

**Enterprise City Board  
of Education**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2017**



**CRI** CARR  
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**Enterprise City Board of Education**  
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**September 30, 2017**

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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](http://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, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of September 30, 2017, 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.

### ***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 on pages 45 – 46 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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 May 30, 2018, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Enterprise, Alabama

May 30, 2018

## Management's Discussion and Analysis (MD&A)

### **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, 2017. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the 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 and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of the 2017 fiscal year by \$91.46 million (net position). Of this amount, there is (\$23.48) million deficit in unrestricted net position. The net position invested in capital assets amounted to \$114.68 million. Restricted net position amounted to \$.26 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 \$68.86 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 \$16.05 million.

On the fund financial statements:

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6.65 million.
- There was an overall decrease of \$3.27 million in fund balance in governmental funds.
- The Board had a net decrease in its outstanding debt by \$768 thousand due to debt payments and \$44 thousand due to premium amortization.

### **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.

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 includes 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>	<b>2017</b> <b>(in millions)</b>	2016 (in millions)
<b>Assets</b>		
Current and other assets	\$ 31.55	\$ 35.03
Capital assets, net of depreciation	127.73	125.34
Total assets	159.28	160.37
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunding	.35	.38
Deferred outflows related to pension liability	9.21	8.08
Total deferred outflows of resources	9.56	8.46
<b>Liabilities</b>		
Current liabilities	6.31	6.11
Noncurrent liabilities	65.55	65.61
Total liabilities	71.86	71.72
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - property taxes	3.97	3.79
Deferred inflows related to pension liability	1.54	.28
Total deferred inflows of resources	5.51	4.07
<b>Net Position</b>		
Net investment in capital assets	114.68	111.51
Restricted	.26	.25
Unrestricted (deficit)	(23.47)	(18.72)
Total net position	\$ 91.47	\$ 93.04

The Board's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$91.46 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

## Management's Discussion and Analysis (MD&A)

future spending or funding of operations. Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements – are (\$23.48) 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, 2017.

### Summary of Changes in Net Position From Operating Results

<i>Years ended September 30,</i>	<b>2017</b> <b>(in millions)</b>	<b>2016</b> <b>(in millions)</b>
<b>Program Revenues</b>		
Charges for services	\$ 5.65	\$ 5.51
Operating grants and contributions	44.87	41.12
Capital grants	2.29	2.24
<b>General Revenues</b>		
Local property taxes	4.65	4.48
Sales and use taxes	7.68	7.40
Other taxes	.04	.03
Other	2.10	1.82
Total revenues and special item	<b>67.28</b>	62.60
<b>Expenses</b>		
Instructional	37.39	35.31
Instructional support	12.35	11.66
Operation and maintenance	5.53	5.48
Transportation	3.86	3.60
Food service	4.09	3.98
General administration and central support	3.54	5.01
Interest on long-term debt	.56	.61
Other	1.54	1.47
Total expenses	<b>68.86</b>	67.12
Change in net position	<b>(1.58)</b>	(4.52)
<b>Net Position – Beginning</b>	<b>93.04</b>	97.56
<b>Net Position – Ending</b>	<b>\$ 91.46</b>	\$ 93.04

## Management's Discussion and Analysis (MD&A)

### Revenue Analysis:

- Program revenues account for 78% of total revenues including capital grant revenue.
- Operating grants and contributions make up 85% 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 were used to provide \$14.47 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 \$22.01 million.

**General Fund** – The general fund is the chief operating fund of the Board. The general fund balance increased by \$1.19 million this year. This is primarily due to the following reasons:

- Normal fluctuations of tax revenues and budgeted expenditures and changes in personnel costs.

**Capital Projects-Local Fund** - The local capital projects 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 \$.90 million during fiscal year 2017. This increase is due to no large capital project outlays from this fund during the fiscal year.

**Insurance Loss Recovery Fund** – This fund is used to account for funds received from covered capital losses. The fund balance of this fund increased \$40 thousand during fiscal year due to investment income.

### ***Budgetary Highlights of Major Funds***

The original 2017 fiscal year budget, adopted on September 14, 2016, 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 6, 2017. 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.

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

## Management's Discussion and Analysis (MD&A)

### ***Capital Asset and Debt Administration***

**Capital Assets** - The Board's investment in capital assets for its governmental activities at September 30, 2017 totaled \$114.68 million, net of accumulated depreciation. 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 \$4.26 million during fiscal year 2017. The Board expended available resources to acquire \$6.69 million in capital asset additions during the year.

**Long-Term Debt** - At year-end, the Board owed \$12.89 million in warrants, net of unamortized premiums. Of this amount, \$3.41 million was owed on the 2009C and 2015B Pool Bonds, and \$9.48 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 4% for FY'17.

**Property Tax** – Property taxes increased by 4%. 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 2017-2018 twenty day (after Labor Day) report was 7027.50 students. This indicates an increase in enrollment of 1.03%, or 65.10 students over the prior year and an increase of 16.77%, or 1009.10 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'18 by \$915,000.

**Medical and Retirement Costs** – Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer cost is \$800 per employee per month for fiscal year 2018. Employer contributions to the Teachers Retirement System (TRS) increased slightly to 12.24% and increased slightly to 11.01% for Tier 1 and Tier 2 employees, respectively, for fiscal year 2018. 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, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,073,259
Investments	20,259,308
Receivables	6,526,808
Inventories	129,585
Restricted assets:	
Cash and cash equivalents	363,876
Prepaid expenses	184,134
Other assets	6,785
Capital assets, not being depreciated	10,974,218
Capital assets, net of depreciation	116,759,739
<b>Total assets</b>	<b>159,277,712</b>
<b>Deferred Outflows of Resources</b>	
Deferred loss on refunding	347,920
Deferred outflows related to pension	9,209,064
<b>Total deferred outflows of resources</b>	<b>9,556,984</b>
<b>Liabilities</b>	
Accounts payable	624,779
Salaries and benefits payable	4,659,665
Accrued interest payable	101,448
Unearned revenue	92,890
Long-term liabilities	
Net pension liability	52,984,000
Due and payable within one year	835,211
Due and payable after one year	12,565,071
<b>Total liabilities</b>	<b>71,863,064</b>
<b>Deferred Inflows of Resources</b>	
Unearned property taxes	3,972,755
Deferred inflows related to pension	1,534,000
<b>Total deferred inflows of resources</b>	<b>5,506,755</b>
<b>Net Position</b>	
Net investment in capital assets	114,681,595
Restricted for debt service	262,428
Unrestricted (deficit)	(23,479,146)
<b>Total net position</b>	<b>\$ 91,464,877</b>

*See accompanying notes to financial statements.*

**Enterprise City Board of Education**  
**Statement of Activities**  
**For the Year Ended September 30, 2017**

<b>Functions / Programs</b>	<b>Expenses</b>
Instructional services	\$ 37,388,310
Instructional support services	12,351,744
Operation and maintenance services	5,529,144
Student transportation services	3,856,389
Food services	4,088,482
General administrative services	3,539,040
Interest and fiscal charges	565,661
Other expenses	1,539,964
<b>Total</b>	<b>\$ 68,858,734</b>

*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	
\$ 375,168	\$ 29,310,052	\$ 464,032	\$ (7,239,058)
1,207,138	7,945,845	1,743	(3,197,018)
287,895	1,819,905	1,295,454	(2,125,890)
234,036	2,709,309	431,391	(481,653)
3,114,870	307,422	-	(666,190)
7,137	1,992,337	95,786	(1,443,780)
-	-	-	(565,661)
422,520	787,371	-	(330,073)
<b>\$ 5,648,764</b>	<b>\$ 44,872,241</b>	<b>\$ 2,288,406</b>	<b>(16,049,323)</b>

#### General Revenues

##### Taxes:

Property taxes for general purposes	2,701,305
Property taxes for specific purposes	1,954,633
Local sales tax	7,678,571
Other taxes	35,987
Investment earnings	186,185
Miscellaneous	1,918,350
<b>Total general revenues</b>	<b>14,475,031</b>
Change in net position	(1,574,292)
Net position - beginning	93,039,169
Net position - ending	<b>\$ 91,464,877</b>

**Enterprise City Board of Education**  
**Balance Sheet – Governmental Funds**  
**September 30, 2017**

	General Fund	Local Capital Projects Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 687,148	\$ 1,213,251
Investments	8,924,899	4,776,057
Receivables	3,604,989	1,781,440
Due from other funds	338,029	-
Inventories	-	-
Other assets	6,785	-
Restricted assets:		
Cash and cash equivalents	-	363,876
<b>Total assets</b>	<b>\$ 13,561,850</b>	<b>\$ 8,134,624</b>
<b>Liabilities</b>		
Accounts payable	\$ 351,403	\$ -
Due to other funds	-	-
Salaries and benefits payable	4,254,354	-
Unearned revenue	-	-
<b>Total liabilities</b>	<b>4,605,757</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>		
Unearned revenue - property taxes	2,302,033	1,670,722
<b>Fund Balances</b>		
Non-spendable	-	-
Restricted	-	363,876
Assigned	-	6,100,026
Unassigned	6,654,060	-
<b>Total fund balances</b>	<b>6,654,060</b>	<b>6,463,902</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,561,850</b>	<b>\$ 8,134,624</b>

*See accompanying notes to financial statements.*

<b>Insurance Loss Recovery Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 2,172,860	\$ 4,073,259
5,266,605	1,291,747	20,259,308
-	1,140,379	6,526,808
-	-	338,029
-	129,585	129,585
-	-	6,785
-	-	363,876
<u>\$ 5,266,605</u>	<u>\$ 4,734,571</u>	<u>\$ 31,697,650</u>
\$ -	\$ 273,376	\$ 624,779
-	338,029	338,029
-	405,311	4,659,665
-	92,890	92,890
-	1,109,606	5,715,363
-	-	3,972,755
-	129,585	129,585
-	-	363,876
5,266,605	3,495,380	14,862,011
-	-	6,654,060
<u>5,266,605</u>	<u>3,624,965</u>	<u>22,009,532</u>
<u>\$ 5,266,605</u>	<u>\$ 4,734,571</u>	<u>\$ 31,697,650</u>

**Enterprise City Board of Education  
Reconciliation of Balance Sheet of Governmental  
Funds to Statement of Net Position  
For the Year Ended September 30, 2017**

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

Total fund balance - governmental funds	\$	22,009,532
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	\$ 171,796,181		
Accumulated depreciation	(44,062,224)		127,733,957

Prepaid insurance is recorded as an expenditure in governmental funds when paid rather than as an asset.		184,134
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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	9,209,064		
Deferred inflows related to pension	(1,534,000)		7,675,064

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	(101,448)		
Net pension liability	(52,984,000)		
Deferred loss on refunding	347,920		
Current portion of long-term debt	(835,211)		
Non-current portion of long-term debt	(12,565,071)		(66,137,810)

Total net position - governmental activities	\$	91,464,877
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*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, 2017**

	<b>General Fund</b>	<b>Local Capital Projects Fund</b>
<b>Revenues</b>		
State revenues	\$ 39,662,467	\$ -
Federal revenues	1,290,024	-
Local revenues	10,829,140	1,986,748
Other revenues	165,273	-
<b>Total revenues</b>	<b>51,946,904</b>	<b>1,986,748</b>
<b>Expenditures</b>		
Instructional services	29,715,269	-
Instructional support services	9,327,489	-
Operation and maintenance services	3,663,026	30,740
Student transportation services	3,070,028	-
Food services	18,940	-
General administrative services	3,287,064	1,612
Capital outlay	205,757	95,583
Debt service:		
Principal	-	550,000
Interest	-	412,250
Other expenses	674,779	-
<b>Total expenditures</b>	<b>49,962,352</b>	<b>1,090,185</b>
Excess (deficiency) of revenues over (under) expenditures	1,984,552	896,563
<b>Other Financing Sources (Uses)</b>		
Indirect cost	326,126	-
Proceeds from sale of capital assets	28,400	-
Transfers in	153,630	-
Transfers out	(1,443,070)	-
Other financing sources	140,720	-
<b>Total other financing sources (uses)</b>	<b>(794,194)</b>	<b>-</b>
Net change in fund balances	1,190,358	896,563
<b>Fund Balances - beginning</b>	<b>5,463,702</b>	<b>5,567,339</b>
<b>Fund Balances - ending</b>	<b>\$ 6,654,060</b>	<b>\$ 6,463,902</b>

*See accompanying notes to financial statements.*

<b>Insurance Loss Recovery Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 2,290,655	\$ 41,953,122
-	5,853,829	7,143,853
40,358	4,927,393	17,783,639
-	97,836	263,109
40,358	13,169,713	67,143,723
-	3,151,047	32,866,316
-	2,613,344	11,940,833
-	1,720,156	5,413,922
-	246,597	3,316,625
-	4,200,319	4,219,259
-	282,235	3,570,911
-	6,394,533	6,695,873
-	218,245	768,245
-	171,404	583,654
-	858,888	1,533,667
-	19,856,768	70,909,305
40,358	(6,687,055)	(3,765,582)
-	-	326,126
-	-	28,400
-	1,631,194	1,784,824
-	(341,754)	(1,784,824)
-	-	140,720
-	1,289,440	495,246
40,358	(5,397,615)	(3,270,336)
5,226,247	9,022,580	25,279,868
\$ 5,266,605	\$ 3,624,965	\$ 22,009,532

**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, 2017**

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

Total net change in fund balances - governmental funds \$ (3,270,336)

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.

Capital outlays	\$ 6,691,623	
Depreciation expense	(4,265,603)	2,426,020
<hr/>		

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.

Principal payments on long-term debt 768,245

Prepaid expenses for insurance are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives.

184,134

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.

Interest	4,324	
Current year increase in pension expense	(1,663,261)	
Amortization	13,668	(1,645,269)
<hr/>		

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.

(37,086)

**Change in net position of governmental activities \$ (1,574,292)**

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**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, 2017**

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
<b>Revenues</b>		
State revenues	\$ 38,763,954	\$ 36,093,244
Federal revenues	1,235,000	1,197,000
Local revenues	10,254,935	9,877,255
Other revenues	65,000	59,687
<b>Total revenues</b>	<b>50,318,889</b>	<b>47,227,186</b>
<b>Expenditures</b>		
Instructional services	29,384,147	27,774,075
Instructional support services	9,502,979	9,009,415
Operation and maintenance services	3,355,651	3,072,662
Student transportation services	3,100,188	2,884,780
General administrative services	2,978,589	2,445,715
Food services	-	-
Other expenses	664,667	449,473
<b>Total expenditures</b>	<b>48,986,221</b>	<b>45,636,120</b>
<b>Excess revenues over expenditures</b>	<b>1,332,668</b>	<b>1,591,066</b>
<b>Other Financing Sources (Uses)</b>		
Indirect cost	338,659	200,000
Transfers in	137,014	151,310
Transfers out	(1,344,944)	(1,221,894)
Sale of capital assets	-	-
Other financing sources	-	-
<b>Total other financing sources (uses)</b>	<b>(869,271)</b>	<b>(870,584)</b>
<b>Excess Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>463,397</b>	<b>720,482</b>
<b>Fund Balance - beginning</b>	<b>5,463,702</b>	<b>5,463,702</b>
<b>Fund Balance - ending</b>	<b>\$ 5,927,099</b>	<b>\$ 6,184,184</b>

*See accompanying notes to financial statements.*

<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget</b>
\$ 39,662,467	\$ 3,569,223
1,290,024	93,024
10,829,140	951,885
165,273	105,586
<hr/>	
51,946,904	4,719,718
<hr/>	
29,771,827	(1,997,752)
9,364,671	(355,256)
3,773,821	(701,159)
3,074,856	(190,076)
3,400,014	(954,299)
18,940	(18,940)
679,576	(230,103)
<hr/>	
50,083,705	(4,447,585)
<hr/>	
1,863,199	272,133
<hr/>	
326,126	126,126
153,630	2,320
(1,443,070)	(221,176)
28,400	28,400
140,720	140,720
<hr/>	
(794,194)	76,390
<hr/>	
1,069,005	348,523
5,463,702	-
<hr/>	
\$ 6,532,707	\$ 348,523
<hr/> <hr/>	<hr/> <hr/>

Enterprise City Board of Education  
Statement of Fiduciary Net Position  
September 30, 2017

	Private-Purpose Trust Funds
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 9,031
<hr/>	
<b>Liabilities</b>	
Accounts payable	\$ 219
Due to external organizations	8,812
<hr/>	
Total liabilities	\$ 9,031
<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

**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, 2017 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.

**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** – This fund is used to account for the Board's portion of a 7 mil district tax 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. IDEA – Part B
2. IDEA – SSIP Discretionary Grant
3. Preschool Ages 3 – 5 Part B
4. Special Education – State Personnel Development
5. Vocational Education – Basic Grant
6. Vocational Education – Program Improvement
7. Title I Part A
8. Title 1 Part A – School Improvement

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

9. Title II Part A – Teacher and Principal Training
10. Title III – English Lang. Acq., Lang. Enhance. & Acad.
11. Title X – Homeless Education
12. Food and Nutrition Fund
13. DoDea Grants
14. SLC E-Rate Refund
15. 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.

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.

## Enterprise City Board of Education Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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 amortized cost.

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, 2017 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 \$363,876.

**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 acquisition 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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

<b>Asset Class</b>	<b>Capitalization Threshold</b>	<b>Estimated Useful Life</b>
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.

**Compensated Absences** - For vacation leave and other compensated absences with similar characteristics, GASB Codification Section 60, Paragraph 104 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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 and is amortized over five years beginning with the year in which the difference occurred.

## Enterprise City Board of Education Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 Statement No. 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, 2017, 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.

*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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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, 2017 are as follows:

	General Fund	Local Capital Projects Funds	Insurance Loss Recovery Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 129,585	\$ 129,585
Restricted:					
Debt service	-	363,876	-	-	363,876
Assigned:					
Insurance Loss Recovery Fund	-	-	5,266,605	-	5,266,605
Local capital projects	-	6,100,026	-	-	6,100,026
Capital projects and renovations	-	-	-	-	-
Subsequent years' budget	-	-	-	3,495,380	3,495,380
Unassigned	6,654,060	-	-	-	6,654,060
	<u>\$ 6,654,060</u>	<u>\$ 6,463,902</u>	<u>\$ 5,266,605</u>	<u>\$ 3,624,965</u>	<u>\$ 22,009,532</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.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Impact of Recently Issued Accounting Pronouncements***

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

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

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

GASB 77 defines a tax abatement and contains required disclosures about a reporting government’s own tax abatement agreements and those agreements that are entered into by other governments and that reduce the reporting government’s tax revenues. There was no impact on the Board’s financial statements as a result of the implementation of GASB 77.

GASB 78 amends the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of GASB Statement No. 27 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (a) is not a state or local government pension plan, (b) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The Statement also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. There was no material impact on the Board’s financial statements as a result of the implementation of GASB 78.

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued But Not Yet Effective***

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Board upon implementation. Management has not yet evaluated the effect of implementation of these standards.

<b>GASB Statement No.</b>	<b>GASB Accounting Standard</b>	<b>Effective Fiscal Year</b>
75	<i>Account and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	2018
81	<i>Irrevocable Split-Interest Agreements</i>	2018
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
85	<i>Omnibus 2017</i>	2018
86	<i>Certain Debt Extinguishment Issues</i>	2018
87	<i>Leases</i>	2021

GASB Statement No. 75 (“GASB 75”) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to the employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. It replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans, the 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 disclosure and required supplementary information are addressed. GASB 75 is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81 (“GASB 81”) requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. The requirements of GASB 81 are effective for periods beginning after December 15, 2016.

GASB Statement No. 83 (“GASB 83”) addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB 83. GASB 83 establishes criteria for determining the timing and pattern of

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

recognition of a liability and a corresponding deferred outflow of resources for AROs. GASB 83 also includes various disclosure requirements. The requirements for GASB 83 are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 ("GASB 84") establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85 ("GASB 85") addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of GASB 85 are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 ("GASB 86") improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB 86 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of GASB 86 are effective for reporting periods beginning after June 15, 2017.

The objective of GASB Statement No. 87 ("GASB 87") is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after December 15, 2019.

**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

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2017 fiscal year was September 15, 2016. The Board approved and submitted its original 2017 annual budget on September 14, 2016.

The 2017 budget was amended in June 2017 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.

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:

	<b>Total Expenditures</b>
Budget basis	\$ 50,083,705
Non-budgeted accrued salaries and fringe benefits	
Instructional services	(56,558)
Instructional support services	(37,182)
Operations and maintenance	(11,294)
Student transportation services	(4,828)
General and administrative	(6,694)
Other expenditures	(4,797)
GAAP basis	\$ 49,962,352

***Excess Expenditures Over Appropriations***

The general fund actual expenditures exceeded budgeted expenditures by \$4,447,585. The excess was funded with additional current year revenues.

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

**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 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.

	<b>Total Value</b>	<b>0 – 1 Year</b>	<b>1 – 5 Years</b>
Certificates of deposit	\$ 20,259,308	\$ 17,280,092	\$ 2,979,216

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2017 consist of the following:

	<b>General</b>	<b>Local Capital Projects</b>	<b>Other Non- major</b>	<b>Total</b>
State Department of Education				
IDEA - Part B	\$ -	\$ -	\$ 8,659	\$ 8,659
IDEA - Part B - SSIP Discretionary Grant	-	-	28,121	28,121
Special Education - State Personnel Development	-	-	13,174	13,174
Pre-School Part B	-	-	114	114
School Lunch Program	-	-	447,771	447,771
Title I, Part A	-	-	28,505	28,505
Title I, Part A - School Improvement	-	-	3,956	3,956
Title III - English Lang.	-	-	5,996	5,996
Title X - Homeless Education	-	-	1,028	1,028
Vocational Education	-	-	1,769	1,769
Coffee County Rev. Commissioner	2,937,606	1,670,722	-	4,608,328
City of Enterprise	667,383	110,718	-	778,101
Department of Defense	-	-	601,286	601,286
<b>Total receivables</b>	<b>\$ 3,604,989</b>	<b>\$ 1,781,440</b>	<b>\$ 1,140,379</b>	<b>\$ 6,526,808</b>

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

**NOTE 4 – RECEIVABLES (Continued)**

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

**NOTE 5 - INTERFUND ACTIVITY**

Due to/from other funds at September 30, 2017 consisted of the following amounts:

Due to general fund from nonmajor governmental funds in the amount of \$338,029.

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

<b>Transfers Out</b>	<b>Transfers In</b>		<b>Total</b>
	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	
General fund	\$ 153,630	\$ 1,443,070	\$ 1,596,700
Nonmajor governmental funds	1,631,194	341,754	1,972,948
	\$ 1,784,824	\$ 1,784,824	\$ 3,569,648

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, 2017 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,775,249	\$ 145,277	\$ -	\$ 4,920,526
Construction in progress	3,529,815	5,121,609	2,597,732	6,053,692
Total capital assets, not being depreciated	8,305,064	5,266,886	2,597,732	10,974,218
Other capital assets:				
Buildings	134,389,419	-	-	134,389,419
Building improvements	13,539,613	2,659,578	-	16,199,191
Furniture and equipment	9,212,932	1,362,891	342,470	10,233,353
Total other capital assets at historical cost	157,141,964	4,022,469	342,470	160,821,963

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

**NOTE 6 - CAPITAL ASSETS (Continued)**

	Beginning Balance	Additions	Deductions	Ending Balance
Less accumulated depreciation for:				
Buildings	28,864,633	3,285,625	-	32,150,258
Building improvements	4,844,031	279,064	-	5,123,095
Furniture and equipment	6,393,341	700,914	305,384	6,788,871
Total accumulated depreciation	40,102,005	4,265,603	305,384	44,062,224
Total other capital assets, net	117,039,959	(243,134)	37,086	116,759,739
Total governmental activities capital assets, net	\$ 125,345,023	\$ 5,023,752	\$ 2,634,818	\$ 127,733,957

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 3,484,548
Instructional support services	35,714
Operation and maintenance services	46,130
Student transportation services	463,326
Food services	154,059
General and administrative	72,621
Other expenditures	9,205
Total governmental activities depreciation expense	\$ 4,265,603

**NOTE 7 - UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES**

	General Fund	Local Capital Projects	Other Governmental
<b>Property Taxes</b> – 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.	\$ 2,302,033	\$ 1,670,722	\$ -
<b>Unearned Revenue</b> – Daily lunch and breakfast sales revenue received but not yet expended represent revenues that will be recognized subsequent to year end.	-	-	92,890
	\$ 2,302,033	\$ 1,670,722	\$ 92,890

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.

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

**NOTE 8 - LONG-TERM DEBT**

During the year ended September 30, 2017, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance October 1, 2016	Proceeds	Retirements	Balance September 30, 2017	Amounts Due Within One Year
2010 Capital					
Outlay Warrants	\$ 10,030,000	\$ -	\$ (550,000)	\$ 9,480,000	\$ 565,000
2009-C Capital					
Improvement					
Pool Bonds	680,897	-	(218,245)	462,652	226,507
2015-B Pool					
Refunding Bonds	2,947,375	-	-	2,947,375	-
Unamortized					
bond premiums	553,959	-	(43,704)	510,255	43,704
	\$ 14,212,231	\$ -	\$ (811,949)	\$ 13,400,282	\$ 835,211

**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, 2017 was \$0.

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

Fiscal Year Ending September 30,	Principal	Interest
2018	\$ 565,000	\$ 395,525
2019	585,000	376,813
2020	610,000	354,375
2021	630,000	329,575
2022	660,000	303,775
2023-2027	3,740,000	1,063,041
2028-2030	2,690,000	195,165
	\$ 9,480,000	\$ 3,018,269

**NOTE 8 - LONG-TERM DEBT (Continued)**

Pledged revenues recognized for the year ended September 30, 2017 were \$3,563,317 while total debt service was \$962,250. Annual principal and interest payments on the warrants are expected to require an estimated 25% of the pledged revenues.

***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) (the "Authority") 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 remained after the refunding.

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

<b>Fiscal Year Ending</b>			<b>Principal</b>		<b>Interest</b>	
<b>September 30,</b>						
2018	\$	226,507	\$	18,506		
2019			236,145	9,446		
		\$	462,652	\$	27,952	

***Series 2015-B Pool Refunding Bonds***

The Series 2015-B Bonds were 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 were 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 holders of the Series 2015-B bonds will have no recourse against such capital outlay funds.

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

**NOTE 8 - LONG-TERM DEBT (Continued)**

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, 2017 was \$30,036.

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

<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ -	\$ 144,168
2019	131,242	144,168
2020	241,126	137,606
2021	252,889	125,550
2022	265,579	112,905
2023-2027	1,541,166	351,413
2028-2029	515,373	27,369
	<b>\$ 2,947,375</b>	<b>\$ 1,043,179</b>

**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 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.

**NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)**

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](http://www.rsa-al.gov).

*Benefits provided.* State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest 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, 2017 was 12.24% of annual pay for Tier 1 members and 11.01% 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 \$3,967,064 for the year ended September 30, 2017.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At September 30, 2017, the Board reported a liability of \$52,984,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015. 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, 2016, the System's proportion was 0.489417%, which was an increase of 0.002124% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the Board recognized pension expense of \$1,663,261. At September 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,364,000
Changes of assumptions	3,741,000	-
Net difference between projected and actual earnings on pension plan investments	766,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	735,000	170,000
Employer contributions subsequent to the measurement date	3,967,064	-
<b>Total</b>	<b>\$ 9,209,064</b>	<b>\$ 1,534,000</b>

\$3,967,064 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

**NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)**

**Year Ended  
September 30,**

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2018	\$	930,000
2019		930,000
2020		1,604,000
2021		72,000
2022		172,000

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

Inflation	2.75%
Investment rate of return*	7.75%
Projected salary increases	3.25% - 5.00%

\* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2015 were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes on September 13, 2016, which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB projected to 2020 and adjusted 115% for all ages for males and 112% for ages 78 and over 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:

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

**NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)**

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed income	17.00%	4.40%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash	3.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

\* Includes assumed rate of inflation of 2.50%

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current 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 7.75%, 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:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Board's proportionate share of collective net pension liability	\$ 70,587,000	\$ 52,984,000	\$ 38,082,000

*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, 2016. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2016. The auditors' report

**NOTE 9 - EMPLOYEE RETIREMENT PLAN (Continued)**

dated March 27, 2017 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2016 along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://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](http://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 \$1,487,765 or 19.07% of total Board allocations paid during fiscal year 2017. 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.

## Enterprise City Board of Education Notes to Financial Statements

### **NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)**

The Board has several construction projects in place at the end of fiscal year 2017. Contract total for these projects are \$14,117,284 with \$5,244,822 having been expensed to date. Costs to complete these contracts totaled \$8,872,462 at September 30, 2017.

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.

### **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, 2017 was \$483,116.

**NOTE 14 - SUBSEQUENT EVENTS**

The Board has evaluated subsequent events between September 30, 2017 and May 30, 2018, the date the financials were available to be issued, and there were none to disclose.

**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>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability	<b>0.489417%</b>	0.491541%	0.487933%
Employer's proportionate share of the net pension liability	<b>\$ 52,984,000</b>	\$ 51,443,000	\$ 44,327,000
Employer's covered-employee payroll*	<b>\$ 31,307,653</b>	\$ 31,055,256	\$ 30,972,319
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>169.24%</b>	165.65%	143.12%
Plan fiduciary net position as a percentage of the total pension liability	<b>67.93%</b>	67.51%	71.01%

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

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

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

<i>For the year ended September 30,</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution**	\$ <b>3,967,064</b>	\$ 3,679,325	\$ 3,613,852
Contributions in relation to the actuarially determined contribution	<b>3,967,064</b>	3,679,325	3,613,852
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll*	\$ <b>33,770,072</b>	\$ 31,307,653	\$ 31,055,256
Contributions as a percentage of covered-employee payroll	<b>11.75%</b>	11.75%	11.64%

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

\*\*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.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**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, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 30, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency [2014-001].

## **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 May 30, 2018.

## **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.

Enterprise, Alabama

May 30, 2018

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

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 Compliance Supplement* that could have direct and material effect on each of the Board's major federal programs for the year ended September 30, 2017. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

We believe that our audit provides a reasonable basis for our 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, 2017.

### **Report on Internal Control Over Compliance**

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

Enterprise, Alabama

May 30, 2018

**Enterprise City Board of Education  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<b>Social Security Administration</b>				
Disability Insurance/SSI Cluster				
Social Security Disability Insurance	96.001	N/A	\$ -	\$ 2,940
<b>U.S. Department of Education</b>				
Direct Program:				
Impact Aid	84.041	N/A	-	1,003,871
Passed through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	180	-	1,099,951
School Improvement Grants	84.377	180	-	5,869
Supporting Effective Instruction State Grant	84.367	180	-	182,283
Education for Homeless Children and Youth	84.196	180	-	14,000
English Language Acquisition State Grants	84.365	180	-	41,874
Special Education - State Personnel Development	84.323	180	-	13,174
Career and Technical Education – Basic Grants to States	84.048	180	-	70,605
Subtotal			-	1,427,756
Special Education Cluster				
Special Education - Grants to States	84.027	180	-	1,297,663
Special Education - Grants to States	84.027	180	-	28,121
Subtotal for 84.027			-	1,325,784
Special Education - Preschool Grants	84.173	180	-	21,553
Subtotal Special Education Cluster			-	1,347,337
Total U.S. Department of Education			-	3,778,964
<b>U.S. Department of Agriculture</b>				
Passed through State Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	180	-	456,805
National School Lunch Program*	10.555	180	-	285,484
National School Lunch Program	10.555	180	-	1,559,136
Subtotal for 10.555			-	1,844,620
Subtotal Child Nutrition Cluster			-	2,301,425
State Admin Expense	10.560	180	-	10,900
Fresh Fruit and Vegetable Program*	10.582	180	-	31,715
Total U.S. Department of Agriculture			-	2,344,040

(Continued)

See Independent Auditors' report and accompanying notes to the schedule of expenditures of federal awards.

**Enterprise City Board of Education  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended September 30, 2017**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<b>Federal CFDA No.</b>	<b>Pass Through Grantor's Number</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
<b>U.S. Department of Defense</b>				
Direct Programs				
ROTC Language and Cultural Training Grants	12.357	N/A	-	105,578
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	-	734,693
Total U.S. Department of Defense				840,271
Total expenditures of federal awards			\$ -	\$ 6,966,215

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

See Independent Auditors' report and accompanying notes to the schedule of expenditures of federal awards.

**Enterprise City Board of Education  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) summarizes the federal expenditures of the Board under programs of the federal government for the year ended September 30, 2017. The amounts reported as federal expenditures were obtained from the Board's general ledger. Because the SEFA presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position and changes in net position of the Board.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. The Board has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Three clusters are separately identified in the SEFA and are the following:

**Child Nutrition Cluster**

The cluster includes awards that assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and encourages the domestic consumption of nutritious agricultural commodities.

**Special Education Cluster**

The cluster includes awards that helps ensure that all children with disabilities have available to them a free appropriate public education (FAPE) which emphasizes special education and related services designed to meet their unique needs; ensure that the rights of children with disabilities and their parents or guardians are protected; assist States, localities, educational service agencies and Federal agencies to provide for the education of all children with disabilities; and assess and ensure the effectiveness of efforts to educate children with disabilities

**Disability Insurance/SSI Cluster**

The cluster includes awards that provides benefits to financially needy individuals who are aged, blind or disabled

**NOTE 2 - RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding Federal, State and/or pass-through agencies and the SEFA may differ. Some of the factors that may account for any difference include the following:

**Enterprise City Board of Education  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017**

**NOTE 2 - RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS (Continued)**

- The Board's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year-end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Board's financial statements and as expenditures in the program financial reports.

**NOTE 3 - FEDERAL PASS-THROUGH FUNDS**

The Board is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct and will be designated accordingly.

**NOTE 4 - BASIS OF ACCOUNTING**

This SEFA was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the Board's federal grants.

**NOTE 5 - INDIRECT COSTS**

The Board has not elected to use the 10% de Minimis indirect cost rate.

**NOTE 6 - 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 May 30, 2018, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

**NOTE 7 - NONCASH ASSISTANCE**

The Board received federal noncash assistance for the period ended September 30, 2017 in the amount of \$317,199.



**Enterprise City Board of Education  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017**

**NOTE 8 - SUBRECIPIENTS**

The Board did not provide federal funds to subrecipients for the fiscal year ending September 30, 2017.

**NOTE 9 - LOANS AND LOAN GUARANTEES**

The Board did not have any loans or loan guarantee programs required to be reported on the schedule for the fiscal year ending September 30, 2017.

**Enterprise City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2017**

**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
- Significant deficiencies identified that are not  
    considered to be material weaknesses?                 yes         none reported

Noncompliance material to financial statements noted?         yes         no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?                     yes         no
- Significant deficiencies identified that are not  
    considered to be material weaknesses?                 yes         none reported

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

Any audit findings disclosed that are required to be reported  
in accordance with Uniform Guidance 2 CFR Part 200.516(a)?         yes         no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.041	Impact Aid
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs?    \$ 750,000

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 5 instances in which the date of the supporting purchase order was after the date of purchase.

**Criteria** - Monitoring the use of purchase orders 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 purchase order.



**Enterprise City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2017**

**Cause** - The Board's policies and procedures require that an approved purchase order 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.

**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, 2017**

**2014-001 - Repeated in current year.**

Enterprise City Board of Education  
Corrective Action Plan  
For the Year Ended September 30, 2017



**ENTERPRISE CITY SCHOOLS**

OFFICE OF THE SUPERINTENDENT  
220 Hutchinson Street  
Enterprise, Alabama 36631-1790  
(334) 347-9531

Greg Faught  
Superintendent of Education

***Corrective Action Plan***  
***For the Year Ended September 30, 2017***

**2014-001**

**Finding:** In a test of 60 local school disbursements we noted 5 instances in which 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.

Result of our tests produced an 8% compliance failure rate of the purchase order element of controls over procurement at the local school level.

**Response** – All departments and schools will be reminded of the Board policy for initiating and approving purchase orders and documentation retention.

## **MANAGEMENT LETTER**

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

In planning and performing our audit of the 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 for the year ended September 30, 2017, 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.

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 or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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.

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. We consider the following deficiencies in internal control to be significant deficiencies [2014-001].

During our audit we also 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 May 30, 2018. This letter does not affect our report dated May 30, 2018 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.

## **2017-001 Athletic Events Cash Management**

### ***Cash Management at Athletic Events***

Management's policy for concession sales at athletic events requires the individuals charged with collecting concession sales to complete a reconciliation showing the total cash on hand and the total cash collected.

**Finding** - For two athletic events tested (EHS vs Prattville – 9-8-17 and EHS vs. Jeff Davis – 9-15-17) an "Event Change Cash and Ticket Responsibility Form and Reconciliation" from the concession sales was not completed.

**Recommendation** - Cash management is a crucial part of any sporting event. We recommend the employee supervising concessions for each football game and the bookkeeper complete and sign the "Event Change Cash and Ticket Responsibility Form and Reconciliation" after every athletic event.

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Enterprise, Alabama

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