Employer's proportionate share of the collective total OPEB liability	\$ 461,595
Employer's proportion of the collective total OPEB liability	60.70%

The District has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The District proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 1.78% from the prior measurement date. The District recognized \$29,281 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for the District retirees.

Changes in assumptions

The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Proportionate share of collective total OPEB liability	\$ 496,810	\$ 461,595	\$ 427,789

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Proportionate share of collective total OPEB liability	\$ 410,130	\$ 461,595	\$ 521,165

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$67,173.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,784	\$ 120,071
Changes in proportions and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	10,160	31,066
Changes in assumptions	112,714	71,517
Employer payments subsequent to the measurement date	27,094	-
Total	\$ 198,752	\$ 222,654

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2024	(6,342)
2025	(6,342)
2026	(6,342)
2027	(6,342)
2028	(6,008)
Thereafter	(19,620)

In the preceding table, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

II. Closed Tennessee Plan

Plan description

Employees of Hollow Rock-Bruceton Special School District, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The District do not directly subsidize. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms

At June 30, 2022, the following employees of the District was covered by the benefit terms of the TNP:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employs entitled to but not yet receiving benefits	7
Active employees	42
	74

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the District did not make any payments to the TNP for OPEB benefits as they came due.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Total OPEB Liability

Actuarial assumptions

The collective total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rate	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2020. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2020.

Discount rate

The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Changes in Collective Total OPEB Liability

TNP	Total OPEB liability
Balance at June 30, 2021	\$ 270,508
Changes for the year	
Service cost	4,535
Interest	5,803
Changes of benefit terms	-
Differences between expected and actual experience	(815)
Changes of assumptions	(42,080)
Benefit payments	(12,849)
Net change	(45,406)
Balance at June 30, 2022	\$ 225,102
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 225,102
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0%

The District has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The District's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The District proportion of 0% did not change from the prior measurement date. The District recognized \$3,289 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for the District retired employees.

Changes in assumptions

The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense

For the fiscal year ended June 30, 2022 the District recognized OPEB expense of \$3,289.

Total OPEB Expense

Total OPEB expense in the aggregate under all OPEB plans for the year ended June 30, 2022 was \$70,462 and is reported in the statement of activities in functional expenses.

C. Contingent Liabilities and Losses

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. 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 grantors cannot be determined at this time although the District's management expects such amounts, if any, to be immaterial.

HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

D. Risk Management

The District is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The District felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a member of the Tennessee Municipal League Risk Management Pool (Pool), which is a public entity risk pool, established in 1979 by the Tennessee Municipal League. The District is also a member of the Tennessee School Boards Workmen's Compensation Trust (TSB-WCT) which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The District pays an annual premium to these pools for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. TSB-WCT reinsures through commercial insurance companies for claims in excess of \$100,000 for each uninsured event. The District's premiums are calculated based on its claim history.

The District continues to carry commercial insurance for all other risks of loss, including public officials' bond. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

E. On-Behalf Payments for Postretirement Insurance Benefits

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and Medicare Plan on behalf of the District's employees. For the year ended June 30, 2022, the State made contributions of \$14,422 to the Teacher Group Plan and \$12,812 to the Tennessee Plan.

**HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
TEACHER LEGACY PENSION PLAN OF TCRS
Fiscal Year Ended June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Hollow Rock-Bruceton Special School District's proportion of the net pension liability (asset)	0.064341%	0.063528%	0.053783%	0.064738%	0.067660%	0.069724%	0.069079%	0.069682%	0.067616%
Hollow Rock-Bruceton Special School District's proportionate share of the net pension liability (asset)	\$ (10,455)	\$ 26,023	\$ 336,114	\$ (21,181)	\$ (238,092)	\$ (716,893)	\$ (526,780)	\$ (3,005,555)	\$ (829,251)
Hollow Rock-Bruceton Special School District's covered employee payroll	\$ 2,525,392	\$ 2,378,176	\$ 1,941,463	\$ 2,288,478	\$ 2,369,379	\$ 2,337,952	\$ 2,303,342	\$ 2,288,069	\$ 2,225,947
Hollow Rock-Bruceton Special School District's proportionate share of the net pension asset as a percentage of its covered payroll	-0.41%	1.09%	17.31%	-0.93%	-10.05%	-30.66%	-22.87%	-131.36%	-37.25%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%	104.42%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN OF TCRS
Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required	\$ 224,255	\$ 214,987	\$ 175,508	\$ 206,878	\$ 215,128	\$ 244,531	\$ 244,398	\$ 234,884	\$ 228,727	\$ 180,785
Contribution in relation to the contractually required contribution	<u>224,255</u>	<u>214,987</u>	<u>175,508</u>	<u>206,878</u>	<u>215,128</u>	<u>244,531</u>	<u>244,398</u>	<u>234,884</u>	<u>228,727</u>	<u>\$ 180,785</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,525,392	\$ 2,378,176	\$ 1,941,463	\$ 2,288,478	\$ 2,369,379	\$ 2,337,952	\$ 2,303,342	\$ 2,288,069	\$ 2,220,648	\$ 2,080,331
Contributions as a percentage covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.61%	10.27%	10.30%	8.69%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See independent auditor's report.

**HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN OF TCRS
Fiscal Year Ended June 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Hollow Rock-Bruceton Special School District's proportion of the net pension liability (asset)	0.059681%	0.053364%	0.060650%	0.050928%	0.046632%	0.040502%	0.042343%	0.052188%
Hollow Rock-Bruceton Special School District's proportionate share of the net pension liability (asset)	\$ (2,452)	\$ (5,555)	\$ (16,000)	\$ (23,097)	\$ (26,323)	\$ (23,031)	\$ (45,867)	\$ (15,809)
Hollow Rock-Bruceton Special School District's covered payroll	\$ 126,615	\$ 234,803	\$ 398,066	\$ 445,049	\$ 493,458	\$ 511,099	\$ 611,106	\$ 891,207
Hollow Rock-Bruceton Special School District's proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%	-2.37%	-4.02%	-5.19%	-5.33%	-4.51%	-7.51%	-1.77%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%	104.55%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS
Fiscal Year Ending June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 3,165	\$ 5,878	\$ 15,923	\$ 7,258	\$ 9,573	\$ 10,375	\$ 12,344	\$ 17,913	\$ 28,634
Contribution in relation to the contractually required contribution	<u>5,065</u>	<u>9,392</u>	<u>15,923</u>	<u>17,802</u>	<u>9,573</u>	<u>10,375</u>	<u>12,344</u>	<u>17,913</u>	<u>28,634</u>
Contribution deficiency (excess)	<u>\$ (1,900)</u>	<u>\$ (3,514)</u>	<u>\$ -</u>	<u>\$ (10,544)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 126,615	\$ 234,803	\$ 398,066	\$ 445,049	\$ 493,458	\$ 511,099	\$ 611,106	\$ 891,207	\$ 1,048,116
Contributions as a percentage covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.02%	2.01%	2.73%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Effective July 1, 2018, contributions in excess of the actuarially determined contribution are being placed in a statutorily established Stabilization Reserve Trust (SRT) account separate from the TCRS Pension Trust and cannot be included in pension plan assets to offset the net pension liability of Hollow Rock-Bruceton Special School District. As a result, contributions attributable to the Teacher Retirement Plan now only include the contributions made at the actuarially determined contribution rate.

HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT'S
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total pension liability									
Service cost	\$ 29,354	\$ 34,307	\$ 35,688	\$ 35,057	\$ 43,787	\$ 44,774	\$ 57,191	\$ 52,794	\$ 65,678
Interest	59,331	64,744	71,510	73,132	84,671	86,868	95,205	95,067	113,786
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between actual & expected experience	5,601	18,050	(54,943)	84,974	(67,275)	1,833	(122,804)	21,959	100,068
Change of assumptions	-	-	-	23,425	-	-	-	226,332	-
Benefit payments, including refunds of employee contributions	(27,129)	(26,992)	(29,550)	(30,432)	(34,634)	(29,104)	(32,702)	(21,484)	(47,683)
Net change in total pension liability	67,157	90,109	22,705	186,156	26,549	104,371	(3,110)	374,668	231,849
Total pension liability - beginning	<u>775,283</u>	<u>842,440</u>	<u>932,549</u>	<u>955,254</u>	<u>1,141,410</u>	<u>1,167,959</u>	<u>1,272,330</u>	<u>1,269,220</u>	<u>1,643,888</u>
Total pension liability - ending (a)	<u>\$ 842,440</u>	<u>\$ 932,549</u>	<u>\$ 955,254</u>	<u>\$ 1,141,410</u>	<u>\$ 1,167,959</u>	<u>\$ 1,272,330</u>	<u>\$ 1,269,220</u>	<u>\$ 1,643,888</u>	<u>\$ 1,875,737</u>
Plan fiduciary net position									
Contributions - employer	\$ 32,353	\$ 30,506	\$ 32,073	\$ 36,010	\$ 40,354	\$ 48,209	\$ 48,744	\$ 52,186	\$ 58,445
Contributions - employee	18,534	17,983	18,889	21,157	23,764	28,358	28,673	30,698	34,380
Net investment income	124,304	27,275	24,750	111,063	92,705	92,728	68,516	386,995	(74,113)
Benefit payments, including refunds of employee contributions	(27,129)	(26,992)	(29,550)	(30,432)	(34,634)	(29,104)	(32,702)	(21,484)	(47,683)
Administrative expense	(781)	(1,057)	(1,740)	(2,051)	(2,445)	(2,917)	(2,667)	(2,902)	(3,372)
Other	-	-	-	81	-	-	-	-	-
Net change in plan fiduciary net position	147,281	47,715	44,422	135,828	119,744	137,274	110,564	445,493	(32,343)
Plan fiduciary net position - beginning	<u>728,082</u>	<u>875,363</u>	<u>923,078</u>	<u>967,500</u>	<u>1,103,328</u>	<u>1,223,072</u>	<u>1,360,346</u>	<u>1,470,910</u>	<u>1,916,403</u>
Plan fiduciary net position - ending (b)	<u>\$ 875,363</u>	<u>\$ 923,078</u>	<u>\$ 967,500</u>	<u>\$ 1,103,328</u>	<u>\$ 1,223,072</u>	<u>\$ 1,360,346</u>	<u>\$ 1,470,910</u>	<u>\$ 1,916,403</u>	<u>\$ 1,884,060</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ (32,923)</u>	<u>\$ 9,471</u>	<u>\$ (12,246)</u>	<u>\$ 38,082</u>	<u>\$ (55,113)</u>	<u>\$ (88,016)</u>	<u>\$ (201,690)</u>	<u>\$ (272,515)</u>	<u>\$ (8,323)</u>

See independent auditor's report.

HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT'S
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Plan fiduciary net position as a percentage of total pension liability	103.91%	98.98%	101.28%	96.66%	104.72%	106.92%	115.89%	116.58%	100.44%
Covered payroll	\$ 370,668	\$ 359,320	\$ 378,371	\$ 423,144	\$ 475,272	\$ 567,162	\$ 573,456	\$ 613,959	\$ 687,590
Net pension liability (asset) as a percentage of covered payroll	-8.88%	2.64%	-3.24%	9.00%	-11.60%	-15.52%	-35.17%	-44.39%	-1.21%

Notes to Schedule:

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

**HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT'S CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$ 32,353	\$ 30,506	\$ 32,073	\$ 36,010	\$ 23,288	\$ 38,283	\$ 30,508	\$ 32,663	\$ 58,445	\$ 56,834
Contributions in relation to the actuarially determined contributions	<u>32,353</u>	<u>30,506</u>	<u>32,073</u>	<u>36,010</u>	<u>40,354</u>	<u>48,209</u>	<u>48,744</u>	<u>52,186</u>	<u>58,445</u>	<u>56,834</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,066)</u>	<u>\$ (9,926)</u>	<u>\$ (18,236)</u>	<u>\$ (19,523)</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 370,668	\$ 359,320	\$ 378,371	\$ 423,144	\$ 475,272	\$ 567,162	\$ 573,456	\$ 613,959	\$ 687,589	\$ 654,010
Contributions as a percentage covered payroll	8.73%	8.49%	8.48%	8.51%	8.49%	8.50%	8.50%	8.50%	8.50%	8.69%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Notes to Schedule:

Valuation Date : Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.125 percent

Changes of assumptions . In 2021, the following assumptions were changed: decreased inflation rate from 2.5 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumption. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of

See independent auditor's report.

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
COLLECTIVE OPEB LIABILITY AND RATIOS**

Fiscal Year Ended June 30,2023

Teacher Group Insurance Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 51,893	\$ 38,188	\$ 28,955	\$ 30,404	\$ 32,314	\$ 35,004
Interest	20,980	17,268	23,934	21,772	25,422	21,827
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(132,549)	6,367	(7,276)	125,008	(137,317)	-
Changes of assumptions	(80,200)	152,252	80,364	(55,915)	21,186	(29,458)
Benefit payments	<u>(37,924)</u>	<u>(37,791)</u>	<u>(33,590)</u>	<u>(45,062)</u>	<u>(60,021)</u>	<u>(56,173)</u>
Net change in total OPEB liability	\$ (177,800)	\$ 176,284	\$ 92,387	\$ 76,207	\$ (118,416)	\$ (28,800)
Total OPEB liability - beginning	<u>938,250</u>	<u>761,966</u>	<u>669,579</u>	<u>593,372</u>	<u>711,788</u>	<u>740,588</u>
Total OPEB liability - ending (a)	<u>\$ 760,450</u>	<u>\$ 938,250</u>	<u>\$ 761,966</u>	<u>\$ 669,579</u>	<u>\$ 593,372</u>	<u>\$ 711,788</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	298,855	351,990	271,300	249,684	209,673	259,311
Employer's proportionate share of the collective total OPEB liability	461,595	586,260	490,666	419,895	383,699	452,477
Covered-employee payroll	2,225,947	2,176,980	3,640,227	2,963,692	2,467,079	2,369,571
Employer's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll	20.74%	26.93%	13.48%	14.17%	15.55%	19.10%

Note to Schedule:

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See independent auditor's report.

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
COLLECTIVE OPEB LIABILITY AND RATIOS

Fiscal Year Ended June 30, 2023

Tennessee Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 4,535	\$ 5,403	\$ 3,884	\$ 2,915	\$ 3,088	\$ 3,801
Interest	5,803	6,758	8,902	8,145	8,462	7,527
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(815)	(206)	(645)	28,415	(11,652)	-
Changes of assumptions	(42,080)	(35,835)	50,131	(798)	(1,805)	(20,419)
Benefit payments	<u>(12,849)</u>	<u>(11,903)</u>	<u>(11,313)</u>	<u>(10,781)</u>	<u>(10,510)</u>	<u>(10,050)</u>
Net change in total OPEB liability	\$ (45,406)	\$ (35,783)	\$ 50,959	\$ 27,896	\$ (12,417)	\$ (19,141)
Total OPEB liability - beginning	<u>270,508</u>	<u>306,291</u>	<u>255,332</u>	<u>227,436</u>	<u>239,853</u>	<u>258,994</u>
Total OPEB liability - ending (a)	<u>\$ 225,102</u>	<u>\$ 270,508</u>	<u>\$ 306,291</u>	<u>\$ 255,332</u>	<u>\$ 227,436</u>	<u>\$ 239,853</u>
Nonemployer contributing entities proportionate share of the collective t	225,102	270,508	306,291	255,332	227,436	239,853
Employer's proportionate share of the collective total OPEB liability	-	-	-	-	-	-
Covered-employee payroll	2,225,947	2,176,980	3,640,227	2,963,692	2,467,079	2,369,571
Employer's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See independent auditor's report.

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
 NOTES TO SCHEDULE OF CHANGES IN THE DISTRICT'S
 PROPORTIONATE SHARE OF COLLECTIVE OPEB LIABILITY AND RATIOS
 For the Fiscal Year Ended June 30, 2023**

Valuation Date: June 30, 2022
 Measurement Date: June 30, 2022

Methods and Assumptions Used to Determine Total OPEB Liability

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	3.54%
Salary Increases	Assumed salary increases are the same as used by TCRS: 8.72% at age 20 graded to 3.44% at age 70 (with 4.00% weighted average).
Retirement Age	Retirement rates used in the July 1, 2022 actuarial evaluation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Demographic Assumptions	Demographic assumptions used in the July 1, 2021 actuarial evaluation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 8.99 for pre-65 retirees in the 2023 calendar year, and gradually decreasing over a 10 year period to an ultimate trend rate of 4.5 percent.

Other Information:

Notes See the Actuarial Valuation Report as of July 1, 2022
 There were no benefit changes during the measurement period.
 There have been no method changes since the prior year.

The Teacher Group Insurance Plan:

The financial accounting valuation reflects the following assumption changes

- The discount rate increased from 2.16% to 3.54%.
- The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the Measurement Date.
- Coverage acceptance rates for certain employees were updated to reflect more recent subsidy amounts and plan experience.

The Tennessee Plan:

The financial accounting valuation reflects the following assumption changes:

- The discount rate increased from 2.16% to 3.54%.
- The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of The Measurement Date. Given that most participating agencies receive a flat subsidy under the Medicare supplement plan, the impact of updated trend assumptions was minimal.
- Coverage acceptance rates for certain employees were updated to reflect more recent subsidy amounts and plan experience.

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

The other supplementary information section of this report includes information that is not required to be included in the Basic Financial Statements, but is provided for the purpose of additional analysis.

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2023

	Special Revenue Funds			Total
	Debt Service Fund	Centralized Cafeteria Fund	Internal School Fund	
Assets:				
Cash	\$ 25,598	\$ 245,195	\$ 108,569	\$ 379,362
Certificates of deposit	-	76,130	15,000	91,130
Taxes receivable	74,331	-	58	74,389
Due from other governments	696	-	-	696
Due from other funds	-	628	-	628
Inventory	-	3,276	-	3,276
Prepaid expenses	-	1,447	-	1,447
Total assets	<u>\$ 100,625</u>	<u>\$ 326,676</u>	<u>\$ 123,627</u>	<u>\$ 550,928</u>
Liabilities and Fund Balances:				
Liabilities:				
Deferred revenue	74,331	-	-	74,331
Total liabilities	<u>74,331</u>	<u>-</u>	<u>-</u>	<u>74,331</u>
Fund balances:				
Nonspendable				
Inventory	-	3,276	-	3,276
Restricted				
Internal School Funds	-	-	123,627	123,627
Other federal projects	-	-	-	-
Operation of non-instructional services	-	323,400	-	323,400
Assigned				
Debt service	<u>26,294</u>	<u>-</u>	<u>-</u>	<u>26,294</u>
Unassigned	-	-	-	-
Designated - inventory	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 26,294</u>	<u>\$ 326,676</u>	<u>\$ 123,627</u>	<u>\$ 476,597</u>
Total liabilities and fund balances	<u>\$ 100,625</u>	<u>\$ 326,676</u>	<u>\$ 123,627</u>	<u>\$ 550,928</u>

See independent auditor's report.

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2023**

	Debt Service Fund	Special Revenue Funds		Total
		Centralized Cafeteria Fund	Internal School Funds	
Revenues:				
Charges for current services	\$ -	\$ 19,668	\$ -	\$ 19,668
Interest earned	946	1,085	-	2,031
Property tax	72,464	-	-	72,464
State revenue	-	3,111	-	3,111
Federal revenue	-	610,900	-	610,900
Internal School fund revenue	-	-	367,580	367,580
Total revenues	74,980	634,764	367,580	1,077,324
Expenditures:				
Current				
Instruction	-	-	355,138	355,138
Food service	-	518,824	-	518,824
Debt service:				
Principal on debt	113,910	-	-	113,910
Interest on debt	21,090	-	-	21,090
Other debt service	450	-	-	450
Total expenditures	135,450	518,824	355,138	1,009,412
Net changes in fund balance	(60,470)	115,940	12,442	67,912
Fund balance - beginning	86,764	216,285	111,185	414,234
Increase (decrease) in inventory	-	(5,549)	-	(5,549)
Fund balance - ending	\$ 26,294	\$ 326,676	\$ 123,627	\$ 476,597

See independent auditor's report.

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CENTRALIZED CAFETERIA FUND
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Charges for current services:				
Lunch payments - adults	\$ 12,000	\$ 12,000	\$ 19,668	\$ 7,668
Income from breakfast	1,500	1,500	-	(1,500)
Special milk sales	400	400	-	(400)
A la carte sales	7,000	7,000	-	(7,000)
Total charges for current services	<u>20,900</u>	<u>20,900</u>	<u>19,668</u>	<u>(1,232)</u>
Other local revenues:				
Interest earned	<u>800</u>	<u>800</u>	<u>1,085</u>	<u>285</u>
Total other local revenues	<u>800</u>	<u>800</u>	<u>1,085</u>	<u>285</u>
State education funds:				
School food services	<u>4,000</u>	<u>4,000</u>	<u>3,111</u>	<u>(889)</u>
Federal through State:				
USDA - lunch	234,000	322,457	361,834	39,377
USDA - breakfast	92,000	141,000	173,614	32,614
USDA - other	3,300	3,300	35,789	32,489
USDA - commodities	<u>35,000</u>	<u>35,000</u>	<u>39,663</u>	<u>4,663</u>
Total Federal through State	<u>364,300</u>	<u>501,757</u>	<u>610,900</u>	<u>109,143</u>
Total revenues	<u>390,000</u>	<u>527,457</u>	<u>634,764</u>	<u>107,307</u>
EXPENDITURES				
Current expenditures:				
Food services:				
Cafeteria personnel	125,500	157,017	149,315	(7,702)
Social security	7,786	9,446	8,977	(469)
State retirement	10,668	12,960	12,266	(694)
Medical insurance	4,200	-	-	-
Unemployment compensation	82	89	86	(3)
Medicare liability	1,830	2,017	2,017	-
Communication	600	250	200	(50)
Pest control	374	374	220	(154)
Maintenance and repair - equipment	5,000	5,181	5,180	(1)
Postal charges	60	-	-	-
Travel	1,200	1,505	1,504	(1)
Other contracted services	8,000	3,000	3,000	-
Food supplies	200,000	286,753	278,418	(8,335)

See independent auditor's report

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CENTRALIZED CAFETERIA FUND
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Office supplies	2,700	700	700	-
Uniforms	1,500	1,300	1,268	(32)
Utilities	12,000	12,000	12,000	-
Commodities	-	40,665	39,663	(1,002)
Other supplies and materials	8,000	2,000	2,000	-
Other charges	500	200	192	(8)
Equipment	<u>10,000</u>	<u>2,000</u>	<u>1,818</u>	<u>(182)</u>
Total expenditures	<u>400,000</u>	<u>537,457</u>	<u>518,824</u>	<u>(18,633)</u>
 Net change in fund balance	 <u>\$ (10,000)</u>	 <u>\$ (10,000)</u>	 115,940	 <u>\$ 125,940</u>
 Fund balance - July 1, 2022			 <u>216,285</u>	
 Increase (decrease) in inventory			 <u>(5,549)</u>	
 Fund balance - June 30, 2023			 <u>\$ 326,676</u>	

See independent auditor's report

**HOLLOW ROCK BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND**

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Other local revenues:				
Property taxes	\$ 121,400	\$ 121,450	\$ 72,464	\$ (48,986)
Payments in lieu of taxes	-	-	1,570	1,570
Interest earned	1,250	1,250	946	(304)
Miscellaneous refunds	-	-	-	-
Total revenues	122,650	122,700	74,980	(47,720)
EXPENDITURES				
Current expenditures:				
Noninstructional services				
Education debt service:				
Principal on bonds	105,000	105,000	113,910	8,910
Interest on bonds	30,000	30,000	21,090	(8,910)
Other debt service	400	450	450	-
Total education debt service	135,400	135,450	135,450	-
Total expenditures	135,400	135,450	135,450	-
Net change in fund balance	\$ (12,750)	\$ (12,750)	(60,470)	\$ (47,720)
Fund balance - July 1, 2022			86,764	
Fund balance - June 30, 2023			\$ 26,294	

See independent auditor's report.

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
 GENERAL OBLIGATION DEBT**

June 30, 2023

<u>Year Ended June 30,</u>	School Refunding Bonds Series 2019	
	Principal	Interest
2024	<u>\$ 357,000</u>	<u>\$ 10,710</u>

See independent auditor's report.

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBTS BY INDIVIDUAL ISSUE
June 30, 2023

Description of Indebtedness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding July 1, 2022	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding June 30, 2023
School refunding bonds, Series 2019	\$ 1,689,000	3.0%	May 14, 2019	April 1, 2024	\$ 703,000	\$ -	\$ 346,000	\$ -	\$ 357,000
	<u>\$ 1,689,000</u>				<u>\$ 703,000</u>	<u>\$ -</u>	<u>\$ 346,000</u>	<u>\$ -</u>	<u>\$ 357,000</u>

See independent auditor's report.

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the SEFA) and schedule of state financial assistance (the SSFA) include the federal and state award activity of Hollow Rock - Bruceton Special School District (the District) under programs of the federal and state governments for the year ended June 30, 2023. The information in the SEFA is presented in accordance with the 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). Because these schedules present only a selected portion of the operations of the District they are not intended to and do not present the statement of net position, statement of activities, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA and SSFA 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. Negative amounts shown on the SEFA and SSFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report.

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program	Federal AL Number	Contract Number	Expenditures/ Amount Earned/ Amount Issued
U.S. DEPARTMENT OF EDUCATION/ Pass-through the Tennessee Department of Education/ Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA Program, Part B)	84.027	H027A210052	\$ 149,335
Special Education - Preschool Grants (IDEA Program, Preschool)	84.173	H173A210095	<u>16,944</u>
Total Special Education Cluster (IDEA)			<u>166,279</u>
Title I, Grants to Local Education Agencies	84.010A	S010A210042	237,699
Math Implementation Grant	84.425D	S425D210047	71,250 *
COVID 19 - Education Stabilization Fund - ESSER 2	84.425D	S425D210047	118,813 *
COVID 19 - Education Stabilization Fund - ESSER 3	84.425D	S425D210047	846,521 *
COVID 19 - ESSER Training	84.425D	S425D210047	<u>98,669</u> *
			1,135,253
Career and Technical Education - Basic Grants to States	84.048	V048A210042	17,189
Summer learning camps	93.558		21,575
Rural Education	84.358	S358B210042	18,251
Title II Teacher and Principal Training and Recruiting	84.367A	S367A220040	29,229
Title IV, Student Support	84.425C		4,000
Title IV, Student Support	84.424A	A424A220044	18,375
21st Century Community Learning Centers Cohort	84.287C	S287C220043	<u>36,939</u>
Total Department of Education			<u>1,684,789</u>
U.S. DEPARTMENT OF AGRICULTURE/ Pass-through the Tennessee Department of Agriculture/ Child Nutrition Cluster			
School Breakfast Program	10.553	n/a	173,614
National School Lunch Program	10.555	n/a	361,834
Fresh Fruits and Vegetables	10.582	n/a	8,851
National School Lunch Program- Snacks	10.555	n/a	3,083
NSLP - Supply Chain Assistance Grant	10.555	n/a	23,227
Food Distribution - Commodities	10.555	n/a	<u>39,663</u>
Total Child Nutrition Cluster			<u>610,272</u>
Pandemic-EBT Administrative Costs Grant	10.649	n/a	<u>628</u>
Total Department of Agriculture			<u>610,900</u>
Total federal awards			<u>\$ 2,295,689</u>

* major program

See independent auditor's report and notes on page 70.

HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

Grantor/ Program	Contract Number	Expenditures
Tennessee Department of Education/ Early Childhood - Lottery	n/a	\$ 104,880
USDA State Match	n/a	3,111
Career Ladder	n/a	15,738
Driver's education	n/a	1,130
School Resource Officer	n/a	14,187
School Safety	n/a	15,180
Summer Transportation	n/a	11,442
Summer Learning Camp	n/a	<u>41,509</u>
Total State Awards		\$ <u>207,177</u>

See independent auditor's report and notes on page 70.

INTERNAL CONTROL AND COMPLIANCE SECTION



**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***

Board of Education
Hollow Rock–Bruceton Special School District
Bruceton, Tennessee

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hollow Rock–Bruceton Special School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents, and have issued our report thereon dated May 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hollow Rock–Bruceton Special School District’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 Hollow Rock–Bruceton Special School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Hollow Rock–Bruceton Special School District’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hollow Rock–Bruceeton Special School District'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*.

We noted certain matters that we reported to management of Hollow Rock-Bruceeton Special School District in a separate letter dated May 31, 2024.

See Hollow Rock–Bruceeton Special School District’s internal school funds audit report for respective schedule of findings and recommendations and summary of prior year findings.

Purpose of this Report

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

ATA, PLLC

Martin, Tennessee
May 31, 2024



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Hollow Rock–Bruceeton Special School District
Bruceeton, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hollow Rock–Bruceeton Special School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. Hollow Rock–Bruceeton Special School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion the District complied, in all material respects, with the type 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 June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District'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.

Other Matters

The result of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A7A, PLLC

Martin, Tennessee
May 31, 2024

**HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- material weakness(es) identified? yes X no
- significant deficiency(ies) identified? yes X none reported
- noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- material weakness(es) identified? yes X no
- significant deficiency(ies) identified? yes X none reported

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

Unmodified

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

 X yes no

Identification of major federal programs:

<u>Federal Program Name or Cluster</u>	<u>ALN No.</u>
U.S. Department of Education	
Education Stabilization Fund (ESF)	84.425
Dollar threshold used to distinguish between type A and type B programs:	\$750,000

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

None reported.

**HOLLOW ROCK–BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2023

Section III – Federal Award Findings and Questioned Costs

2023-001 Single Audit Data Collection Form Not Filed by Due Date (non-compliance - other)

Condition: The data collection form for the Single Audit ended June 30, 2023, was not submitted to the Federal Audit Clearinghouse by March 31, 2024.

Criteria: 2 CFR section 200.512(b) provides for a form, referred to as the data collection form, to be prepared at the completion of each audit and submitted by the auditee to the Federal Audit Clearinghouse the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

Cause: The audit report was not issued prior to the March 31, 2024, submission date requirement. Therefore, the data collection form required at audit completion was not filed by this date.

Effect: The District has not met the reporting requirements related to timely submission of the data collection form required for a Single Audit. Therefore, per 2 CFR section 200.520, the District will not meet the low-risk auditee criteria for future Single Audits that requires submission of the data collection form and reporting package by the due date for each of the two preceding audit years.

Recommendation: We recommend that the District develop specific procedures to ensure that the audit report is received prior to the March 31 reporting deadline.

Response: The District will work with the audit firm to ensure that the audit field work is scheduled with sufficient time to allow the audit report and data collection form to be filed timely in the future.

**HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

June 30, 2023

Section II - Financial Statement Findings

Prior Year Finding Number	Finding Title	Status
2022-001	Improper Reconciliation of Cash	Corrected

Section III - Federal Award Findings and Questioned Costs

None reported.

MANAGEMENT'S CORRECTIVE ACTION PLAN
June 30, 2023

May 31, 2024

The Hollow Rock-Bruceton Special School District respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:
ATA, PLLC
304 North Lindell
Martin, TN 38237

Audit period: June 30, 2023

Hollow Rock-Bruceton Special School District Contact:
Myles Hebrard, Director of Schools

The findings from the June 30, 2023 schedule of findings an questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings – Federal Award Findings

Response and Corrective Action plan prepared by:	Myles Hebrard, Director of Schools
Person responsible for Implementing the Corrective Action:	Kaitlin Carter, Director of Finance
Anticipated Completion Date of Corrective Action:	05/31/2024

2023-001 Single Audit Data Collection Form Not Filed by Due Date

Recommendation: We recommend that the District develop specific procedures to ensure that the audit report is received prior to the March 31 reporting deadline.

Action taken: The District will work with the audit firm to ensure that the audit field work is scheduled with sufficient time to allow the audit report and data collection form to be filed timely in the future.

Submitted by: Kaitlin Carter, Director of Finance

Signature: 