

*Financial Statements*

**Enterprise City Board of Education**

**September 30, 2021**

**Enterprise City Board of Education  
Enterprise, Alabama  
September 30, 2021**

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Independent Auditor's 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 the Enterprise City Board of Education, component unit of the City of Enterprise, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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

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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 Enterprise City Board of Education, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, schedule of the employer's proportionate share of the net pension liability, schedule of employer's contributions - pension, schedule of employer's proportionate share of the net OPEB liability, schedule of employer's contributions - OPEB, on pages 59-63 and statement of revenues, expenditures and changes in fund balances - budget and actual - governmental funds on page 58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Enterprise City Board of Education'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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 July 19, 2022, on our consideration of the Enterprise City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Enterprise City Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise City Board of Education's internal control over financial reporting and compliance.

July 19, 2022

  
Brunson, Wilkerson, Bowden & Associates, P.C.  
Enterprise, Alabama

**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Management's Discussion and Analysis**  
**September 30, 2021**

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, 2021. 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 2021 fiscal year by \$55.71 million (net position). Of this amount, there is (\$71.39) million deficit in unrestricted net position. The net position invested in capital assets amounted to \$127.11 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 \$72.77 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 \$7.72 million.

On the fund financial statements:

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$19 million.
- There was an overall increase of \$7.92 million in fund balance in governmental funds.
- The Board had a net decrease in its outstanding debt by \$301 thousand due to \$294 thousand in debt payments and \$8 thousand due to premium amortization.



**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Management's Discussion and Analysis**  
**September 30, 2021**

## **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.

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



**Enterprise City Board of Education**  
**Enterprise, Alabama**  
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**Overview of the Financial Statements (Continued)**

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.

***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**

	September 30,	
	2021	2020
	(in millions)	(in millions)
Assets		
Current and Other Assets	\$ 37.84	\$ 28.96
Capital Assets, Net of Depreciation	<u>132.89</u>	<u>132.51</u>
Total Assets	\$ 170.73	\$ 161.47
Deferred Outflows of Resources		
Deferred Loss on Refunding	\$ .39	\$ .44
Deferred Outflows Related to Pension Liability	14.20	12.06
Deferred Outflows Related to OPEB Liability	<u>16.98</u>	<u>5.52</u>
Total Deferred Outflows of Resources	\$ <u>31.57</u>	\$ <u>18.02</u>
Liabilities		
Current Liabilities	\$ 7.64	\$ 5.95
Noncurrent Liabilities	<u>100.53</u>	<u>90.08</u>
Total Liabilities	\$ <u>108.17</u>	\$ <u>96.03</u>

**Enterprise City Board of Education  
Enterprise, Alabama  
Management's Discussion and Analysis  
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**Net Position – Governmental Activities (Continued)**

	September 30,	
	2021	2020
	<u>(in millions)</u>	<u>(in millions)</u>
Deferred Inflows of Resources		
Unavailable Revenue – Property Taxes	\$ 5.04	\$ 5.21
Deferred Inflows Related to Pension Liability	6.76	2.37
Deferred Inflows Related to OPEB Liability	<u>26.62</u>	<u>30.15</u>
Total Deferred Inflows of Resources	<u>\$ 38.42</u>	<u>\$ 37.73</u>
Net Position		
Net Investment in Capital Assets	\$ 127.11	\$ 126.44
Restricted	-	-
Unrestricted (Deficit)	<u>( 71.39)</u>	<u>( 80.71)</u>
Total Net Position	<u>\$ 55.71</u>	<u>\$ 45.73</u>

The Board's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55.71 million at the close of the fiscal year. The majority of the Board's net position are invested in capital assets (land, buildings, and equipment) owned by the Board. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations. Unrestricted net position (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 (\$71.39) 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 and expenditures of the Board for the year ended September 30, 2021.

**Enterprise City Board of Education  
Enterprise, Alabama  
Management's Discussion and Analysis  
September 30, 2021**

**Summary of Changes in Net Position from Operating Results**

	<u>Years Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>(in millions)</u>	<u>(in millions)</u>
Program Revenues		
Charges for Services	\$ 8.47	\$ 5.06
Operating Grants and Contributions	53.16	48.92
Capital Grants	3.42	2.51
General Revenues		
Local Property Taxes	5.19	5.44
Sales and Use Taxes	10.93	9.36
Other Taxes	.03	.04
Other	1.55	1.91
Total Revenues and Special Item	<u>\$ 82.75</u>	<u>\$ 73.24</u>
Expenses		
Instructional	\$ 40.72	\$ 38.61
Instructional Support	11.67	11.86
Operation and Maintenance	6.03	6.09
Transportation	3.74	3.79
Food Service	1.04	2.79
General Administration and Central Support	3.92	3.46
Interest on Long-Term Debt	.21	.30
Other	5.44	2.65
Total Expenses	<u>\$ 72.77</u>	<u>\$ 69.55</u>
Change in Net Position	\$ 9.98	\$ 3.69
Net Position - Beginning	<u>45.73</u>	<u>42.04</u>
Net Position - Ending	<u>\$ 55.71</u>	<u>\$ 45.73</u>

**Enterprise City Board of Education  
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Management's Discussion and Analysis  
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**Revenue Analysis**

- Program revenues account for 79% of total revenues including capital grant revenue.
- Operating grants and contributions make up 82% 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 \$17.7 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.

**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Management's Discussion and Analysis**  
**September 30, 2021**

**Expense Analysis (Continued)**

- 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 16 and 18.) The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balance of \$25.64 million.

**General Fund** – The general fund is the chief operating fund of the Board. The general fund balance increased by \$6.3 million this year. This is primarily due to 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 and other assigned funds for capital expenditures. The fund balance of this fund increased \$0.12 million during fiscal year 2021.

**Enterprise City Board of Education  
Enterprise, Alabama  
Management's Discussion and Analysis  
September 30, 2021**

**Budgetary Highlights of Major Funds**

The original 2021 fiscal year budget, adopted on September 14, 2020, 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 14, 2021. 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 58. Because actual revenues exceeded actual expenses there was an overall increase in the general fund.

**Capital Asset and Debt Administration**

**Capital Assets** - The Board's investment in capital assets for its governmental activities at September 30, 2021 totaled \$132.89 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 \$5.05 million during fiscal year 2021. The Board expended available resources to acquire \$5.43 million in capital asset additions during the year.

**Long-Term Debt** - At year-end, the Board owed \$5.87 million in warrants, net of unamortized premiums. Of this amount, \$2.32 million was owed on the 2015B Pool Bonds, and \$3.55 million on the 2017 Warrants. The board refunded a portion of their 2010 Capital Outlay Warrants by entering into an agreement for their 2017 Capital Outlay Warrants during fiscal year 2018. 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 fiscal year 2013. 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.



**Enterprise City Board of Education  
Enterprise, Alabama  
Management's Discussion and Analysis  
September 30, 2021**

**Factors Bearing on the Board's Future (Continued)**

**County and City Sales Tax** – Sales tax revenues increased by 16.77% for fiscal year 2021.

**Property Tax** – Property tax revenue decreased by 4.6%. A portion of the special district property tax is earmarked for debt payment on the Capital Outlay Warrants Series 2010 and 2017.

**Student Enrollment** – The latest student enrollment figure, as of the 2021-2022 fall attendance report was 6,531 students. This indicates a decrease in enrollment of 3.4%, or 228 students over the prior year and a decrease of 6.2%, or 431 students over the last 5 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 decrease for fiscal year 2022 by \$25,051.

**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 2021. Employer contributions to the Teachers Retirement System (TRS) increased to 12.36% and 11.22% for Tier 1 and Tier 2 employees, respectively, for fiscal year 2021. 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 Pamela Christian, 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  
Enterprise, Alabama  
Statement of Net Position  
September 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 17,393,091
Investments	10,937,339
Receivables	8,998,904
Inventories	275,435
Prepaid Expenses	230,266
Capital Assets, Not Being Depreciated	10,307,547
Capital Assets, Net of Depreciation	<u>122,585,181</u>
<b>TOTAL ASSETS</b>	<u>\$ 170,727,763</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Loss on Refunding	\$ 393,273
Deferred Outflows Related to Pension	14,205,193
Deferred Outflows Related to OPEB	<u>16,976,463</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 31,574,929</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 1,272,163
Salaries and Benefits Payable	5,401,271
Accrued Interest Payable	53,607
Unearned Revenue	246,603
Long-Term Liabilities	
Net Pension Liability	57,275,000
Net OPEB Liability	37,741,785
Due and Payable within One Year	665,749
Due and Payable after One Year	<u>5,513,597</u>
<b>Total Liabilities</b>	<u>\$ 108,169,775</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned Property Taxes	\$ 5,040,000
Deferred Inflows Related to Pension	6,755,000
Deferred Inflows Related to OPEB	<u>26,624,157</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 38,419,157</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 127,106,654
Unrestricted (Deficit)	<u>( 71,392,895)</u>
<b>Total Net Position</b>	<u><u>\$ 55,713,759</u></u>

See accompanying notes to financial statements.

Enterprise City Board of Education  
Enterprise, Alabama  
Statement of Activities  
For the Year Ended September 30, 2021

	Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental</b>						
	Instructional Services	\$ 40,718,247	\$ 439,009	\$ 34,122,324	\$ 1,393,209	\$ ( 4,763,705)
	Instructional Support Services	11,673,468	1,066,497	9,046,233	4,845	( 1,555,893)
	Operation and Maintenance Services	6,030,161	193,014	3,068,690	1,593,415	( 1,175,042)
	Student Transportation Services	3,742,956	131,311	3,748,533	425,640	562,528
	Food Services	1,034,767	1,067,053	252,593	-	284,879
	General Administrative Services	3,914,435	211,963	1,976,950	-	( 1,725,522)
	Interest and Fiscal Charges	211,833	-	-	-	( 211,833)
	Other Expenses	5,443,401	5,356,554	948,048	-	861,201
	<b>Total Governmental Activities</b>	<u>\$ 72,769,268</u>	<u>\$ 8,465,401</u>	<u>\$ 53,163,371</u>	<u>\$ 3,417,109</u>	<u>\$ ( 7,723,387)</u>
	<b>General Revenues</b>					
	Taxes					
	Property Taxes for General Purposes					\$ 3,087,936
	Property Taxes for Specific Purposes					2,107,027
	Local Sales Tax					10,930,892
	Other Tax					34,904
	Investment Earnings					148,378
	Gain on Disposition of Capital Assets					107,130
	Miscellaneous					1,291,443
	<b>Total General Revenues</b>					<u>\$ 17,707,710</u>
	<b>Change in Net Position</b>					
						\$ 9,984,323
	<b>Net Position - Beginning</b>					<u>45,729,436</u>
	<b>Net Position - Ending</b>					<u>\$ 55,713,759</u>

Enterprise City Board of Education  
Enterprise, Alabama  
Balance Sheet -  
Governmental Funds  
September 30, 2021

	General Fund	Local Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 10,745,633	\$ 1,108,784	\$ 5,338,674	\$ 17,393,091
Investments	10,937,339	-	-	10,937,339
Receivables	5,010,582	2,100,000	1,885,802	8,996,384
Due from Other Funds	393,565	-	-	393,565
Inventories	-	-	275,435	275,435
Prepaid Items	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 27,087,119</b>	<b>\$ 3,208,784</b>	<b>\$ 7,699,911</b>	<b>\$ 37,995,814</b>
<b>Liabilities</b>				
Cash Deficit	\$ -	\$ -	\$ -	\$ -
Accounts Payable	440,046	393,390	438,727	1,272,163
Due to Other Funds	-	-	393,565	393,565
Salaries and Benefits Payable	4,703,068	-	698,203	5,401,271
Unearned Revenue	-	-	246,603	246,603
<b>Total Liabilities</b>	<b>\$ 5,143,114</b>	<b>\$ 393,390</b>	<b>\$ 1,777,098</b>	<b>\$ 7,313,602</b>
<b>Deferred Inflows of Resources</b>				
Unearned Revenue - Property Taxes	\$ 2,940,000	\$ 2,100,000	\$ -	\$ 5,040,000
<b>Fund Balances</b>				
Non-spendable	\$ -	\$ -	\$ 275,435	\$ 275,435
Restricted	-	-	-	-
Assigned	-	715,394	5,647,378	6,362,772
Unassigned	19,004,005	-	-	19,004,005
<b>Total Fund Balances</b>	<b>\$ 19,004,005</b>	<b>\$ 715,394</b>	<b>\$ 5,922,813</b>	<b>\$ 25,642,212</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 27,087,119</b>	<b>\$ 3,208,784</b>	<b>\$ 7,699,911</b>	<b>\$ 37,995,814</b>

See accompanying notes to financial statements.

**Enterprise City Board of Education  
Enterprise, Alabama  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
September 30, 2021**

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

Total <i>fund balances</i> for governmental funds		\$ 25,642,212
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 193,937,888	
Accumulated Depreciation	<u>( 61,045,160)</u>	
Total Capital Assets (See Note 6.)		132,892,728
Prepaid items are recorded as an expenditure in governmental funds when paid rather than as an asset.		230,266
Interest on unmatured investments are not received in the current period and, therefore, are not reported as income in the governmental funds.		2,519
Deferred inflows and outflows related to pension and OPEB 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 OPEB	\$ 16,976,463	
Deferred inflows related to OPEB	( 26,624,157)	
Deferred outflows related to pension	14,205,193	
Deferred inflows related to pension	<u>( 6,755,000)</u>	( 2,197,501)
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	\$ ( 53,607)	
Net OPEB liability	( 37,741,785)	
Net pension liability	( 57,275,000)	
Deferred loss on refunding	393,273	
Current portion of long-term debt	( 665,749)	
Non-current portion of long-term debt	<u>( 5,513,597)</u>	<u>( 100,856,465)</u>
Total net position of governmental activities		<u>\$ 55,713,759</u>

See accompanying notes to financial statements.

Enterprise City Board of Education  
Enterprise, Alabama  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended September 30, 2021

	General Fund	Local Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
State Revenues	\$ 45,038,457	\$ -	\$ 3,421,013	\$ 48,459,470
Federal Revenues	1,230,774	-	12,896,607	14,127,381
Local Revenues	15,111,597	1,975,838	2,791,916	19,879,351
Other Revenues	125,345	-	23,273	148,618
<b>Total Revenues</b>	<b>\$ 61,506,173</b>	<b>\$ 1,975,838</b>	<b>\$ 19,132,809</b>	<b>\$ 82,614,820</b>
<b>EXPENDITURES</b>				
Instructional Services	\$ 32,694,797	\$ -	\$ 4,726,072	\$ 37,420,869
Instructional Support Services	9,153,235	-	2,647,503	11,800,738
Operation and Maintenance Services	3,975,624	-	2,264,702	6,240,326
Student Transportation Services	3,938,753	-	415,504	4,354,257
Food Services	-	-	882,201	882,201
General Administrative Services	3,743,196	-	220,764	3,963,960
Capital Outlay	187,610	1,730,654	2,237,718	4,155,982
Debt Service	-	41,000	252,889	293,889
Principal	-	83,451	125,550	209,001
Interest	-	-	5,315,263	5,925,943
Other Expenditures	610,680	-	-	-
<b>Total Expenditures</b>	<b>\$ 54,303,895</b>	<b>\$ 1,855,105</b>	<b>\$ 19,088,166</b>	<b>\$ 75,247,166</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 7,202,278</b>	<b>\$ 120,733</b>	<b>\$ 44,643</b>	<b>\$ 7,367,654</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 951,180	\$ -	\$ 3,110,161	\$ 4,061,341
Transfers Out	( 2,407,235)	-	( 1,654,106)	( 4,061,341)
Indirect Cost	393,565	-	-	393,565
Sale of Capital Assets	107,130	-	-	107,130
Other Financing Sources	55,361	-	-	55,361
<b>Total Other Financing Sources (Uses)</b>	<b>\$ ( 899,999)</b>	<b>\$ -</b>	<b>\$ 1,456,055</b>	<b>\$ 556,056</b>
<b>Net Change in Fund Balances</b>	<b>\$ 6,302,279</b>	<b>\$ 120,733</b>	<b>\$ 1,500,698</b>	<b>\$ 7,923,710</b>
<b>FUND BALANCE - BEGINNING</b>	<b>12,701,726</b>	<b>594,661</b>	<b>4,422,115</b>	<b>17,718,502</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 19,004,005</b>	<b>\$ 715,394</b>	<b>\$ 5,922,813</b>	<b>\$ 25,642,212</b>

See accompanying notes to financial statements.



Enterprise City Board of Education  
Enterprise, Alabama  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2021

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

Net change in <i>fund balances</i> -- total governmental funds		\$ 7,923,710
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This adjustment includes:		
Capital outlays	\$ 5,433,497	
Depreciation expense	<u>( 5,050,024)</u>	383,473
Governmental Funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayment as a reduction in long-term liabilities.		
Principal payments on long-term debt		293,889
Certain revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are reported as revenues in the governmental funds.		( 23,719)
Governmental Funds report proceeds from the sale of capital assets as an increase in financial resources. In contrast, only the gain or loss on the sale of capital assets is reported in the Statement of Activities. The difference is as follows:		
Gain on Disposition of Capital Assets	\$ 107,130	
Proceeds from Sale of Capital Assets	<u>( 107,130)</u>	-
Certain 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. These expenses include:		
Decrease in Prepaid Expenses	\$ 106,372	
Decrease in Accrued Interest Payable	5,698	
Decrease in OPEB expense	2,422,771	
Increase in pension expense	( 1,119,341)	
Amortization - Bond Premium	( 49,699)	
Amortization - Loss on Refunding	<u>41,169</u>	<u>1,406,970</u>
Change in net position of governmental activities		<u><u>\$ 9,984,323</u></u>

See accompanying notes to financial statements.

Enterprise City Board of Education  
Enterprise, Alabama  
Statement of Fiduciary Net Position  
For the Year Ended September 30, 2021

	Agency Funds
<b>Assets</b>	
Cash & Cash Equivalents	\$ 955
Total Assets	\$ 955
<b>Liabilities</b>	
Due to External Organizations	\$ -
Total Liabilities	\$ -
<b>Net Position</b>	\$ 955

See accompanying notes to financial statements.

**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2021**

**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.

**A. 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, 2021 as a special revenue fund.

**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation**

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the Board. 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.

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.

**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued)**

**Basis of Presentation (Continued)**

**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 and other Board assigned funds for the expansion of property and equipment owned by the Board.

**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. Vocational Education – Basic Grant
5. Vocational Education – Program Improvement
6. Title I Part A
7. Title II Part A – Teacher and Principal Training
8. Title III – English Lang. Acq., Lang. Enhance. & Acad.
9. Title IV Part A – Safe & Drug Free
10. Title VI Part B – Low Income Program
11. Title X – Homeless Education
12. Food and Nutrition Fund
13. DoDea Grants
14. Local School Activity Funds
15. CARES Act Funds

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued)**

**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**  
**Enterprise, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. 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.

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**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 typically consist of cash and cash equivalents which are restricted by debt agreements for debt service payments. The Board had no restricted assets as of September 30, 2021.

**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  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

**Capital Assets (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:

<u>Asset Class</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land Improvements - Exhaustible	\$ 50,000	40 years
Buildings	\$ 50,000	40 - 50 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, 2002, 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 e payments is reported as an other financing source and as an expenditure. The balance sheet does not reflect a liability for long-term debt.

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**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.

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.

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**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 and other post employee benefits (OPEB). 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 and OPEB results from pension and OPEB 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 and OPEB. A deferred inflow related to pension and OPEB 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.

**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:

**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Net Position and Fund Balances (Continued)**

- *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, 2021, 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  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Net Position and Fund Balances (Continued)**

- *Assigned fund balance*– 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 fund balance* – All other spendable amounts.

Fund balances at September 30, 2021 are as follows:

	General Fund	Local Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	\$ -	\$ -	\$ 275,435	\$ 275,435
Restricted:				
Debt Service	-	-	-	-
Assigned:				
Local Capital Projects	-	715,394	-	715,394
Other Govern- mental Funds	-	-	5,647,378	5,647,378
Unassigned	<u>19,004,005</u>	<u>-</u>	<u>-</u>	<u>19,004,005</u>
Total	<u>\$ 19,004,005</u>	<u>\$ 715,394</u>	<u>\$ 5,922,813</u>	<u>\$ 25,642,212</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.

**Enterprise City Board of Education  
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September 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Management Estimates and Assumptions**

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

**Recently Issued Accounting Pronouncements**

The Board implemented the following new accounting pronouncements during the fiscal year ended September 30, 2021:

GASB Statement No. 84, *“Fiduciary Activities”*, effective for fiscal year ending September 30, 2021. This statement enhances consistency and comparability by establishing certain specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

GASB Statement No. 90, *“Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61”*, effective for fiscal year ending September 30, 2021. This statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units.

The Board will adopt the following new accounting pronouncements in future years. The impact of these pronouncements on the Board’s financial statements has not been determined.

GASB Statement No. 87, *“Leases”*, effective for fiscal year ending September 30, 2022. This statement 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.

**Enterprise City Board of Education**  
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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Recently Issued Accounting Pronouncements (Continued)**

GASB Statement No. 89, *“Accounting for Interest Cost Incurred Before the End of a Construction Period”*, effective for fiscal year ending September 30, 2022. This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 91, *“Conduit Debt Obligations”*, effective for fiscal year ending September 30, 2023. This statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 92, *“Omnibus 2020”*, effective for fiscal year ending September 30, 2022. This statement will enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *“Replacement of Interbank Offered Rates”*, effective for fiscal year ending September 30, 2022. This statement will address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate, specifically the London Interbank Offered Rate, which is expected to cease to exist in its current form at the end of 2021.

GASB Statement No. 94, *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements”*, effective for fiscal year ending September 30, 2023. This statement will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and for availability of payments arrangements.

GASB Statement No. 96, *“Subscription-Based Information Technology Arrangements”*, effective for fiscal year ending September 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

**Enterprise City Board of Education  
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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Recently Issued Accounting Pronouncements (Continued)**

GASB Statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*”, effective for fiscal year ending September 30, 2022. This statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. It will also enhance the relevance, consistence, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all section 457 plans.

**Note 2 – Stewardship, Compliance and Accountability**

**A. Budgets**

The following funds are not budgeted and budget information is not presented: Local Capital Projects and Insurance Loss Recovery. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2021 fiscal year was September 15, 2020. The Board approved and submitted its original 2021 annual budget on September 14, 2020.

The 2021 budget was amended in June 2021 primarily to reflect actual beginning fund balances, to budget carryover federal funds, and budget additional grant funds that became available after submission of the original budget.

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

**Enterprise City Board of Education**  
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**Note 2 – Stewardship, Compliance and Accountability (Continued)**

**A. Budgets (Continued)**

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

Adjustments to convert the results of operations of the general fund at the end of the year from the budgetary basis of accounting to the GAAP basis of accounting are outlined in the accompanying Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund on pages 58 and 59

**B. Excess of Expenditures over Appropriations**

**Other Governmental Funds**

Non-major capital projects funds expenditures exceeded the appropriation by \$774,173. These shortages were covered by existing funds on hand.

**Note 3 – Deposits 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.

Enterprise City Board of Education  
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**Note 3 – Deposits and Investments (Continued)**

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.

At September 30, 2021, \$1,075,852 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.

	<u>Value</u>	<u>0-1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	\$ 1,075,852	\$ -	\$ 1,075,852

**Fair Value Measurement**

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes inputs in to three categories – Level 1, Level 2, and Level 3 inputs – considering the relative reliability of inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that are accessible at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

**Enterprise City Board of Education**  
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**Note 3 – Deposits and Investments (Continued)**

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At September 30, 2021, the Board had \$9,861,487 of investments in money market funds, which are valued at fair value using level 1 inputs.

**Note 4 - Receivables**

Details of the aggregated receivables at September 30, 2021 are as follows:

	<u>General</u>	<u>Local Capital Projects</u>	<u>Other Non-Major</u>	<u>Total</u>
State Department of Education				
IDEA – Part B				
SSIP Discretionary Grant	\$ -	\$ -	\$ 44,415	\$ 44,415
Career Tech	-	-	31,455	31,455
Program Improvements	-	-	212	212
Child Nutrition Program	-	-	574,691	574,691
Title I, Part A	-	-	19,931	19,931
Title III – English Language	-	-	13,000	13,000
Supporting Effective Instruction	-	-	861	861
CARES Act	-	-	811,496	811,496
TEAMS Contracts	67,738	-	-	67,738
DoDEA Grant	-	-	389,710	389,710
Other	81,450	-	31	84,481
Alabama Medicaid Outreach	85,130	-	-	85,130
County Revenue Commissioner	3,956,877	2,100,000	-	6,056,877
City of Enterprise	<u>819,387</u>	<u>-</u>	<u>-</u>	<u>819,387</u>
Total Receivables Per Balance Sheet	<u>\$ 5,010,582</u>	<u>\$ 2,100,000</u>	<u>\$ 1,885,802</u>	<u>\$ 8,996,384</u>
Accrued Interest Receivable				<u>2,520</u>
Total Receivables Per Statement of Net Position				<u>\$ 8,998,904</u>

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, 2021 consisted of the following amounts:

- Due to general fund from nonmajor governmental funds in the amount of \$393,565

**Enterprise City Board of Education**  
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**Note 5 – Interfund Activity (Continued)**

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

Interfund transfers consisted of the following for the year ended September 30, 2021:

	General Fund	Local Capital Projects Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ -	\$ 2,407,235	\$ 2,407,235
Nonmajor Governmental Funds	951,180	-	702,926	1,654,106
	<u>\$ 951,180</u>	<u>\$ -</u>	<u>\$ 3,110,161</u>	<u>\$ 4,061,341</u>

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,573,015	\$ -	\$ -	\$ 3,573,015
Land Improvements	1,677,951	-	-	1,677,951
Construction in Progress	1,096,349	3,968,373	8,140	5,056,582
Total Capital Assets Not Being Depreciated	<u>\$ 6,347,315</u>	<u>\$ 3,968,373</u>	<u>\$ 8,140</u>	<u>\$ 10,307,548</u>
<b>Other Capital Assets:</b>				
Buildings	\$150,295,129	\$ -	\$ -	\$150,295,129
Building Improvements	20,971,763	195,750	-	21,167,513
Furniture and Equipment	12,712,556	1,277,515	1,822,373	12,167,698
Total Other Capital Assets at Historical Cost	<u>\$183,979,448</u>	<u>\$ 1,473,265</u>	<u>\$ 1,822,373</u>	<u>\$183,630,340</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	\$ 42,736,622	\$ 3,693,520	\$ -	\$ 46,430,142
Building Improvements	6,206,477	514,159	-	6,720,636
Furniture and Equipment	8,874,409	842,346	1,822,373	7,894,382
Total Accumulated Depreciation	<u>\$ 57,817,508</u>	<u>\$ 5,050,025</u>	<u>\$ 1,822,373</u>	<u>\$ 61,045,160</u>
Total Other Capital Assets, Net	<u>\$126,161,940</u>	<u>\$ ( 3,576,760)</u>	<u>\$ -</u>	<u>\$122,585,180</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$132,509,255</u>	<u>\$ 391,613</u>	<u>\$ 8,140</u>	<u>\$132,892,728</u>



**Enterprise City Board of Education**  
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**Note 6 – Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instructional Services	\$ 4,112,037
Instructional Support Services	371
Operation and Maintenance Services	124,661
Student Transportation Services	551,316
Food Services	181,532
General and Administrative	68,019
Other Expenditures	<u>12,089</u>
Total Governmental Activities Depreciation Expense	<u>\$ 5,050,025</u>

**Note 7 – Unearned Revenue and Deferred Inflows of Resources**

	<u>General Fund</u>	<u>Local Capital Projects</u>	<u>Other Governmental</u>
<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.	\$ 2,940,000	\$ 2,100,000	\$ -
<b>Unearned Revenue</b> – Daily lunch and breakfast sales revenue and federal programs revenues received but not yet expended represent revenues that will be recognized subsequent to year-end.	<u>-</u>	<u>-</u>	<u>246,603</u>
Total	<u>\$ 2,940,000</u>	<u>\$ 2,100,000</u>	<u>\$ 246,603</u>

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

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**Note 8 – Long-Term Debt**

During the year ended September 30, 2021, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance October 1, 2020	Proceeds	Retirements	Balance September 30, 2021	Amounts Due Within One Year
2015-B Pool Refunding Bonds	\$ 2,575,037	\$ -	\$ 252,889	\$ 2,322,148	\$ 265,580
2017 Capital Outlay Warrants	3,586,000	-	41,000	3,545,000	359,000
Unamortized Bond Premiums	353,367	-	41,169	312,198	41,169
Total	<u>\$ 6,514,404</u>	<u>\$ -</u>	<u>\$ 335,058</u>	<u>\$ 6,179,346</u>	<u>\$ 665,749</u>

***2017 Capital Outlay Warrants***

On October 2, 2017, the Board issued \$3,711,000 of Series 2017 Capital Outlay Warrants. The proceeds were used to refund, on a current basis, a portion of the outstanding Capital Outlay Warrants Series 2010. Interest rates are 2.34 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.

Annual debt service requirements to maturity for the 2017 Capital Outlay Warrants are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 359,000	\$ 78,753
2023	365,000	70,282
2024	374,000	61,636
2025	382,000	52,790
2026	395,000	43,700
2027-2030	<u>1,670,000</u>	<u>79,092</u>
	<u>\$ 3,545,000</u>	<u>\$ 386,253</u>

Pledged revenues for the 2017 Capital Outlay Warrants recognized for the year ended September 30, 2021, were \$963,525 while the total debt service expenditure was \$41,000. Annual principal and interest payments on the warrants are expected to require an estimated 45% of the pledged revenues in future years.

**Enterprise City Board of Education**  
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**Note 8 – Long-Term Debt (Continued)**

***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% 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.

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, 2021 was \$41,169.

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

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 265,580	\$ 112,905
2023	279,199	99,626
2024	293,128	85,666
2025	307,676	71,010
2026	322,843	55,626
2027-2029	853,722	66,853
	<u>\$ 2,322,148</u>	<u>\$ 491,686</u>

**Enterprise City Board of Education**  
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**Note 9 – Employee Retirement Plan**

*Summary of Significant Accounting Policies for the Pension Plan*

*Pensions*

The Teachers' Retirement System of Alabama's (the Plan or TRS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to 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 TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operating of TRS is vested in its Board of Control.

The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](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.

**Enterprise City Board of Education  
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**Note 9 – Employee Retirement Plan (Continued)**

***Benefits Provided (Continued)***

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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

***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.

Participating employers' contractually required contribution rate for the year ended September 30, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% 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 System were \$4,408,527 for the year ended September 30, 2021.

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**Note 9 – Employee Retirement Plan (Continued)**

*Pension liabilities, pension expense, and deferred outflows and deferred inflows of resources related to pensions*

At September 30, 2021, the System reported a liability of \$57,275,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the System's proportion was 0.463025%, which was a decrease of 0.0651046% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the System recognized pension expense of \$4,408,527. At September 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,835,000	\$ 993,000
Changes of Assumptions	596,000	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	4,254,000	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	2,109,000	5,762,000
Employer Contributions Subsequent to the		
Measurement Date	<u>4,411,193</u>	<u>-</u>
Total	<u>\$ 14,205,193</u>	<u>\$ 6,755,000</u>

\$4,411,193 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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**Note 9 – Employee Retirement Plan (Continued)**

*Pension liabilities, pension expense, and deferred outflows and deferred inflows of resources related to pensions (Continued)*

Year Ended September 30,	
2022	\$ 668,000
2023	1,246,000
2024	1,366,000
2025	( 241,000)
2026	-
Thereafter	-

*Actuarial Assumptions*

The total pension liability as of September 30, 2020 was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

\* Net of pension plan investment expense

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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:

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**Note 9 – Employee Retirement Plan (Continued)**

*Actuarial Assumptions (Continued)*

	Long-Term Target Allocation	Expected Rate of Return*
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%	7.5%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

\* Includes assumed rate of inflation of 2.50%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.70%. 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 System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:



**Enterprise City Board of Education  
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**Note 9 – Employee Retirement Plan (Continued)**

*Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)*

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's Proportionate Share of Collective Net Pension Liability	\$ 76,416,000	\$ 57,275,000	\$ 41,078,000

***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, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. The auditors' report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**Note 10 – Postemployment Benefits Other Than Pension (OPEB)**

***Summary of Significant Accounting Policies***

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

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

**Enterprise City Board of Education  
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**Note 10 – Postemployment Benefits Other Than Pension (OPEB) (Continued)**

*Summary of Significant Accounting Policies (Continued)*

*Plan Description*

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

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

*Benefits Provided*

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

**Enterprise City Board of Education  
Enterprise, Alabama  
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**Note 10 – Postemployment Benefits Other Than Pension (OPEB) (Continued)**

*Summary of Significant Accounting Policies (Continued)*

*Benefits Provided (Continued)*

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Insurance Group Medicare Advantage plan for PEEHIP retirees. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), and Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

**Enterprise City Board of Education  
Enterprise, Alabama  
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**Note 10 – Postemployment Benefits Other Than Pension (OPEB) (Continued)**

*Summary of Significant Accounting Policies (Continued)*

*Contributions*

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

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

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

Enterprise City Board of Education  
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Notes to the Financial Statements  
September 30, 2021

**Note 10 – Postemployment Benefits Other Than Pension (OPEB) (Continued)**

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

At September 30, 2021, the Board reported a liability of \$37,741,785 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the Board's proportion was 0.581550%, which was a decrease of 0.0858120% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the System recognized OPEB expense of \$1,023,712, with no special funding situations. At September 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 957,105	\$ 13,569,076
Changes of Assumptions	13,182,910	7,008,304
Net Difference between Projected and Actual		
Earnings on OPEB Plan Investments	-	1,591
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,812,736	6,045,186
Employer Contributions Subsequent to the		
Measurement Date	<u>1,023,712</u>	<u>-</u>
Total	<u>\$ 16,975,463</u>	<u>\$ 26,624,157</u>

\$1,023,712 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021

**Note 10 – Postemployment Benefits Other Than Pension (OPEB) (Continued)**

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

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

Year Ended September 30,	
2022	\$ ( 3,348,207)
2023	( 3,290,714)
2024	( 2,509,388)
2025	( 2,783,826)
2026	563,743
Thereafter	696,986

*Actuarial Assumptions*

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25%-5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Single Equivalent Interest Rate at the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024

(1) Includes 3.00% wage inflation.

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

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

**Enterprise City Board of Education**  
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**Notes to the Financial Statements**  
**September 30, 2021**

**Note 10 – Postemployment Benefits Other Than Pension (OPEB) (Continued)**

*Actuarial Assumptions (Continued)*

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2019 valuation.

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

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

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 10 – Postemployment Benefits Other Than Pension (OPEB) (Continued)**

*Actuarial Assumptions (Continued)*

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	<u>5.00%</u>	1.50%
Total	100.00%	

\*Geometric mean, includes 2.5% inflation.

*Discount Rate*

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2020 was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020, and it is assumed that the 14.802% will increase at the same rate as expected benefit payments for the closed group reaching 20% at which point this amount will increase by 1.00% in subsequent years. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.



**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 10 – Postemployment Benefits Other Than Pension (OPEB) (Continued)**

*Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

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

	1% Decrease (5.75% Decreasing to 3.75% for Pre - Medicare, Known Decreasing to 3.75% For Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare, Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre- Medicare, Known Decreasing to 5.75% for Medicare Eligible)
Net OPEB Liability	\$ 29,835,004	\$ 37,741,785	\$ 48,033,728

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Net OPEB Liability	\$ 46,292,258	\$ 37,741,785	\$ 30,950,858

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**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.

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 11 – Commitments and Contingencies (Continued)**

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

The Board has several construction projects in place at the end of fiscal year 2021. Contract total for these projects are \$10,516,571 with \$5,056,582 having been expensed to date. Costs to complete these contracts totaled \$5,459,992 at September 30, 2021.

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.

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to the Financial Statements  
September 30, 2021**

**Note 13 – Subsequent Events**

The Board has evaluated subsequent events between September 30, 2021 and July 19, 2022, the date the financials were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management has determined that there are no nonrecognized subsequent events that require additional disclosure except as noted below.

Required Supplementary Information

Enterprise City Board of Education  
Enterprise, Alabama  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Budgetary Basis	Budget to GAAP Differences Over/(Under)	Actual GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Slate Revenues	\$ 42,718,031	\$ 44,954,004	\$ 45,038,457	\$ -	\$ 45,038,457
Federal Revenues	850,000	850,000	1,230,774	-	1,230,774
Local Revenues	11,984,247	11,984,247	15,111,597	-	15,111,597
Other Revenues	50,000	107,000	125,345	-	125,345
<b>Total Revenues</b>	<b>\$ 55,602,278</b>	<b>\$ 57,895,251</b>	<b>\$ 61,506,173</b>	<b>\$ -</b>	<b>\$ 61,506,173</b>
<b>EXPENDITURES</b>					
Instructional Services	\$ 31,149,797	\$ 32,055,795	\$ 32,390,334	\$ 304,463	\$ 32,694,797
Instructional Support Services	9,735,972	9,731,272	9,099,380	53,855	9,153,235
Operation and Maintenance Services	4,893,153	4,907,953	3,976,006	( 382)	3,975,624
Student Transportation Services	3,767,587	3,824,587	3,921,906	16,847	3,938,753
General Administrative Services	2,862,431	3,142,104	3,743,268	( 72)	3,743,196
Other Expenses	601,701	619,702	617,498	( 429,888)	187,610
Capital Outlay	-	-	187,610	423,070	610,680
<b>Total Expenditures</b>	<b>\$ 53,010,641</b>	<b>\$ 54,281,413</b>	<b>\$ 53,936,002</b>	<b>\$ 367,893</b>	<b>\$ 54,303,895</b>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b>\$ 2,591,637</b>	<b>\$ 3,613,838</b>	<b>\$ 7,570,171</b>	<b>\$ ( 367,893)</b>	<b>\$ 7,202,278</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Indirect Costs	\$ 356,622	\$ 417,431	\$ 393,565	\$ -	\$ 393,565
Sale of Capital Assets	-	-	107,130	-	107,130
Transfers In	291,704	291,704	951,180	-	951,180
Transfers Out	( 1,502,757)	( 1,515,207)	( 2,407,235)	-	( 2,407,235)
Other Financing Sources	-	-	55,361	-	55,361
<b>Total Other Financing Sources (Uses)</b>	<b>\$ ( 854,431)</b>	<b>\$ ( 806,072)</b>	<b>\$ ( 899,999)</b>	<b>\$ -</b>	<b>\$ ( 899,999)</b>
<b>EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>\$ 1,737,206</b>	<b>\$ 2,807,766</b>	<b>\$ 6,670,172</b>	<b>\$ ( 367,893)</b>	<b>\$ 6,302,279</b>
<b>FUND BALANCE - BEGINNING</b>	<b>16,185,178</b>	<b>17,036,491</b>	<b>17,036,491</b>	<b>( 4,334,765)</b>	<b>12,701,726</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 17,922,384</b>	<b>\$ 19,844,257</b>	<b>\$ 23,706,663</b>	<b>\$ ( 4,702,658)</b>	<b>\$ 19,004,005</b>
<b>Explanation of Differences:</b>					
The Board budgets revenues and expenditures to the extent they are expected to be received or paid in the current fiscal period, rather than on the modified accrual basis.				<b>\$ ( 367,893)</b>	

See accompanying notes to financial statements.

Enterprise City Board of Education  
Enterprise, Alabama  
Note to the Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
For the Year Ended September 30, 2021

Note 1 - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	<u>General Fund</u>
<b>Sources/Inflows of Resources</b>	
Actual amounts (budgetary basis) available for appropriation shown as Total Revenues on the budgetary comparison schedule	\$ 61,506,173
<i>Differences - Budget to GAAP</i>	
Local taxes are not budgeted as revenues unless receivable in time to pay budgeted expenditures	<u>-</u>
Total Revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 61,506,173</u>
<b>Uses/Outflows of Resources</b>	
Actual amounts (budgetary basis) available for expenditures shown as Total Expenditures on the budgetary comparison schedule	\$ 53,936,002
<i>Differences - Budget to GAAP</i>	
Salaries of teachers and other personnel with contracts of less than 12 months are paid over a 12 month period. Expenditures for salaries (and related fringe benefits) are budgeted based on the amount that will be paid from budgeted revenues. However, salaries (and related benefits) earned but not paid are reported as expenditures on the financial statements	<u>( 367,893)</u>
Total Expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 53,568,109</u>

Enterprise City Board of Education  
Enterprise, Alabama  
Schedule of the Employer's Proportionate Share of the Net Pension Liability  
For the Year Ended September 30, 2021

	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.463025%	0.528129%	0.500743%	0.506802%	0.489417%	0.491541%	0.487933%
Employer's Proportionate Share of the Net Pension Liability	\$ 57,275,000	\$ 58,395,000	\$ 49,787,000	\$ 49,811,000	\$ 52,984,000	\$ 51,443,000	\$ 44,327,000
Employer's Covered Payroll*	\$ 36,190,473	\$ 35,020,282	\$ 33,750,933	\$ 33,770,072	\$ 31,307,653	\$ 31,055,256	\$ 30,972,319
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	158.26%	161.45%	147.51%	147.50%	169.24%	165.65%	143.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

\* Employer's covered payroll during the measurement period is the total payroll of those employees who are participating in the pension plan. For FY 2021, the measurement period is October 1, 2019 through September 30, 2020.

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  
Enterprise, Alabama  
Schedule of Employer Contributions - Pension  
For the Year Ended September 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution **	\$ 4,411,232	\$ 4,356,692	\$ 4,227,906	\$ 4,018,848	\$ 3,967,064	\$ 3,679,325	\$ 3,613,852
Contributions in Relation to the Actuarially Determined Contribution	4,411,232	4,356,692	4,227,906	4,018,848	3,967,064	3,679,325	3,613,852
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Payroll *	\$ 37,066,482	\$ 36,190,473	\$ 35,020,282	\$ 33,750,933	\$ 33,770,072	\$ 31,307,653	\$ 31,055,256
Contributions as a Percentage of Covered Payroll	11.90%	12.04%	12.07%	11.91%	11.75%	11.75%	11.64%

\* Employer's covered 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.

See accompanying notes to financial statements.



**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Schedule of the Employer's Proportionate Share of the Net OPEB Liability**  
**For the Year Ended September 30, 2021**

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Employer's Proportion of the Collective Net OPEB Liability	0.581550%		0.667362%		0.642867%		0.633367%
Employer's Proportionate Share of the Collective Net OPEB Liability	\$ 37,741,785	\$	25,178,019	\$	52,835,480	\$	47,042,883
Employer's Covered-Employee Payroll During the Measurement Period *	\$ 36,190,473	\$	35,020,282	\$	33,815,865	\$	33,836,628
Employer's Proportionate Share of the Collective Net OPEB Liability as a Percentage of its Covered-Employee Payroll	104.29%		71.90%		156.24%		139.03%
Plan Fiduciary Net Position as a Percentage of the Total Collective OPEB Liability	19.80%		28.14%		14.81%		14.81%

\* 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 2021, the measurement period is October 1, 2019 through September 30, 2020.

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  
Enterprise, Alabama  
Schedule of the Employer's Contributions - OPEB  
For the Year Ended September 30, 2021**

	2021	2020	2019	2018
Contractually Required Contribution **	\$ 1,023,712	\$ 1,151,552	\$ 1,898,055	\$ 1,570,137
Contributions in Relation to the Actuarially Determined Contribution	1,023,712	1,151,552	1,898,055	1,570,137
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Employer's Covered-Employee Payroll *	\$ 37,066,482	\$ 36,190,473	\$ 35,020,282	\$ 33,815,865
Contributions as a Percentage of Covered-Employee Payroll	2.76%	3.18%	5.32%	4.64%

\* Employer's covered 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.

**Changes in actuarial assumptions**

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

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rate of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016, and later, the expectation of retired life mortality was changed to the RP-2000 males and White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% and over for females.

**Recent Plan Changes**

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

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through MAPD plan. The Health Plan is changed each year to reflect the ACA maximum annual out of pocket amounts.

**Enterprise City Board of Education  
Enterprise, Alabama  
Schedule of the Employer's Contributions - OPEB  
For the Year Ended September 30, 2021**

**Method and assumptions used in calculations of actuarially determined contributions**

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2017, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Asset Valuation Method	Market Value of Assets
Inflation	2.750%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including Inflation

See accompanying notes to financial statements.

**Enterprise City Board of Education  
Enterprise, Alabama  
Supplementary Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021**

Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>SOCIAL SECURITY ADMINISTRATION</b>			
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
Disability Insurance/SSI Cluster			
Social Security Disability Insurance	96.001	N/A	\$ 760
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct Program - Impact Aid	84.041	N/A	\$ 1,122,751
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
Special Education Cluster			
Special Education - Grants to States	84.027	N/A	\$ 1,448,275
Special Education - Preschool Grants	84.173	N/A	24,082
<b>Subtotal Special Education Cluster</b>			\$ 1,472,357
Title I Grants to Local Education Agencies	84.010	N/A	1,126,674
Special Education - State Personnel Development	84.323	N/A	15,230
Supporting Effective Instruction State Grant	84.367	N/A	209,958
English Language Acquisition Grants	84.365	N/A	30,983
Title VIB - Rural Education	84.358	N/A	78,710
Student Support and Academic Enrichment Program	84.424	N/A	71,006
Career and Technical Education - Basic Grants to States	84.048	N/A	65,057
American Rescue Plan Education Stabilization Funds	84.425	N/A	47,237
Governor's Emergency Education Stabilization Fund	84.425	N/A	345,843
COVID-19 Elementary & Secondary School Emergency Relief Fund	84.425	N/A	1,067,214
<b>Total U.S. Department of Education</b>			\$ 5,653,020
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 142,997
National School Lunch Program *	10.555	N/A	14,279
National School Lunch Program	10.555	N/A	882,695
Summer Feeding Program*	10.559	N/A	20,830
Summer Feeding Program	10.559	N/A	5,082,615
<b>Subtotal Child Nutrition Cluster</b>			\$ 6,143,416
Child and Adult Care Food Program	10.558	N/A	238,375
Fresh Fruit and Vegetable Program *	10.582	N/A	93,780
<b>Total U.S. Department of Agriculture</b>			\$ 6,475,571
<b>U.S. DEPARTMENT OF DEFENSE</b>			
DIRECT PROGRAMS			
ROTC Language and Cultural Training Grants	12.357	N/A	\$ 107,264
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	793,156
<b>Total U.S. Department of Defense</b>			\$ 900,420
<b>U.S. DEPARTMENT OF TREASURY</b>			
DIRECT PROGRAMS			
COVID-19 Coronavirus Relief Funds - Remote Learning Devices	21.019	N/A	\$ 587,458
COVID-19 Coronavirus Relief Funds - Education Health & Wellness	21.019	N/A	510,152
<b>Total U.S. Department of Treasury</b>			\$ 1,097,610
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 14,127,381</u>

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

See accompanying notes to schedule of expenditures of federal awards.

**Enterprise City Board of Education**  
**Enterprise, Alabama**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2021**

**Note A – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal expenditures of the Board under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported as federal expenditures were obtained from the Board's general ledger. Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position and changes in net position of the Board.

For purposes of the Schedule, 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 Schedule. 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 Schedule 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.

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021**

**Note B – 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 Schedule may differ. Some of the factors that may account for any difference include the following:

- The Board's fiscal year end may differ from the program's year end.
- Accruals recognized in the Schedule, 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 corresponding depreciation charges are recognized as fixed assets in the Board's financial statements and as expenditures in the program financial reports.

**Note C – 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 D – Summary of Significant Accounting Policies**

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 E – Indirect Costs**

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

**Note F – 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 July 19, 2022, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

**Enterprise City Board of Education  
Enterprise, Alabama  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021**

**Note G - Noncash Assistance**

The Board received federal noncash assistance for the period ended September 30, 2021 in the amount of \$35,109.

**Note H - Subrecipients**

The Board did not provide federal funds to subrecipients for the fiscal year ending September 30, 2021.

**Note I - 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, 2021.

**Enterprise City Board of Education  
Enterprise, Alabama  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2021**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material Weakness Identified? \_\_\_\_\_ Yes      X   No
- Significant Deficiency(ies) Identified That Are  
Not Considered to be Material Weakness(es)?   X   Yes    \_\_\_\_\_ None Reported

Noncompliance Material to Financial  
Statements Noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal Control Over Major Programs:

- Material Weakness(es) Identified? \_\_\_\_\_ Yes      X   No
- Significant Deficiency(ies) Identified That Are  
Not Considered to be Material Weakness(es)?   X   Yes    \_\_\_\_\_ None Reported

Type of Auditor's Report Issued on Compliance  
For Major Federal Programs: Unmodified

Any Audit Findings Disclosed that are  
Required to be Reported in Accordance  
with Uniform Guidance 2 CFR Part 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster/School Breakfast
10.555	Child Nutrition Cluster/NSLP
10.559	Child Nutrition Cluster/Summer Food Serv
12.556	DoD Competitive Grants
84.041	Impact Aid

Dollar Threshold Used to Distinguish  
Between Type A and Type B Programs \$    750,000

Auditee Qualified as Low-Risk Auditee No



**Enterprise City Board of Education  
Enterprise, Alabama  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2021**

**Section II - Financial Statement Findings**

**Item 2021-001 - Monthly Reconciliation of Credit Card Expenditures and Recording Expenditures in the Proper Accounting Period**

Type of Finding:	Internal Control over Financial Reporting
Criteria:	The Board's accounting personnel should reconcile credit card statements to supporting documentation and adjust the general ledger to actual on a monthly basis to ensure financial reporting is accurate. This should be done for the central office and local schools. In addition, procedures for teacher credit card use should be followed to ensure the funds are expended and accounted for in the proper accounting period.
Condition:	The Board's personnel failed to reconcile the credit card expenditures to the monthly statement and record the amounts in the proper accounting period.
Effect:	The corresponding reports printed from accounting software did not provide an accurate reflection of the Board's liabilities and activities.
Cause:	The Board's policy for expense reconciliation and teacher credit card usage was not followed resulting in an understatement of the credit card payable on year-end financial reporting.
Recommendation:	The Board's policies and procedures require personnel to record and reconcile credit card payables. Procedures should be put in place to ensure appropriate reconciliations and recordings are made in a timely manner and are complete and accurate.
Views of Responsible Officials and Planned Corrective Actions:	The Board and accounting personnel agree with this finding and is committed to reconciling and recording credit card expenditures.

**Enterprise City Board of Education  
Enterprise, Alabama  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2021**

**Section II - Financial Statement Findings (Continued)**

**Item 2021-002 – Inventory and Reconciliation of Capital Assets**

Type of Finding:	Internal Control over Financial Reporting
Criteria:	The Board's accounting personnel should timely reconcile capital asset additions and disposals to supporting documentation and timely record the additions and disposals in the software. In addition, physical inventory of capital assets should be performed on a regular basis.
Condition:	The Board's personnel failed to account for capital assets disposed of in prior periods. Also, there was no evidence a physical inventory of capital assets was performed.
Effect:	The corresponding reports printed from accounting software did not provide an accurate reflection of the Board's capital assets.
Cause:	Failure to follow Board policy regarding inventory of fixed assets and supplemental property on an annual basis.
Recommendation:	Physical inventory of capital should be performed on a regular basis, at least annually as per Board policy, and procedures should be established and implemented to ensure that all capital assets are appropriately accounted for in the accounting records.
Views of Responsible Officials and Planned Corrective Actions:	The Board and accounting personnel agree with this finding and is committed to inventorying capital assets.

**Enterprise City Board of Education  
Enterprise, Alabama  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2021**

**Section III – Federal Awards Findings and Questioned Costs**

**Item 2021-003 – Timely Reimbursement Requests**

Program:	CFDA #12.566 Department of Defense Education Activity Grant (DoDEA)
Type of Finding:	Compliance and Internal Control over Compliance
Criteria:	The terms and conditions of the DoDEA grant outline the cash management requirements of the grant recipient which includes information on timing and frequency of requests. Requests are required to be made at least on a quarterly basis unless a waiver has been granted.
Condition:	The Board's personnel submitted proper payment requests for reimbursement of allowable costs; however, the requests were not submitted at least quarterly as per the terms of the grant.
Effect:	Failure to timely submit payment requests as per the grant terms and conditions could result in suspension or disallowance of payments for allowable costs.
Questioned Costs:	
Cause:	The Board's personnel failed to identify the terms and conditions of the grant related to payment request and implement proper internal control procedures to ensure compliance with those terms and conditions.
Recommendation:	Internal controls should be put in place to ensure that all requests for reimbursement are prepared and submitted on a regular basis, but no less than quarterly.
Views of Responsible Officials and Planned Corrective Actions:	Management is in agreement and is establishing policies and procedures to ensure timely submissions of reimbursement requests.

**Enterprise City Board of Education  
Enterprise, Alabama  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2021**

**Section III – Federal Awards Findings and Questioned Costs (Continued)**

**Item 2021-004 – Required Grant Reporting**

Program:	CFDA #12.566 Department of Defense Education Activity Grant (DoDEA)
Type of Finding:	Compliance and Internal Control over Compliance
Criteria:	The terms and conditions of the DoDEA grant require quarterly performance reporting, annual financial reporting, and final financial reporting at the end of the performance period.
Condition:	There was no evidence of required reporting in the grant files.
Effect:	The Board is not in compliance with the terms and conditions of the grant.
Questioned Costs:	
Cause:	Failure to establish and implement policies and procedures related to grant reporting compliance.
Recommendation:	Internal controls should be put in place to ensure that all reporting requirements of the DoDEA grants are met as per the terms and conditions of the grant.
Views of Responsible Officials and Planned Corrective Actions:	Management is in agreement and is establishing policies and procedures to ensure compliance with required reporting requirements.



# ENTERPRISE CITY SCHOOLS

OFFICE OF THE SUPERINTENDENT  
220 Hutchinson Street  
Enterprise, Alabama 36331-1790  
(334) 347-9531

Dr. Zel Thomas  
Superintendent of Education

## Corrective Action Plan

July 19, 2022

Enterprise City Board of Education respectfully submits the following corrective action plan for the year ended September 30, 2021.

Name and address of public accounting firm:  
Brunson, Wilkerson, Bowden & Associates, P.C.  
529 Boll Weevil Circle, Enterprise, AL 36330

Audit Period:  
Fiscal year ended September 30, 2021

The findings from the September 30, 2021 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I, Summary of Auditor's Results, of the Schedule of Findings and Questioned Costs does not include findings and is not addressed.

### **Financial Statement Findings**

#### **Significant Deficiencies**

#### **Item 2021-001 - Monthly Reconciliation of Credit Card Expenditures and Recording Expenditures in the Proper Accounting Period**

Recommendation: The Board's policies and procedures require personnel to record and reconcile credit card payables. Procedures should be put in place to ensure appropriate reconciliations and recordings are made in a timely manner and are complete and accurate.

Action Taken: Appropriate procedures have been put in place in order to ensure all credit card payables are appropriately reconciled and recorded in a timely manner. These procedures include training for accounts payable personnel and review procedures performed by the Chief School Financial Officer. This action is on-going.

**Item 2021-002 - Inventory and Reconciliation of Capital Assets**

Recommendation: Physical inventory of capital should be performed on a regular basis, at least annually as per Board policy, and procedures should be established and implemented to ensure that all capital assets are appropriately accounted for in the accounting records.

Action Taken: Appropriate procedures are being put in place in order to ensure that inventory for capital assets are appropriately accounted for by fiscal year end.

**Federal Award Findings**

**Significant Deficiencies**

**Item 2021-003 – Timely Reimbursement Requests**

Recommendation: Internal controls should be put in place to ensure that all requests for reimbursement are prepared and submitted on a regular basis, but no less than quarterly.

Action Taken: Policies and procedures will be established to ensure that the submission of timely reimbursement requests are prepared and submitted on a regular basis as required by DODEA grants. These policies and procedures will include the project director and accounting staff.

**Item 2021-004 – Required Grant Reporting**

Recommendation: Internal controls should be put in place to ensure that all reporting requirements of the DoDEA grants are met as per the terms and conditions of the grant.

Action Taken: Policies and procedures will be established to ensure that the reporting requirements are prepared and submitted on a regular basis as required by DODEA grants. These policies and procedures will include the project director and accounting staff.

If there are any questions regarding this plan, please call Pamela Christian, Chief School Financial Officer, at (334) 347-9531.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'P. Christian', with a large, stylized loop at the beginning.

Pamela Christian  
Chief School Financial Officer

**Enterprise City Board of Education  
Enterprise, Alabama  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2021**

**Item 19-001 - Reconciling Accounts Payable to Supporting Documents (Repeat)**

Condition:	The Board's personnel failed to reconcile and record accounts payable.
Recommendation:	The Board's policies and procedures require personnel to record and reconcile accounts payable. Procedures should be put in place to ensure appropriate reconciliations and recordings are made in a timely manner and are complete and accurate.
Current Status:	The Board has implemented oversight in this area such that unrecorded accounts payable are identified in the review process and recorded in the appropriate period.





**BRUNSON, WILKERSON,  
BOWDEN & ASSOCIATES, P.C.**

*Certified Public Accountants ♦ Consultants*

John O. Bowden, CPA\*

Misty K. Tindol, CPA\*

Jackie L. Smith, CPA\*

Steven G. Smith, CPA

Herbert A. Barr, CPA (Retired)

T. Winston Brunson, CPA (Retired)

Walter P. Wilkerson, Jr., CPA (Retired)

Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Enterprise City Board of Education as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Enterprise City Board of Education's basic financial statements and have issued our report thereon dated July 19, 2022.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

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American Institute of Certified Public Accountants / Alabama Society of Certified Public Accountants  
Florida Institute of Certified Public Accountants\* / Private Companies Practice Section

Website: [www.bwb.cpa](http://www.bwb.cpa)

Members of the Board  
Enterprise City Board of Education

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. We found no deficiencies that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Enterprise City Board of Education's Response to Findings**

Enterprise City Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Enterprise City Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

July 19, 2022

  
Brunson, Wilkerson, Bowden & Associates, P.C.  
Enterprise, Alabama



**BRUNSON, WILKERSON,  
BOWDEN & ASSOCIATES, P.C.**

*Certified Public Accountants ♦ Consultants*

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Walter P. Wilkerson, Jr., CPA (Retired)

Independent Auditor's 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 the Enterprise City Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Enterprise City Board of Education's major federal programs for the year ended September 30, 2021. Enterprise City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Enterprise City Board of Education'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 Enterprise City Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Enterprise City Board of Education's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Enterprise City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Enterprise City Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Enterprise City Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the Enterprise City Board of Education 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 Enterprise City Board of Education'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 Enterprise City Board of Education'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 a combination of deficiencies, in internal control



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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. However, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004 to be significant deficiencies.

Enterprise City Board of Education's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Enterprise City Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

July 19, 2022

  
Brunson, Wilkerson, Bowden & Associates, P.C.  
Enterprise, Alabama