

**Enterprise City Board
of Education**

FINANCIAL STATEMENTS

For the Year Ended September 30, 2015



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRlcpa.com | blog.cricpa.com

**Enterprise City Board of Education
Table of Contents
September 30, 2015**

TAB: REPORT

Independent Auditors' Report	1
------------------------------	---

TAB: FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A)	4
---	---

Government-Wide Financial Statements

Statement of Net Position	12
---------------------------	----

Statement of Activities	13
-------------------------	----

Fund Financial Statements

Balance Sheet – Governmental Funds	14
------------------------------------	----

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position	15
--	----

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
---	----

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	17
---	----

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	18
---	----

Statement of Fiduciary Net Position	19
-------------------------------------	----

Notes to Financial Statements	20
-------------------------------	----

Required Supplementary Information:

Schedule of the Employer's Proportionate Share of the Net Pension Liability	46
---	----

Schedule of Employer Contributions	47
------------------------------------	----

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	48
---	----

Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	50
--	----

Schedule of Expenditures of Federal Awards	52
--	----

Notes to Schedule of Expenditures of Federal Awards	54
---	----

Schedule of Findings and Questioned Costs	55
---	----

Summary Schedule of Prior Audit Findings	57
--	----

Management Letter	58
-------------------	----



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Enterprise City Board of Education (the "Board"), a component unit of the City of Enterprise, Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of September 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Board adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statements No. 68*, during the year ended September 30, 2015. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11, schedule of the employer's proportionate share of the net pension liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 18, 2016

Introduction

The Management's Discussion and Analysis (MD&A) of the Enterprise City Board of Education's (the "Board") financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2015. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Board's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this analysis.

Financial Highlights

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

On the government-wide financial statements:

- The assets of the Board exceeded its liabilities at the close of the 2015 fiscal year by \$97.56 million (net position). Of this amount, there is (\$13.07) million in unrestricted deficit net position. The net position invested in capital assets amounted to \$110.39 million. Restricted net position amounted to \$.24 million. The government-wide financial statements are a long-term availability approach to analyzing the financial statements.
- The total cost of the Board's programs for the year was \$63.57 million. After taking away a portion of these costs paid from with charges for services, intergovernmental aid, interest earnings and other miscellaneous sources, the net cost that required funding from Enterprise City taxpayers was \$14.88 million.

On the fund financial statements:

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5.77 million.
- There was an overall increase of \$14.5 million in fund balance in governmental funds.
- The Board had a net decrease in its outstanding debt by \$721 thousand due to debt payments.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Board's basic financial statements, which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

Management's Discussion and Analysis (MD&A)

The first two statements are government-wide financial statements - the *Statement of Net Position* and the *Statement of Activities*. These provide both long-term and short-term information about the Board's overall financial status. Although other governments may report governmental activities and business-type activities, the Board has no business-type activities.

The *Statement of Net position* presents information on all of the Board's assets and deferred outflows of resources less liabilities and deferred inflows of resources, which results in net position. The statement is designed to display the financial position of the Board. Over time, increases and decreases in net position help determine whether the Board's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Board's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which each expenditure function draws from general revenues of the Board (primarily local taxes) or is financed through charges for services (such as lunchrooms) and intergovernmental aid (primarily federal programs and state appropriations).

The fund financial statements provide more detailed information about the Board's most significant funds - not the Board as a whole. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. The Board uses fund accounting to ensure and demonstrate fiscal accountability. Two kinds of funds - governmental funds and fiduciary funds - are presented in the fund financial statements.

Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements - the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* - are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The budgetary comparison schedule for the general fund is prepared on a budgetary basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). Note 2 to the financial statements include a schedule explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting. The governmental fund statements provide a detailed short-term view that helps readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Management's Discussion and Analysis (MD&A)

Financial Analysis of the Board as a Whole

As noted earlier, the Board has no business-type activities. Consequently, all the Board's net position is reported as governmental activities.

Net Position - Governmental Activities

<i>September 30,</i>	2015 (in millions)	2014 (in millions)
Assets		
Current and other assets	\$ 39.54	\$ 24.70
Capital assets, net of depreciation	125.13	124.76
Total assets	164.67	149.46
Deferred Outflows of Resources		
Deferred loss on refunding	.43	.14
Deferred outflows related to pension liability	4.58	3.51
Total deferred outflows of resources	5.01	3.65
Liabilities		
Current liabilities	6.50	6.14
Noncurrent liabilities	58.54	61.19
Total liabilities	65.04	67.33
Deferred Inflows of Resources		
Unavailable revenue - property taxes	3.76	3.73
Deferred inflows related to pension liability	3.32	-
Total deferred inflows of resources	7.08	3.73
Net Position		
Net investment in capital assets	110.39	109.60
Restricted	.24	10.34
Unrestricted (deficit)	(13.07)	(37.89)
Total net position	\$ 97.56	\$ 82.05

The Board's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$97.56 million at the close of the fiscal year. The majority of the Board's net position are invested in capital assets (land, buildings, and equipment) owned by the Board. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations. Unrestricted net position – the part of net position that

Management's Discussion and Analysis (MD&A)

can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements – are (\$13.07) million at the end of the year.

The following table of the Board's total revenues and expenditures condenses the results of operations for the fiscal year into a format where the reader can easily see total revenues of the Board for the year. It also shows the impact operations had on changes in net position as of September 30, 2015.

Summary of Changes in Net Position From Operating Results

<i>Years ended September 30,</i>	2015 (in millions)	2014 (in millions)
Program Revenues		
Charges for services	\$ 5.38	\$ 5.77
Operating grants and contributions	41.01	39.14
Capital grants	2.31	2.38
General Revenues		
Local property taxes	4.34	4.43
Sales and use taxes	6.96	6.63
Other taxes	.03	.04
Other	2.37	2.10
City Appropriations	16.68	-
Total revenues and special item	79.08	60.49
Expenses		
Instructional	34.74	36.39
Instructional support	10.96	10.27
Operation and maintenance	5.31	5.26
Transportation	3.54	3.51
Food service	3.89	4.02
General administration and central support	3.22	2.96
Interest on long-term debt	.75	.78
Other	1.16	.87
Total expenses	63.57	64.06
Changes in net position	15.51	(3.57)
Net Position – Beginning, as restated	82.05	85.62
Net Position – Ending	\$ 97.56	\$ 82.05

Management's Discussion and Analysis (MD&A)

Revenue Analysis:

- Program revenues account for 62% of total revenues including capital grant revenue.
- Operating grants and contributions make up 84% of program revenues. The major sources of revenues in this category are state foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.
- General revenues, primarily property taxes and sales taxes, and a one-time appropriation of 16.68 million from the City were used to provide \$30.38 million for expenses not covered by program revenues.

Expense Analysis:

- Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the Board. In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies, and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance-related assets.
- In addition to bus driver salaries and benefits, student transportation services include mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and the bus shop, and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Other expenses include the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and the community education instructor. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.
- Debt service includes interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

Performance of School Board Funds

Governmental Funds – As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health.

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 15 and 17.) The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balance of \$30.2 million.

General Fund – The general fund is the chief operating fund of the Board. The general fund balance increased by \$798 thousand this year. This is primarily due to the following reasons:

- Normal fluctuations of tax revenues and budgeted expenditures, decreased personnel costs and cost saving measures implemented.

Capital Projects-Local Fund - The capital projects-local fund is used to account for local financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities. This fund accounts for the proceeds of the local district 7 mil ad valorem tax used for school construction projects. The fund balance of this fund increased \$.84 million during fiscal year 2015. This increase is due to no large capital project outlays from this fund during the fiscal year.

City Council Appropriations Fund – This fund is used to account for the one-time \$16.7 million appropriation from the city to be spent on capital projects. The fund balance increased \$12.0 million during the year because of the net of the appropriation and some capital expenditures.

Insurance Loss Recovery Fund – This fund is used to account for funds received from covered capital losses. The fund balance of this fund increased \$35 thousand during fiscal year due to investment income.

Budgetary Highlights of Major Funds

The original 2015 fiscal year budget, adopted on September 11, 2014, was based on a bare bones approach that reflected only guaranteed revenues and necessary expenditures. The original budget was amended once during the year on June 11, 2015. The amendment was necessary to budget federal carryover funds, reflect actual beginning fund balances, add revenue and expenditures for fund sources not reflected in the original budget, and budget for additional expenditures not reflected in the original budget. In summary, the final budget is reasonable based on the financial activity of the Board.

Management's Discussion and Analysis (MD&A)

General Fund – The comparison of the general fund original budget to the final amended budget is on page 18. Because actual revenues exceeded actual expenses there was an overall increase in the general fund.

Capital Asset and Debt Administration

Capital Assets - The Board's investment in capital assets for its governmental activities at September 30, 2015 totaled \$110.40 million, net of accumulated depreciation and related debt. The capital asset activity for the year is detailed in note 6 to the financial statements. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. Capital assets were decreased (depreciated) by \$4.20 million during fiscal year 2015. The Board expended available resources to acquire \$5.01 million in capital asset additions during the year.

Long-Term Debt - At year-end, the Board owed \$14.40 million in warrants, net of unamortized premiums. Of this amount, \$3.83 million was owed on the 2009C and 2015B Pool Bonds, and \$10.57 million on the 2010 Warrants. More information with regard to the Board's long-term debt is presented in Note 8 to the financial statements.

Factors Bearing on the Board's Future

Funding – The rolling reserve act took effect in FY'13. A 15-year average will provide a stable funding base to establish a cap on state Education Trust Fund (ETF) appropriations. The process directs reserves to a stabilization fund. The stabilization fund will enable the state to reliably provide funding when revenue growth fails to meet projections in any given year. The long-term stability will allow school boards, administrators and teachers to serve students consistently.

County and City Sales Tax – Sales tax revenues increased by 5% for FY'15.

Property Tax – Property taxes decreased slightly by 2%. A portion of the special district property tax is earmarked for debt payment on the Capital Outlay Warrants Series 2010.

Student Enrollment – The latest student enrollment figure, as of the 2015-2016 twenty day (after Labor Day) report was 6848 students. This indicates an increase in enrollment of 2.56%, or 171 students over the prior year and an increase of 19%, or 1,109 students over the last 10 years. State foundation program funds, our largest source of funds, are tied to student enrollment numbers. Because this funding is based on prior year enrollment numbers, we expect state foundation funding to increase for FY'17 by \$842,000.

Medical and Retirement Costs – Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer cost is \$780 per employee per month for fiscal year 2015. Employer contributions to the Teachers Retirement System (TRS) increased slightly at 11.94% and decreased slightly to 10.84% for Tier 1 and Tier 2 employees, respectively, for fiscal year 2016. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brian Stewart, Chief School Financial Officer, P.O. Box 311790, Enterprise, AL 36331-1790, or by calling (334) 347-9531 during regular office hours, Monday through Friday, from 8:00 A.M. to 4:00 P.M.

Enterprise City Board of Education
Statement of Net Position
September 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,626,874
Investments	27,740,298
Receivables	6,692,261
Inventories	105,899
Restricted assets:	
Cash and cash equivalents	348,475
Accrued interest receivable	25,177
Capital assets, not being depreciated	9,273,418
Capital assets, net of depreciation	115,858,876
Total assets	164,671,278
Deferred Outflows of Resources	
Deferred loss on refunding	428,228
Deferred outflows related to pension	4,583,852
Total deferred outflows of resources	5,012,080
Liabilities	
Accounts payable	1,434,030
Salaries and benefits payable	4,085,450
Accrued interest payable	109,962
Unearned revenue	81,694
Long-term liabilities	
Net pension liability	44,327,000
Due and payable within one year	788,688
Due and payable after one year	14,212,231
Total liabilities	65,039,055
Deferred Inflows of Resources	
Unearned property taxes	3,758,385
Deferred inflows related to pension	3,323,000
Total deferred inflows of resources	7,081,385
Net Position	
Net investment in capital assets	110,395,860
Restricted for debt service	238,513
Unrestricted (deficit)	(13,071,455)
Total net position	\$ 97,562,918

See accompanying notes to financial statements.

Enterprise City Board of Education
Statement of Activities
For the Year Ended September 30, 2015

Functions / Programs	Expenses
Instructional services	\$ 34,742,521
Instructional support services	10,956,693
Operation and maintenance services	5,308,067
Student transportation services	3,539,142
Food services	3,886,377
General administrative services	3,222,039
Interest and fiscal charges	749,830
Other expenses	1,162,511
Total	\$ 63,567,180

See accompanying notes to financial statements.

Charges For Services	Program Revenues		Net (Expenses) Revenues and Changes In Net Position Governmental Activities
	Operating Grants and Contributions	Capital Grants and Contributions	
\$ 443,834	\$ 27,589,184	\$ 561,145	\$ (6,148,358)
800,344	7,486,023	-	(2,670,326)
351,846	1,940,395	1,031,554	(1,984,272)
250,787	2,250,792	654,557	(383,006)
3,084,804	166,529	-	(635,044)
5,658	1,240,928	59,566	(1,915,887)
-	-	-	(749,830)
434,512	338,165	-	(389,834)
<u>\$ 5,371,785</u>	<u>\$ 41,012,016</u>	<u>\$ 2,306,822</u>	<u>(14,876,557)</u>

General Revenues

Taxes:

Property taxes for general purposes	2,522,745
Property taxes for specific purposes	1,820,071
Local sales tax	6,963,356
Other taxes	33,847

Grants and Contributions Not Restricted for Specific Programs

Investment earnings	16,681,055
Miscellaneous	189,390
	2,182,291

Total general revenues	30,392,755
------------------------	------------

Change in net position	15,516,198
------------------------	------------

Net position - beginning, as previously stated	125,147,720
--	-------------

Restatement of net position (Note 15)	(43,101,000)
---------------------------------------	--------------

Net position - beginning, as restated	82,046,720
---------------------------------------	------------

Net position - ending	\$ 97,562,918
-----------------------	---------------

**Enterprise City Board of Education
Balance Sheet – Governmental Funds
September 30, 2015**

	General Fund	Local Capital Projects Fund
Assets		
Cash and cash equivalents	\$ 1,626,727	\$ 1,461,746
Investments	6,846,578	2,828,502
Receivables	3,668,601	1,263,965
Due from other funds	148,858	-
Inventories	-	-
Restricted assets:		
Cash and cash equivalents	-	348,475
Total assets	\$ 12,290,764	\$ 5,902,688
Liabilities		
Accounts payable	\$ 307,177	\$ -
Due to other funds	-	-
Salaries and benefits payable	3,717,121	-
Unearned revenue	-	-
Total liabilities	4,024,298	-
Deferred Inflows of Resources		
Unavailable revenue - property taxes	2,494,419	1,263,966
Fund Balances		
Non-spendable	-	-
Restricted	-	348,475
Assigned	-	4,290,247
Unassigned	5,772,047	-
Total fund balances	5,772,047	4,638,722
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,290,764	\$ 5,902,688

See accompanying notes to financial statements.

City Council Appropriations	Insurance Loss Recovery Fund	Other Governmental Funds	Total Governmental Funds
\$ (989,972)	\$ 863,799	\$ 1,664,574	\$ 4,626,874
13,739,934	4,325,284	-	27,740,298
-	-	1,759,695	6,692,261
-	-	-	148,858
-	-	105,899	105,899
-	-	-	348,475
\$ 12,749,962	\$ 5,189,083	\$ 3,530,168	\$ 39,662,665
\$ 800,564	\$ -	\$ 326,289	\$ 1,434,030
-	-	148,858	148,858
-	-	368,329	4,085,450
-	-	81,694	81,694
800,564	-	925,170	5,750,032
-	-	-	3,758,385
-	-	105,899	105,899
-	-	-	348,475
11,949,398	5,189,083	2,499,099	23,927,827
-	-	-	5,772,047
11,949,398	5,189,083	2,604,998	30,154,248
\$ 12,749,962	\$ 5,189,083	\$ 3,530,168	\$ 39,662,665

**Enterprise City Board of Education
Reconciliation of Balance Sheet of Governmental
Funds to Statement of Net Position
For the Year Ended September 30, 2015**

Amounts reported for governmental activities in the Statement of Net Position on page 12 are different because:

Total fund balance - governmental funds	\$	30,154,248
---	----	------------

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

Cost of capital assets	\$ 163,814,134	
Accumulated depreciation	(38,681,840)	125,132,294
<hr/>		

Interest on unmatured investments will not be collected this year and is not available soon enough to pay for the current period's expenditures, and therefore is not accrued in the governmental funds.

Accrued interest receivable		25,177
-----------------------------	--	--------

Deferred inflows and outflows related to pension represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.

Deferred outflows related to pension	4,583,852	
Deferred inflows related to pension	(3,323,000)	1,260,852
<hr/>		

Long-term liabilities, including bonds payable, bond discounts, deferred loss on refunding and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Accrued interest payable	(109,962)	
Net pension liability	(44,327,000)	
Deferred loss on refunding	428,228	
Current portion of long-term debt	(788,688)	
Non-current portion of long-term debt	(14,212,231)	(59,009,653)
<hr/>		

Total net position - governmental activities	\$	97,562,918
<hr/>		

See accompanying notes to financial statements.

Enterprise City Board of Education
Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Local Capital Projects Fund
Revenues		
State revenues	\$ 35,519,747	\$ -
Federal revenues	1,383,399	-
Local revenues	9,890,696	1,852,504
Other revenues	200,753	-
Total revenues	46,994,595	1,852,504
Expenditures		
Instructional services	27,765,090	-
Instructional support services	8,484,808	-
Operation and maintenance services	3,728,477	-
Student transportation services	2,536,333	-
Food services	13,671	-
General administrative services	2,429,709	-
Capital outlay	-	42,000
Debt service:		
Principal	-	520,000
Interest	-	444,350
Other expenses	238,802	3,439
Total expenditures	45,196,890	1,009,789
Excess (deficiency) of revenues over (under) expenditures	1,797,705	842,715
Other Financing Sources (Uses)		
Indirect cost	126,497	-
Long-term debt issued	-	-
Premiums on long-term debt issued	-	-
Transfers in	120,730	-
Transfers out	(1,266,790)	-
Payment to refunded bond escrow agent	-	-
Other financing sources	20,170	-
Total other financing sources (uses)	(999,393)	-
Net change in fund balances	798,312	842,715
Fund Balances - beginning	4,973,735	3,796,007
Fund Balances - ending	\$ 5,772,047	\$ 4,638,722

See accompanying notes to financial statements.

City Council Appropriations	Insurance Loss Recovery Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,302,002	\$ 37,821,749
-	-	5,993,300	7,376,699
16,739,934	34,976	4,830,933	33,349,043
3,000	-	304,861	508,614
16,742,934	34,976	13,431,096	79,056,105
-	-	3,608,826	31,373,916
-	-	2,458,368	10,943,176
93,856	-	1,493,661	5,315,994
-	-	609,160	3,145,493
-	-	3,892,980	3,906,651
-	-	339,806	2,769,515
4,697,880	-	-	4,739,880
-	-	201,722	721,722
-	-	198,024	642,374
-	-	918,771	1,161,012
4,791,736	-	13,721,318	64,719,733
11,951,198	34,976	(290,222)	14,336,372
-	-	-	126,497
-	-	2,947,375	2,947,375
-	-	576,366	576,366
-	-	1,548,352	1,669,082
-	-	(402,292)	(1,669,082)
-	-	(3,506,916)	(3,506,916)
-	-	-	20,170
-	-	1,162,885	163,492
11,951,198	34,976	872,663	14,499,864
(1,800)	5,154,107	1,732,335	15,654,384
\$ 11,949,398	\$ 5,189,083	\$ 2,604,998	\$ 30,154,248

Enterprise City Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended September 30, 2015

Amounts reported for governmental activities in the Statement of Activities on page 13 are different because:

Total net change in fund balances - governmental funds		\$ 14,499,864
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.</p>		
Capital outlays	\$ 5,005,296	
Depreciation expense	(4,204,873)	800,423
<hr/>		
<p>Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
Principal payments on long-term debt		721,722
<p>Payments to refunded bond escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
		3,506,916
<p>Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.</p>		
		(2,947,375)
<p>Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities.</p>		
		(576,366)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds.</p>		
		7,101
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Interest	10,227	
Current year increase in pension expense	34,852	
Amortization	(114,245)	(69,166)
<hr/>		
<p>In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances this amount.</p>		
		(426,921)
<hr/>		
Change in net position of governmental activities		\$ 15,516,198

See accompanying notes to financial statements.

Enterprise City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund
For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Revenues		
State revenues	\$ 34,978,910	\$ 35,010,910
Federal revenues	1,099,000	1,099,000
Local revenues	9,312,585	9,350,385
Other revenues	108,257	108,257
Total revenues	45,498,752	45,568,552
Expenditures		
Instructional services	27,661,568	27,712,076
Instructional support services	8,458,685	8,433,628
Operation and maintenance services	3,241,722	3,242,723
Student transportation services	2,720,724	2,720,724
General administrative services	2,297,185	2,321,253
Food services	-	-
Other expenses	171,113	171,113
Total expenditures	44,550,997	44,601,517
Excess revenues over expenditures	947,755	967,035
Other Financing Sources (Uses)		
Indirect cost	219,564	219,564
Transfers in	27,719	27,719
Transfers out	(1,246,797)	(1,246,797)
Other financing sources	-	-
Total other financing sources (uses)	(999,514)	(999,514)
Excess Revenues and Other Sources Over Expenditures and Other Uses	(51,759)	(32,479)
Fund Balance - beginning	4,973,735	4,973,735
Fund Balance - ending	\$ 4,921,976	\$ 4,941,256

See accompanying notes to financial statements.

	Actual (Budgetary Basis)		Variance with Final Budget
\$	35,519,747	\$	508,837
	1,383,399		284,399
	9,890,696		540,311
	200,753		92,496
	<u>46,994,595</u>		<u>1,426,043</u>
	27,947,106		(235,030)
	8,685,482		(251,854)
	3,723,350		(480,627)
	2,523,243		197,481
	2,436,501		(115,248)
	13,671		(13,671)
	230,568		(59,455)
	<u>45,559,921</u>		<u>(958,404)</u>
	<u>1,434,674</u>		<u>467,639</u>
	126,497		(93,067)
	120,730		93,011
	(1,266,790)		(19,993)
	20,170		20,170
	<u>(999,393)</u>		<u>121</u>
	435,281		467,760
	<u>4,973,735</u>		<u>-</u>
\$	<u><u>5,409,016</u></u>	\$	<u><u>467,760</u></u>

Enterprise City Board of Education
Statement of Fiduciary Net Position
September 30, 2015

	Private-Purpose Trust Funds	
<hr/>		
Assets		
Cash and cash equivalents	\$	38,257
Receivables		42
<hr/>		
Total assets	\$	38,299
<hr/>		
Liabilities		
Accounts payable	\$	2,498
Due to external organizations		35,801
<hr/>		
Total liabilities	\$	38,299
<hr/>		

See accompanying notes to financial statements.



Enterprise City Board of Education Notes to Financial Statements

NOTE

1. Summary of Significant Accounting Policies
2. Stewardship, Compliance and Accountability
3. Cash, Cash Equivalents and Investments
4. Receivables
5. Interfund Activity
6. Capital Assets
7. Unearned Revenue and Deferred Inflows of Resources
8. Long-Term Debt
9. Employee Retirement Plan
10. Postemployment Benefits Other than Pension (OPEB)
11. Commitments and Contingencies
12. Risk Management
13. On-Behalf Payments
14. Subsequent Events
15. Prior Period Adjustment

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Enterprise City Board of Education (the “Board”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Reporting Entity

GASB establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Board.

The Board is a legally separate agency of the State of Alabama. However, for financial reporting, the Board is considered a component unit of the City of Enterprise, Alabama (the “City”) due to the following reasons:

1. The City appoints all members of the governing body of the Board.
2. The City makes annual appropriations to the Board.
3. The City levied a percentage of its sales tax specifically for the operations of the Board.

The financial statements of the Board include local school activity funds and other funds under the control of school principals. These funds are reported on a reporting period ended September 30, 2015 as a special revenue fund.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities.

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

Enterprise City Board of Education Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions.

Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Board reports the following major governmental funds:

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

Local Capital Projects Fund – Fund used to account for the Board's portion of a 7 mil district tax restricted for capital improvements.

City Council Appropriations Capital Projects Fund – Fund used to account for a \$16 million appropriation from the City of Enterprise, restricted for capital improvements.

Insurance Loss Recovery Fund – This is a capital projects fund used to account for funds received from covered capital losses.

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

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

1. 2013-381 Career Grant
2. IDEA – Part B
3. IDEA – Discretionary Grant
4. IDEA – SSIP Discretionary Grant
5. Preschool Ages 3 – 5 Part B
6. Vocational Education – Basic Grant

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Vocational Education – Program Improvement
8. Title I Part A
9. Title I Part G – Advanced Placement Incentive
10. Title 1 Part A – School Improvement
11. Title II Part A Teacher and Principal Training
12. Title III – English Lang. Acq., Lang. Enhance. & Acad.
13. Title X – Homeless Education
14. Food and Nutrition Fund
15. DoDea Grants
16. SLC E-Rate Refund
17. Local School Activity Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Public School Fund Capital Outlay accounts for funds received from the State Department of Education used for capital improvements.

Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Enterprise City Board of Education Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

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

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

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

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

Inventories and Prepaid Items - Inventories are valued at cost using the first-in/first-out (FIFO) method. GAAP requires only material balances of inventories accounted for using the purchases method to be reported as an asset in the appropriate governmental fund. Prepaid items, such as insurance premiums and rent, are recorded as expenditures in governmental funds when paid.

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

Interfund Loans and Transfers - Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds"

Restricted Assets - Restricted assets at September 30, 2015 consist of cash and cash equivalents which are restricted by debt agreements for debt service payments. Cash and cash equivalents restricted for debt service payments totaled \$348,475.

Enterprise City Board of Education
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Asset Class	Capitalization Threshold	Estimated Useful Life
Land improvements – exhaustible	\$ 50,000	40 years
Buildings	50,000	40 years
Building improvements	50,000	7 - 40 years
Equipment	5,000	5 - 20 years
Equipment under lease	5,000	5 - 20 years
Vehicles	5,000	5 - 7 years

The capitalization threshold for land, construction in progress, and inexhaustible land improvements is \$1 or more. However, these capital assets are not depreciated.

Long-Term Obligations - In the government-wide financial statements, the unmatured principal of long-term debt, capital leases, and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. For warrants (bonds) and other long-term debt issued after October 1, 2003, the related premiums and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported as an addition or deduction from the related debt on the statement of net position.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Professional and support employees earn nonvesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the Teachers' Retirement System of Alabama, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

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

Certain employees are allowed two weeks of vacation per year with pay. Personnel considered full time support personnel and instructional personnel contracted for the fiscal year are eligible for vacation leave. Because unused vacation leave is not paid out upon termination, no liability for unpaid leave is accrued in the financial statements.

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 Board has two items that qualify for reporting in this category, deferred loss on refunding and deferred outflows related to pension. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow related to pension results from pension contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, in accordance with the implementation of GASB Statement No. 71. Refer to the "Impact of Recently Issued Accounting Pronouncements" section of Note 1 for additional information.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category, unearned property taxes and the deferred inflows related to pension. A deferred inflow related to pension results from the net difference between projected and actual earnings on plan investments, in accordance with the implementation of GASB Statement No. 71, and is amortized over five years beginning with the year in which the difference occurred. Refer to the “Impact of Recently Issued Accounting Pronouncements” section of Note 1 for additional information.

Unamortized Bond Insurance - Unamortized debt expense related to bond insurance is amortized by using the outstanding principal method over the life of the related debt and is reported as unamortized bond insurance on the statement of net position. Other bond issuance costs are expensed as incurred.

Net Position and Fund Balances - Net positions are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net position categories:

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

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

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

Fund balances are reported in the fund financial statements in accordance with GASB 54. The intent of GASB 54 is to provide a more structured classification of fund balances and to improve the usefulness of fund balance reporting to the users of the Board’s financial statements. The reporting standard established a hierarchy for fund balance classifications and the constraints imposed on the users of those resources. In governmental funds, the Board’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

As of September 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Enterprise City Board of Education
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Board, the highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board’s policy, only the Superintendent may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

Fund balances at September 30, 2015 are as follows:

	General Fund	Local Capital Projects Funds	City Council Appropriations	Insurance Loss Recovery Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ -	\$ -	\$ -	\$ -	\$ 105,899	\$ 105,899
Restricted:						
Debt service	-	348,475	-	-	-	348,475
Assigned:						
Insurance Loss Recovery Fund	-	-	-	5,189,083	-	5,189,083
Local capital projects	-	4,290,247	-	-	-	4,290,247
Capital projects and renovations	-	-	11,949,398	-	-	11,949,398
Subsequent years' budget	-	-	-	-	2,499,099	2,499,099
Unassigned	5,772,047	-	-	-	-	5,772,047
	<u>\$ 5,772,047</u>	<u>\$ 4,638,722</u>	<u>\$ 11,949,398</u>	<u>\$ 5,189,083</u>	<u>\$ 2,604,998</u>	<u>\$ 30,154,248</u>

The financial statements include summary reconciliations of the fund financial statements to the government-wide statements after each of the fund statements. The governmental fund balance sheet is followed by a reconciliation between *Total fund balance - governmental funds* and *Total net position - governmental activities* as reported in the government-wide statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

Recently Issued and Adopted:

In fiscal year 2015, the Board adopted three new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

GASB Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts or equivalent arrangements, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information (RSI) requirements about pensions also are addressed. For defined benefit pensions, this Statement identifies the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The calculation of pension contributions is unaffected by the change.

The adoption has resulted in the restatement of the Board's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. Refer to Note 15 for the financial statement impact of the retroactive application of the pronouncement.

GASB Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. There was no impact on the Board's financial statements as a result of the implementation of Statement No. 69.

GASB Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The resulting deferred outflow of resources related to pension upon adoption is \$4,583,852.

Recently Issued

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires the Board to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach.

GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The Board does not believe that Statement No. 72 will have a significant impact on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. The provisions of Statement No. 73 that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of Statement No. 73 for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged. The Board has not completed the process of evaluating the impact of Statement No. 73 on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The scope of this Statement includes defined benefit and defined contribution other postemployment benefit (“OPEB”) plans administered through trusts that meet specified criteria. This Statement establishes financial reporting standards for state and local governmental OPEB plans. The Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74 is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The Board has not completed the process of evaluating the impact of Statement No. 74 on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employees.

This Statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information are also addressed by the Statement. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

75 is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Board has not completed the process of evaluating the impact of Statement No. 75 on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. It also amends Statement No. 62, *Codification of accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 64, 74, and 82. The provisions of Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015. Earlier application is permitted. The Board has not completed the process of evaluating the impact of Statement No. 76 on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this Statement defines tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of GASB Statement No. 77 are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Board has not completed the process of evaluating the impact of Statement No. 77 on its financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are adopted for all governmental funds except the permanent funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2015 fiscal year was September 15, 2014. The Board approved and submitted its original 2015 annual budget on September 11, 2014.

The 2015 budget was amended in June 2015 primarily to budget carryover federal funds, adjust federal allocations, and budget additional state and other grant funds that became available after submission of the original budget.

The City Superintendent of Education (the "Superintendent") or Board cannot approve any budget for operations of the school system for any fiscal year that shows expenditures in excess of income estimated to be available plus any balances on hand. The Superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The Superintendent may approve amendments to program budgets without Board approval.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The budget is prepared under a budgetary basis of accounting that differs from GAAP. Salaries of teachers and other personnel with contracts of less than twelve months are paid over a twelve month period. Expenditures for salaries (and related fringe benefits) and interest expense are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements. Similarly, interest expense incurred but not paid as of year-end is reported as an expenditure on the financial statements.

Adjustments to convert the results of operations of the general fund at the end of the year from the budgetary basis of accounting to the GAAP basis of accounting are as follows:

	Total Expenditures
Budget basis	\$ 45,559,921
Non-budgeted accrued salaries and fringe benefits	
Instructional services	(182,016)
Instructional support services	(200,674)
Operations and maintenance	5,127
Student transportation services	13,090
General and administrative	(6,792)
Other expenditures	8,234
GAAP basis	\$ 45,196,890

Excess Expenditures Over Appropriations

The general fund actual expenditures exceeded budgeted expenditures by \$958,404. The excess was funded with additional current year revenues.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal deposit insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14.

Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits with original maturities of greater than three months. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits

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

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

All of the Board's investments and restricted investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

	Total Fair Value	0 – 1 Year	1 – 5 Years
Certificates of deposit	\$ 27,740,298	\$ 19,872,770	\$ 7,867,528

NOTE 4 - RECEIVABLES

Receivables at September 30, 2015 consist of the following:

	General	Local Capital Projects	Other Non- major	Total
State Department of Education				
ACT 2013-381 Career	\$ -	\$ -	\$ 161,762	\$ 161,762
CT Hlth & Sci, RFP Eng. STEM	-	-	287,898	287,898
E-Rate/SLC Refunds	-	-	208,616	208,616
IDEA-Part B	-	-	169,226	169,226
IDEA-Part B - Discretionary Grant	-	-	42,500	42,500
IDEA-Part B - SSIP Discretionary Grant	-	-	150,000	150,000
Pre-School Part B	-	-	1,577	1,577
School Lunch Program	-	-	237,444	237,444
Title I, Part A	-	-	90,045	90,045
Title I, Part A - School Improvement	-	-	34,317	34,317
Title I, Part A - Teacher and Principal Tr	-	-	23,250	23,250
Title III – English Lang.	-	-	36,595	36,595
Title X – Homeless Education	-	-	5,517	5,517
Vocational Education	-	-	33,286	33,286
Coffee County Rev. Commissioner	3,053,414	1,263,965	-	4,317,379
City of Enterprise	596,429	-	-	596,429
Other	18,758	-	260	19,018
Department of Defense	-	-	277,402	277,402
Total receivables	\$ 3,668,601	\$ 1,263,965	\$ 1,759,695	\$ 6,692,261

All receivables are considered fully collectible and, accordingly, no allowance for uncollectible accounts has been recorded.

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

NOTE 5 - INTERFUND ACTIVITY

Due to/from other funds at September 30, 2015 consisted of the following amounts:

Due to General Fund from Nonmajor Governmental in the amount of \$148,858.

Interfund transfers consisted of the following for the year ended September 30, 2015:

Transfers Out	Transfers In		Total
	General	Nonmajor Governmental	
General	\$ 120,730	\$ 1,266,790	\$ 1,387,520
Nonmajor governmental	1,548,352	402,292	1,950,644
	<u>\$ 1,669,082</u>	<u>\$ 1,669,082</u>	<u>\$ 3,338,164</u>

Amounts due to the general fund and nonmajor governmental funds are for reimbursement of expenses.

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,575,539	\$ 697,002	\$ -	\$ 5,272,541
Construction in progress	2,008,416	4,042,877	2,050,416	4,000,877
Total capital assets, not being depreciated	6,583,955	4,739,879	2,050,416	9,273,418
Other capital assets:				
Buildings	135,358,988	2,050,417	1,021,726	136,387,679
Building improvements	10,525,645	-	943,562	9,582,083
Furniture and equipment	8,353,534	265,416	47,996	8,570,954
Total other capital assets at historical cost	154,238,167	2,315,833	2,013,284	154,540,716
Less accumulated depreciation for:				
Buildings	24,797,881	3,300,786	1,021,725	27,076,942
Building improvements	6,091,283	199,820	544,530	5,746,573
Furniture and equipment	5,174,166	704,267	20,108	5,858,325
Total accumulated depreciation	36,063,330	4,204,873	1,586,363	38,681,840
Total other capital assets, net	118,174,837	(1,889,040)	426,921	115,858,876
Total governmental activities capital assets, net	<u>\$ 124,758,792</u>	<u>\$ 2,850,839</u>	<u>\$ 2,477,337</u>	<u>\$ 125,132,294</u>

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

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 3,413,929
Instructional support services	20,516
Operation and maintenance services	41,023
Student transportation services	516,159
Food services	132,080
General and administrative	76,164
Other expenditures	5,002
<hr/>	
Total governmental activities depreciation expense	<u>\$ 4,204,873</u>

NOTE 7 - UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

	General Fund	Local Capital Projects	Other Governmental
<hr/>			
Property Taxes – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.	\$ 2,494,419	\$ 1,263,966	\$ -
Unearned Revenue – Daily lunch and breakfast sales revenue received but not yet expended represent revenues that will be recognized subsequent to year end.	-	-	81,694
<hr/>			
	<u>\$ 2,494,419</u>	<u>\$ 1,263,966</u>	<u>\$ 81,694</u>

As discussed in Note 1, unearned revenue related to property taxes is classified as a deferred inflow of resources on the statement of net position.

NOTE 8 - LONG-TERM DEBT

During the year ended September 30, 2015, the following changes occurred in long-term liabilities reported in the statement of net position:

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

NOTE 8 - LONG-TERM DEBT (Continued)

	Balance October 1, 2014	Proceeds	Retirements	Balance September 30, 2015	Amounts Due Within One Year
2010 Capital					
Outlay Warrants	\$ 11,085,000	\$ -	\$ (520,000)	\$ 10,565,000	\$ 535,000
2009 Capital					
Improvement					
Pool Bonds	4,179,011	-	(3,288,130)	890,881	209,983
2015-B Pool					
Refunding Bonds	-	2,947,375	-	2,947,375	-
Unamortized					
bond premiums	40,986	576,366	(19,689)	597,663	43,705
	\$ 15,304,997	\$ 3,523,741	\$ (3,827,819)	\$ 15,000,919	\$ 788,688

2010 Capital Outlay Warrants

On December 1, 2010, the Board issued \$12,555,000 of Series 2010 Capital Outlay Warrants. The proceeds were used to refund, on a current basis, the outstanding Capital Outlay Warrants Series 2006 and the Warrant Anticipation Note. Interest rates range from 3.00 to 4.75 percent. Principal payments are due annually on March 1, and interest payments are due semi-annually on March 1 and September 1.

The warrants are secured by a pledge and assignment of the Board's allocable portion of the proceeds of a special franchise, excise and privilege license tax. The Board recognized a deferred loss on refunding on issuance of the 2010 warrants in the amount of \$607,093. Amortization of the deferred loss on refunding for the year ended September 30, 2015 was \$121,419.

Annual debt service requirements to maturity for the 2010 Capital Outlay Warrants are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2016	\$ 535,000	\$ 428,525
2017	550,000	412,250
2018	565,000	395,525
2019	585,000	376,813
2020	610,000	354,375
2021-2025	3,435,000	1,370,416
2026-2030	4,285,000	521,140
	\$ 10,565,000	\$ 3,859,044

Pledged revenues recognized for the year ended September 30, 2015 were \$2,450,000 while total debt service was \$964,350.

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

NOTE 8 - LONG-TERM DEBT (Continued)

Capital Improvement Pool Bonds, Series 2009-C

Pursuant to Act 1998-373 and 2009-813 enacted by the Alabama Legislature, the Alabama Public School and College Authority (PSCA) issued the Series 2009-C Capital Improvement Pool Bonds to loan funds to participating local school boards for the purpose of funding capital improvements approved by the Authority and State Superintendent of Education. The Board received a loan of \$5,197,945 of PSCA funds in 2009.

The loan is scheduled to be paid back through a reduction of annual Public School Fund allocations received from the Alabama Department of Education. Principal payments are due annually on May 1, and interest payments are due semi-annually May 1 and November 1. Interest rates range from 4.00 to 5.00 percent of the original amount borrowed.

At the end of fiscal year 2015 a portion of these bonds were refunded through the PSCA issuing the 2015-B Series Bonds. \$890,881 of the original loan remains at September 30, 2015.

Annual debt service requirements to maturity for the Series 2009-C Capital Outlay Pool Bonds are payable as follows:

Fiscal Year Ending September 30,	Principal		Interest	
2016	\$	209,983	\$	35,635
2017		218,245		27,236
2018		226,507		18,506
2019		236,146		9,446
	\$	890,881	\$	90,823

Series 2015-B Pool Refunding Bonds

The Series 2015-B Bonds are being issued pursuant to Act 1998-373 and 2009-813 enacted by the Alabama Legislature, and proceeds from the sale of the Series 2015-B Bonds shall be used to pay the costs of advance refunding and retiring the Refunded Series 2009-C Bonds and to pay the costs of issuing the Series 2015-B Bonds. The Board received a loan of \$2,947,375 of PSCA funds in 2015.

The loan is scheduled to be paid back through a reduction of annual Public School Fund allocations received from the Alabama Department of Education. Principal payments are due annually on May 1, and interest payments are due semi-annually May 1 and November 1. Interest rates range from 3.00 to 5.00 percent of the original amount borrowed.

The authority expects that the capital outlay funds pledged by said local boards will be approximately equal to and may be used for payment of debt service on the Series 2015-B Bonds. Such capital outlay funds will not be pledged as security for the Series 2015-B bonds and

Enterprise City Board of Education
Notes to Financial Statements

NOTE 8 - LONG-TERM DEBT (Continued)

and holders of the Series 2015-B bonds will have no recourse against such capital outlay funds. Principal payments are due annually on May 1, and interest payments are due semi-annually May 1 and November 1. Interest rates range from 3.00 to 5.00 percent of the original amount borrowed.

The Board recognized a deferred loss on refunding on issuance of the Series 2015-B bonds in the amount of \$420,507. Amortization of the deferred loss on refunding for the year ended September 30, 2015 was \$12,515.

Annual debt service requirements to maturity for the Series 2015-B Capital Outlay Pool Bonds are payable as follows:

Fiscal Year Ending September 30,	Principal	Interest
2016	\$ -	\$ 142,566
2017	-	144,168
2018	-	144,168
2019	131,242	144,168
2020	241,126	137,606
2021-2025	1,398,471	494,758
2026-2030	1,176,536	122,479
	\$ 2,947,375	\$ 1,329,913

NOTE 9 - EMPLOYEE RETIREMENT PLAN

Summary of Significant Accounting Policies for the Pension Plan

Pensions. The Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

General Information about the Pension Plan

Plan description. The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operating of TRS is vested in its Board of Control.

The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Contributions. Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by a statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

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

Enterprise City Board of Education
Notes to Financial Statements

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

Participating employers' contractually required contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$3,613,852 for the year ended September 30, 2015.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At September 30, 2015, the Board reported a liability of \$44,327,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the System's proportion was 0.487933%, which was an increase of 0.012135% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Board recognized pension expense of \$3,579,000. At September 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,323,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	970,000	-
Employer contributions subsequent to the measurement date	3,613,852	-
Total	\$ 4,583,852	\$ 3,323,000

\$3,613,852 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension's expense as follows:

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

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

**Year Ended
September 30,**

2016	\$	(605,000)
2017		(605,000)
2018		(605,000)
2019		(605,000)
2020		67,000
Thereafter		-

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

Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.5% - 8.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2013 were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	25.00%	5.00%
U.S. large stocks	34.00%	9.00%
U.S. mid stocks	8.00%	12.00%
U.S. small stocks	3.00%	15.00%

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

NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)

International developed market stocks	15.00%	11.00%
International emerging market stocks	3.00%	16.00%
Real estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.50%

Discount rate. The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate. The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	\$ 60,387,000	\$ 44,327,000	\$ 30,715,000

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014 along with supporting schedules is also available. The additional financial and actuarial information is available www.rsa-al.gov.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

The Board contributes to the Alabama Retired Education Employee's Health Care Trust (Trust), a multiple employer cost sharing defined benefit health care plan established in 2007 under the provisions of Act 2007-16 as an irrevocable trust fund. The Trust is administered by members of the Public Education Employees' Health Insurance Board (the PEEHIB). The Trust provides health care benefits to state and local school system retirees. *Code of Alabama 1975, Section 16-25A-4* provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. The Teachers' Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. The report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150 or by visiting www.rsa-al.gov.

Code of Alabama 1975, Section 16-25A-8 provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. The employer's share of premiums for retired Board employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. Retirees eligible for Medicare benefits must pay \$10 per month for coverage while those not eligible for Medicare must pay \$151 per month for coverage. The estimated portion of health insurance premiums paid by the Board for retired employees was approximately \$1,691,415 or 23.17% of total Board allocations paid during fiscal year 2015. 100% of the required contributions were paid by the Board. The Board has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Board expects such amount, if any, to be immaterial.

The Board is subject to compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The amount, if any, of which the Board is liable for noncompliance cannot be determined at this time although the Board expects such amount, if any, to be immaterial.

The Board has several construction projects in place at the end of fiscal year 2015. Contract total for these projects are \$7,610,490 with \$3,830,172 having been expensed to date. Costs to complete these contracts totaled \$3,780,318 at September 30, 2015. The Board is also in the beginning stages of the construction of a new junior high school with an estimated total cost of \$15,703,084 with \$6,960 spent towards this project at the end of fiscal year 2015.

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

The Board is involved in various claims and litigation arising in the ordinary course of operations. In the opinion of legal counsel, the range of potential recoveries or liabilities in excess of insurance coverage, if any, is not determinable.

Under an agreement dated July 2014, the Board agreed to release rights and deeds to certain capital assets to the City of Enterprise after certain conditions are met. The book value of these assets to be transferred is \$1,847,013 at September 30, 2015.

NOTE 12 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The Board purchases commercial property and liability insurance for its buildings and contents, fidelity bonds, and vehicles. Errors and omissions insurance is purchased from Alabama Trust for Boards of Education (ATBE), a public entity risk pool. ATBE collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. Settled claims in the past three years have not exceeded the commercial insurance coverage.

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

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board. No claims or related settlements have occurred in the past three years.

NOTE 13 - ON-BEHALF PAYMENTS

The U.S. Government makes certain retiree drug subsidy payments on-behalf of the Board for its employees to the Retirement Systems of Alabama. The Board records these payments as both a revenue and expenditure in the general fund. The total of on-behalf payments for the fiscal year ended September 30, 2015 was \$440,129.

NOTE 14 - SUBSEQUENT EVENTS

The Board has evaluated subsequent events between September 30, 2015 and February 18, 2016, the date the financials were available to be issued, and there were none to disclose.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

As discussed in Note 1, the implementation of GASB Statement Nos. 68 and 71 required that the Board record its beginning proportionate share of net pension liability, as well as related beginning deferred outflows of resources for fiscal year 2014 contributions. The cumulative effect of applying these statements retroactively was a decrease in net position in the amount of \$43,101,000.

**Enterprise City Board of Education
Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net Pension Liability**

<i>As of September 30,</i>	2015
Employer's proportion of the net pension liability	0.487933%
Employer's proportionate share of the net pension liability	\$ 44,327,000
Employer's covered-employee payroll*	\$ 30,972,319
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.12%
Plan fiduciary net position as a percentage of the total pension liability	71.01%

*Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2015, the measurement period is October 1, 2013 through September 30, 2014.

**Enterprise City Board of Education
Required Supplementary Information
Schedule of Employer Contributions**

<i>For the year ended September 30,</i>	2015
Contractually required contribution**	\$ 3,613,852
Contributions in relation to the actuarially determined contribution	3,613,852
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll*	\$ 31,055,256
Contributions as a percentage of covered-employee payroll	11.64%

* Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2015, the measurement period is October 1, 2014 through September 30, 2015.

**The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participation in the TRS, this would not include amounts paid to TRS for the pre-retirement death benefit, term life insurance or administrative expenses. It does include the amounts paid to TRS for the employer's portion of the normal cost and accrued liability.

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

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

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 the Enterprise City Board of Education (the "Board") as of and for the year ended September 30, 2015, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 18, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies [2014-01].

Compliance and Other Matters

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

We noted certain other matters that we reported to the Board's management in a separate letter dated February 18, 2016.

The Boards' Response to Findings

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 18, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Enterprise City Board of Education's (the "Board's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Board's major federal programs for the year ended September 30, 2015. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 18, 2016

**Enterprise City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Expenditures
Social Security Administration			
Disability Insurance	96.001	N/A	\$ 2,140
U.S. Department of Education			
Direct Program:			
Impact Aid	84.041	N/A	1,279,740
Passed through State Department of Education			
Title I	84.010	180	1,067,215
Title I, Part G- Advanced	84.330	180	700
Title I, Part A - School	84.377	180	34,317
Title II - Teacher Training	84.367	180	198,914
Education for Homeless Children and Youth	84.196	180	14,000
English Language Acquisition State Grants	84.365	180	55,650
Vocational Education – Basic Grant	84.048	180	53,022
Vocational Education – Reserve Funds	84.048A	180	5,462
Subtotal			1,429,280
Special Education Cluster			
Special Education Grants to States	84.027	180	1,239,364
Special Education IDEA - Discretionary Grant	84.027	180	42,500
Special Education IDEA - SSIP Discretionary Grant	84.027	180	150,000
Special Education Preschool Grants	84.173	180	17,128
Subtotal Special Education Cluster			1,448,992
Total U.S. Department of Education			4,158,012
U.S. Department of Agriculture			
Passed through State Department of Education			
Child Nutrition Cluster			
USDA Severe Need Breakfast Program	10.553	180	438,199
National School Lunch Program	10.555	180	1,452,459
Subtotal Child Nutrition Cluster			1,890,658
Child and Adult Care	10.558	180	2,659
Food Distribution Program*	10.565	180	158,127
Fresh Fruit and Vegetable Program*	10.582	180	25,351
Total U.S. Department of Agriculture			2,076,795

(Continued)

**Enterprise City Board of Education
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Expenditures
U.S. Department of Defense			
Direct Programs			
ROTC Program	12.357	N/A	101,519
DoDea Grants	12.556	N/A	1,038,233
Total U.S. Department of Defense			1,139,752
Total expenditures of federal awards			\$ 7,376,699

*USDA Food Distribution Program and Fresh Fruit and Vegetable Program - No actual cash transactions.

Enterprise City Board of Education
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

NOTE 1 – BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It also relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards (the “Schedule”). Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Board; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually recognized based upon the expenditures recorded; therefore, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

NOTE 2 - DONATED FOOD PROGRAM

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was \$183,478 for fiscal year 2015.

NOTE 3 – CONTINGENCIES

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of February 18, 2016, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

**Enterprise City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Any material weakness(es) identified? yes no
- Any significant deficiencies identified not considered to be material weaknesses? yes none reported

Any noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Any material weakness(es) identified? yes no
- Any significant deficiencies identified not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	Child Nutrition Cluster
10.555	USDA Breakfast Program
12.556	National School Lunch Program
84.041	Department of Defense Impact Aid

Dollar threshold used to distinguish between type A and type B programs? \$ 300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statements Findings

2014-001 Procurement (Repeat)

Condition – Our audit procedures revealed the following:

- In a test of 60 local school disbursements we noted 2 instances in which documentation could not be located, 14 where the date of the supporting purchase order was after the date of purchase, and 1 in which the purchase order nor invoice were stamped paid or cancelled.

Enterprise City Board of Education Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

- Result of our tests produced a 28% compliance failure rate of the purchase order element of controls over procurement at the local school level.
- In a test of 60 central office disbursements we noted 7 where the date of the purchase order was after the date of purchase, and 3 in which there was no purchase order but an approval for payment after the invoice date.
- Result of our tests produced a 17% compliance failure rate of the purchase order element of controls over procurement at the central office level.

Criteria – Monitoring the use of POs reduces the possibility of unauthorized purchases and maintains control over the purchasing environment. A purchase requisition process documents the individual requesting the purchase, need, quantity, time frame, and department approval prior to the issuance of a PO.

Cause – The Board’s policies and procedures require that an approved PO be obtained prior to placing a procurement order. This policy has multiple functions, including documenting the authorized individual requisitioning the purchase and helping to ensure the price paid and vendor utilized was approved.

Effect – Monitoring is an essential detection measure in any purchase order system. Requisitions and initiator signatures also play a key role in an effective procurement system of control. If requisitions or initiator signatures are not required, the authorizer has the ability to unilaterally initiate and authorize a transaction.

Recommendation – We recommend all departments and schools follow the Board policy of documentation and approval for those employees responsible for initiating and approving purchase orders. Controls within the purchasing process reduce the likelihood of fraud and abuse, and provide written evidence as to the authorization and execution of each purchase.

Views of Responsible Officials and Planned Corrective Actions – Local schools have been notified of these issues and are working to resolve them. The purchase of Softdocs, a document routing and storage system during the fiscal year, should help to eliminate these and other control issues when fully implemented.

Section III – Federal Award Findings and Questioned Costs

No such findings or questioned costs in the current year.



**Enterprise City Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2015**

2013-005 – Corrected in current year.

2013-014 – Corrected in current year.

2014-002 – Corrected in current year.

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Enterprise City Board of Education (the "Board"), a component unit of the City of Enterprise, Alabama for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses.

However, during our audit we became aware of the matters noted below that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Board's internal control in our letter dated February 18, 2016. This letter does not affect our report dated February 18, 2016 on the financial statements of the Board.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with management, and we will be pleased to discuss the comments in further detail at your convenience or to perform any additional study of these matters. Our comments are summarized as follows:

2014-004 Information Technology General Controls (ITGC) (Repeat)

External Vulnerability/Penetration Testing

Best practices recommend periodic vulnerability and penetration testing to help identify unknown exploitable vulnerabilities in an entity's network. Such testing would help prevent malicious individuals from penetrating the network and obtaining potentially sensitive data.

Finding – The Board performs no vulnerability and penetration testing of its IT network.

Recommendation – A network penetration test should be performed at least annually and upon any network infrastructure changes.

2015-001 Information Technology Risk Assessment (ITGC)

The purpose of an IT risk assessment is to provide a tool which identifies all reasonably foreseeable threats to data and applications used by the organization in day to day operations. Without the completion of this process it is difficult to ensure all risks are adequately identified. In addition, the risk assessment provides an evaluation of the current controls in place for each risk and their effectiveness. Due to the dynamic environment of IT this process should be on-going.

Finding – An IT risk assessment has not been completed to properly identify all reasonable foreseeable threats to the BoE's data.

Recommendation – We recommend the Board complete an IT risk assessment.

2015-002 Backup Recovery Testing (ITGC)

Processes, policies and procedures related to preparing for recovery or continuation of technology infrastructure are vital to ongoing risk management.

Finding – Backups of financial data should be tested at least once annually to ensure viability. Testing ensures that the crucial financial data is of the highest integrity when needed. This test was not noted to have been performed.

Recommendation – Management should develop a recovery testing procedures to ensure the integrity of financial data backups.

2015-003 End of Life Operating System (ITGC)

Security updates to software are essential to the security of a workstation, the financial data of the Board, and the network as a whole.

Finding – As of July 14th, 2014, the Windows Server 2003 operating system will not receive additional security updates. Any vulnerability discovered after that date will not be patched and can be easily exploited.

During review, we noted that server hosting the financial application Nextgen McAleer still utilizes the Windows Server 2003 operating system.

Recommendation – It is recommended the server be upgraded or replaced as soon as possible.

2015-004 Controls over Journal Entries

Journal entries are used to supplement the electronic recording of activity to ensure the proper matching, recording, and reporting of financial activity; however, journal entries can also be used as an avenue to conceal errors or fraud. The absence of formal, documented, timely and consistent reviews and approvals of journal entries increases the Board's risk of material misstatement whether due to error or fraud.

Finding – Manual journal entries prepared by the Chief School Financial Officer are not reviewed by appropriate personnel before recording/posting to the general ledger. The Chief School Financial Officer’s entries are reviewed at year end by the Accounting Senior and Superintendent after a potentially significant number of entries have been posted to the General Ledger and a significant amount of time may have passed since those postings. Thus the reviewers might detect an irregularity but their reviews would offer no preventative control or timely detection.

Recommendation – Procedures should be implemented requiring formal reviews and approvals of all journal entries before being posted to the General Ledger. In addition consideration should be given to spreading the journal entry preparation to alleviate segregation issues and allow for training of additional staff. These changes should facilitate a more reliable, thorough, and accurate preparation of journal entries.

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 18, 2016