



**Enterprise City Board
of Education**

FINANCIAL STATEMENTS

September 30, 2022



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

Mailing Address:
PO Box 311070
Enterprise, AL 36331

334.347.0088
334.347.7650 (fax)
CRlcpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Enterprise City Board of Education (the "Board"), a component unit of the City of Enterprise, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of September 30, 2022, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Food and Nutrition Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the Board. They do not purport to and do not present fairly the financial position of the City of Enterprise, Alabama, as of September 30, 2022, and the changes in its financial position for the year ended in accordance with accounting principles

generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Notes 1 and 7 to the financial statements, the Board adopted provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 87, *Leases*, which required a prior period adjustment and a restatement of the 2021 financial statements. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 12, schedules of the employer's proportionate share of the net pension liability and OPEB and schedules of employer contributions, on pages 56 – 59, 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2023, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

April 19, 2023

Enterprise City Board of Education Management's Discussion and Analysis (MD&A)

Introduction

The Management's Discussion and Analysis (MD&A) of the Enterprise City Board of Education's (the "Board") financial performance provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2022. 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 2022 fiscal year by \$70.08 million (net position). Of this amount, there is \$59.7 million deficit in unrestricted net position. The net position invested in capital assets amounted to \$129.33 million. Restricted net position amounted to \$.45 million. The government-wide financial statements are a long-term availability approach to analyzing the financial statements.
- The implementation of GASB 87 resulted in a restatement of net position that caused it to decrease by approximately \$6 thousand.
- The total cost of the Board's programs for the year was \$75.52 million. After taking away a portion of these costs paid from charges for services, intergovernmental aid, interest earnings and other miscellaneous sources, the net cost that required funding from Enterprise city taxpayers was \$5.24 million.

On the fund financial statements:

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23.05 million.
- There was an overall increase of \$8.10 million in fund balance in governmental funds.
- The Board had a net decrease in its outstanding debt by \$699 thousand due to \$728 thousand in debt payments, \$70 thousand in debt issuance and \$41 thousand due to premium amortization.

Enterprise City Board of Education Management's Discussion and Analysis (MD&A)

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.

Governmental funds - All 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 governmental fund statements provide a detailed short-term view that helps you 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.

Enterprise City Board of Education Management's Discussion and Analysis (MD&A)

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

Financial Analysis of the Board as a Whole

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

Net Position - Governmental Activities

<i>September 30,</i>	2022	2021
Assets		
Current assets	\$ 40,557,039	\$ 37,835,035
Capital assets and right to use assets, net of depreciation	134,717,046	132,892,728
Total assets	175,274,085	170,727,763
Deferred Outflows of Resources		
Deferred loss on refunding of debt	343,573	393,273
Deferred outflows related to pension	16,735,942	14,205,193
Deferred outflows related to OPEB	14,358,664	16,976,463
Total deferred outflows of resources	31,438,179	31,574,929
Liabilities		
Current liabilities	6,827,610	6,973,644
Noncurrent liabilities	83,445,317	101,196,131
Total liabilities	90,272,927	108,169,775
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	-	5,040,000
Deferred inflows related to pension	18,232,000	6,755,000
Deferred inflows related to OPEB	28,092,431	26,624,157
Deferred inflows related to leases	32,534	-
Total deferred inflows of resources	46,356,965	38,419,157
Net Position		
Net investment in capital assets	129,328,760	127,106,654
Restricted	450,906	-
Unrestricted (deficit)	(59,697,294)	(71,392,895)
Total net position	\$ 70,082,372	\$ 55,713,759

Enterprise City Board of Education Management's Discussion and Analysis (MD&A)

The Board's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$70.08 million at the close of the fiscal year. The majority of the Board's net position is 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 (\$59.7) million at the end of the year.

It is important to note that the deficit in Unrestricted Net Position is largely due to the impact of GASB Statement 68 which became effective in 2015 and GASB Statement 75, which became effective in 2018. GASB 68 requires state and local governments and their related entities that participate in a defined benefit pension plan to disclose their proportionate share of any unfunded pension liability on their financial statements. GASB 75 established accounting and financial reporting requirements for governmental employers who provide Other Postemployment Benefits (OPEB) to their employees through a trust. GASB 68 and 75 address only financial reporting requirements and have no impact on the funding requirements for pension and OPEB plans. Readers of the financial statements must understand that these reporting requirements do not change the Board's cash position, credit worthiness, or overall financial health. The Board's financial ability to fund daily operations, meet debt obligations and allocate resources to achieve goals and objectives is unchanged. More detailed information regarding the calculations and reporting requirements of GASB 68 and GASB 75 can be found in the Notes to the Financial Statements.

The following table of the Board's total revenues and expenditures condenses the results of operations for the fiscal year into a format where the reader can easily see total revenues of the Board for the year. It also shows the impact operations had on changes in net position as of September 30, 2022.

**Enterprise City Board of Education
Management's Discussion and Analysis (MD&A)**

Summary of Changes in Net Position From Operating Results

<i>Years ended September 30,</i>	2022	2021
Program Revenues		
Charges for services	\$ 7,301,052	\$ 8,465,401
Operating grants and contributions	58,192,602	53,163,371
Capital grants	4,781,289	3,417,109
General Revenues		
Local property taxes	5,397,868	5,194,963
Sales and use taxes	11,196,527	10,930,892
Miscellaneous taxes	34,469	34,904
Gain on disposition of capital assets	4,300	107,130
Investment earnings	101,558	148,378
Miscellaneous	2,883,583	1,291,443
Total revenues	89,893,248	82,753,591
Expenses		
Instructional services	42,569,682	40,718,247
Instructional support services	12,684,049	11,673,468
Operation and maintenance services	6,303,345	6,030,161
Student transportation services	3,866,355	3,742,956
Food services	4,880,094	1,034,767
General administration services	3,547,474	3,914,435
Interest and fiscal charges	207,531	211,833
Other expenses	1,459,790	5,443,401
Total expenses	75,518,320	72,769,268
Change in net position	14,374,928	9,984,323
Net position, beginning as previously stated	55,713,759	45,729,436
Prior period adjustment (see note 7)	(6,315)	-
Net position, beginning of year as restated	55,707,444	45,729,436
Net Position, end of year	\$ 70,082,372	\$ 55,713,759

Revenue Analysis:

Program revenues, specifically operating grants and contributions, are the largest component of total revenues.

- Operating grants and contributions make up 83% of program revenues and 65% of total

Enterprise City Board of Education Management's Discussion and Analysis (MD&A)

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, are used to provide for expenses that are not covered by program revenues.

Expense Analysis:

- Instructional services expenses, primarily salaries and benefits for classroom teachers, are the largest expense of the Board (56%). 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. Instructional services and instructional support services account for 73% of total expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance-related assets.
- In addition to bus driver salaries and benefits, student transportation services include mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and the bus shop, and fleet insurance.
- Food services includes salaries and benefits for cooks, servers, lunchroom managers, and cashiers, as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment, and depreciation of equipment and facilities.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Other expenses include for preschool teachers and aides. 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

Enterprise City Board of Education Management's Discussion and Analysis (MD&A)

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 \$33.75 million.

General Fund – The general fund is the primary operating fund of the Board. The beginning fund balance, as restated, on October 1, 2021 was \$19.01 million. The fund balance at the end of the fiscal year was \$23.42 million. Each school system is required to have a one month general fund operating balance. Enterprise City Board of Education met this requirement for FY 2022.

Child Nutrition Program Fund – The Food and Nutrition Program is funded primarily by a USDA grant. Funds are received based on the number of free and reduced meals served. As of FY 2023, 53% of our students received free and reduce priced meals.

Budgetary Highlights of Major Funds

The original 2022 fiscal year budget, adopted on September 2, 2021, 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 9, 2022. 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 original budget to the final amended budget is on page 19. Because actual revenues exceeded actual expenses there was an overall increase in fund balance 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, 2022 totaled \$134.72 million, net of accumulated depreciation. The capital asset activity for the year is detailed in Note 2 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 and amortized) by \$5.35 million during fiscal year 2022. The Board expended available resources to acquire \$6.97 million in capital asset additions during the year.

Long-Term Debt – At year-end, the Board had \$5.7 million in warrants, net of unamortized premiums, leases payable, and notes payable. Of this amount, \$2.06 million was owed on the 2015B Pool Bonds, and \$3.19 million on the 2017 Warrants. More information with regard to the Board's long-term debt is presented in Note 2 to the financial statements.

Enterprise City Board of Education Management's Discussion and Analysis (MD&A)

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.

County and District Sales Tax – Sales tax revenues increased by 2.43% for fiscal year 2022.

Property Tax - Property tax revenue increased by 3.91%. A portion of the special district property tax is earmarked for debt payment on the Capital Outlay Warrants Series 2017.

Student Enrollment - The latest student enrollment figure, as of the 2022-2023 fall attendance report was 6,398 students. This indicates a decrease in enrollment of 2%, or 134 students over the prior year and a decrease of 8.1%, or 565 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 2023, however because of a large shift in the teacher salary matrix, funding will increase by \$1,403,024.

Education Trust Fund - The Alabama Legislature appropriated historic levels of funding for fiscal year 2023. The \$8.26 billion budget was the largest in nominal terms in state history. The proposed Educational Trust Fund Budget for fiscal year 2024 calls for \$799 million in additional funding. The proposed increase in funding is geared towards lowering class sizes in middle school grades and adding more counselors and nurses in schools.

Medical and Retirement Costs - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer cost is \$800 per month per employee for fiscal year 2023. Employer contributions to the Teachers Retirement System (TRS) increase to 12.59% and 11.44% for Tier I and Tier II employees respectively for fiscal year 2023. 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 Mrs. Pam Christian, Chief School Financial Officer, or Mr. Zel Thomas, Superintendent, at P.O. Box 311790, Enterprise, AL 36331-1790, or by calling (334) 347-9531 during regular office hours, Monday through Friday, from 8:00 A.M. to 4:00 P.M.

Enterprise City Board of Education
Statement of Net Position

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 23,439,575
Investments	11,258,466
Receivables, net	5,152,141
Leases receivable	35,378
Inventories	297,737
Prepaid expenses	373,742
Capital assets, not being depreciated	15,472,642
Right-to-use assets, net of amortization	177,469
Capital assets, net of depreciation	119,066,935
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Total assets	175,274,085
Deferred Outflows of Resources	
Deferred loss on refunding	343,573
Deferred outflows related to pension	16,735,942
Deferred outflows related to OPEB	14,358,664
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Total deferred outflows of resources	31,438,179
Liabilities	
Accounts payable	866,371
Salaries and benefits payable	5,793,633
Accrued interest payable	53,225
Unearned revenue	114,381
Long-term liabilities	
Net pension liability	47,468,000
Net OPEB liability	30,277,992
Due and payable within one year	785,870
Due and payable after one year	4,913,455
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Total liabilities	90,272,927
Deferred Inflows of Resources	
Deferred inflows related to leases	32,534
Deferred inflows related to pension	18,232,000
Deferred inflows related to OPEB	28,092,431
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Total deferred inflows of resources	46,356,965
Net Position	
Net investment in capital and right-to-use assets	129,328,760
Restricted for debt service	450,906
Unrestricted (deficit)	(59,697,294)
<hr/>	
Total net position	\$ 70,082,372

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

Enterprise City Board of Education
Statement of Activities

For the year ended September 30, 2022

Functions / Programs	Expenses
Instructional services	\$ 42,569,682
Instructional support services	12,684,049
Operation and maintenance services	6,303,345
Student transportation services	3,866,355
Food services	4,880,094
General administrative services	3,547,474
Interest and fiscal charges	207,531
Other expenses	1,459,790
Total	\$ 75,518,320

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

Charges For Services	Program Revenues		Net (Expenses) Revenues and Changes In Net Position Governmental Activities
	Operating Grants and Contributions	Capital Grants and Contributions	
\$ 478,851	\$ 38,927,529	\$ 2,625,908	\$ (537,394)
1,422,358	9,407,316	4,746	(1,849,629)
185,176	2,648,539	1,665,451	(1,804,179)
204,554	3,789,638	485,184	613,021
4,277,263	813,566	-	210,735
98,176	1,827,408	-	(1,621,890)
-	-	-	(207,531)
634,674	778,606	-	(46,510)
\$ 7,301,052	\$ 58,192,602	\$ 4,781,289	(5,243,377)

General Revenues

Taxes:

Property taxes for general purposes	3,176,182
Property taxes for specific purposes	2,221,686
Local sales tax	11,196,527
Other taxes	34,469
Gain on disposition of capital assets	4,300
Investment earnings	101,558
Miscellaneous	2,883,583
Total general revenues	19,618,305
Change in net position	14,374,928
Net position - beginning, as previously stated	55,713,759
Prior period adjustment (see note 7)	(6,315)
Net position - beginning of year as restated	55,707,444
Net position - ending	\$ 70,082,372

Enterprise City Board of Education Balance Sheet – Governmental Funds

<i>September 30, 2022</i>	General Fund	Special Revenue Food & Nutrition Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 15,010,533	\$ 3,226,188	\$ 5,202,854	\$ 23,439,575
Investments	11,258,466	-	-	11,258,466
Receivables	2,166,950	572,540	2,407,685	5,147,175
Leases receivable	35,378	-	-	35,378
Prepaid expenses	373,742	-	-	373,742
Inventories	-	297,737	-	297,737
Total assets	\$ 28,845,069	\$ 4,096,465	\$ 7,610,539	\$ 40,552,073
Liabilities				
Accounts payable	\$ 385,008	\$ 83,323	\$ 398,040	\$ 866,371
Salaries and benefits payable	5,003,704	187,512	602,417	5,793,633
Unearned revenue	-	114,381	-	114,381
Total liabilities	5,388,712	385,216	1,000,457	6,774,385
Deferred Inflows of Resources				
Deferred inflows related to leases	32,534	-	-	32,534
Fund balances				
Non-spendable	373,742	297,737	-	671,479
Restricted	-	-	450,906	450,906
Assigned	-	3,413,512	6,159,176	9,572,688
Unassigned	23,050,081	-	-	23,050,081
Total fund balances	23,423,823	3,711,249	6,610,082	33,745,154
Total liabilities, deferred inflows of resources, and fund balances	\$ 28,845,069	\$ 4,096,465	\$ 7,610,539	\$ 40,552,073

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

**Enterprise City Board of Education
Reconciliation of Balance Sheet of Governmental Funds
to Statement of Net Position**

September 30, 2022

Total fund balance - governmental funds \$ 33,745,154

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

Governmental capital assets not being depreciated	\$ 15,472,642	
Governmental right-to-use assets being amortized	567,691	
Governmental capital assets being depreciated	184,855,501	
Accumulated amortization	(390,222)	
Accumulated depreciation	<u>(65,788,566)</u>	134,717,046

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

Accrued Interest Receivable		4,966
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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	14,358,664	
Deferred inflows related to OPEB	(28,092,431)	
Deferred outflows related to pension	16,735,942	
Deferred inflows related to pension	<u>(18,232,000)</u>	(15,229,825)

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	(53,225)	
Net OPEB liability	(30,277,992)	
Net pension liability	(47,468,000)	
Deferred loss on refunding	343,573	
Current portion of long-term debt	(785,870)	
Non-current portion of long-term debt	<u>(4,913,455)</u>	(83,154,969)

Total net position - governmental activities \$ 70,082,372

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

Enterprise City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

<i>For the year ended September 30, 2022</i>	General Fund	Special Revenue Food & Nutrition Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Revenues				
State revenues	\$ 47,395,278	\$ -	\$ 4,792,293	\$ 52,187,571
Federal revenues	1,152,466	4,566,417	9,198,766	14,917,649
Local revenues	15,272,342	441,987	5,774,312	21,488,641
Other revenues	352,274	85,345	858,133	1,295,752
Total revenues	64,172,360	5,093,749	20,623,504	89,889,613
Expenditures				
Instructional services	34,151,757	-	6,819,302	40,971,059
Instructional support services	9,878,098	-	3,457,133	13,335,231
Operation and maintenance services	5,061,975	-	1,744,520	6,806,495
Student transportation services	4,303,824	-	315,241	4,619,065
Food services	-	5,043,192	-	5,043,192
General administrative services	3,222,054	-	157,193	3,379,247
Capital outlay	916,137	-	4,348,949	5,265,086
Debt service				
Principal	103,613	-	624,580	728,193
Interest	7,725	-	191,658	199,383
Other expenses	695,211	-	825,205	1,520,416
Total expenditures	58,340,394	5,043,192	18,483,781	81,867,367
Excess (deficiency) of revenues over (under) expenditures	5,831,966	50,557	2,139,723	8,022,246
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	4,300	-	-	4,300
Proceeds from issuance of long-term debt	70,268	-	-	70,268
Transfers in	77,410	1,255,361	543,331	1,876,102
Transfers out	(1,570,254)	-	(305,848)	(1,876,102)
Other financing sources	1,189	-	-	1,189
Total other financing sources (uses)	(1,417,087)	1,255,361	237,483	75,757
Net change in fund balances	4,414,879	1,305,918	2,377,206	8,098,003
Fund Balances - beginning, as previously stated	19,004,005	2,405,331	4,232,876	25,642,212
Prior period adjustment (see note 7)	4,939	-	-	4,939
Fund Balances - beginning of year as restated	19,008,944	2,405,331	4,232,876	25,647,151
Fund Balances - ending	\$ 23,423,823	\$ 3,711,249	\$ 6,610,082	\$ 33,745,154

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

Enterprise City Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities

For the year ended September 30, 2022

Total net change in fund balances - governmental funds		\$ 8,098,003
<p>Capital outlays to purchase or build capital or right-to-use lease assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay expense exceeds depreciation in the period.</p>		
Capital outlays	\$ 6,970,820	
Depreciation and amortization expense	(5,349,383)	1,621,437
<p>Some of the capital assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position.</p>		
		(70,268)
<p>Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
Principal payments on long-term debt		728,193
<p>Some revenues will not be collected within 30 days after the close of the Board's fiscal year-end are not considered as "available" revenue in the governmental funds. In the statement of net position, presented on the full accrual basis, these revenues are recognized.</p>		
		2,446
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Interest	382	
Current year change in OPEB expense	3,377,720	
Current year change in pension expense	860,749	
Current year use of prepaid assets	(230,266)	
Amortization	(8,530)	4,000,055
<p>In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances this amount.</p>		
Proceeds from Sale of Capital Assets	(4,300)	
Loss on Disposition of Capital Assets	(638)	(4,938)
Change in net position of governmental activities		\$ 14,374,928

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

Enterprise City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual – General Fund

<i>For the year ended September 30, 2022</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
State revenues	\$ 46,507,687	\$ 47,333,974	\$ 47,395,278	\$ 61,304
Federal revenues	850,000	850,000	1,152,466	302,466
Local revenues	12,271,790	13,571,790	15,272,342	1,700,552
Other revenues	107,000	107,000	352,274	245,274
Total revenues	59,736,477	61,862,764	64,172,360	2,309,596
Expenditures				
Instructional services	33,076,766	33,590,805	34,151,757	(560,952)
Instructional support services	9,425,745	10,155,608	9,878,098	277,510
Operation and maintenance services	5,424,893	5,409,329	5,061,975	347,354
Student transportation services	3,963,215	3,965,615	4,303,824	(338,209)
General administrative services	3,181,188	3,466,190	3,222,054	244,136
Capital outlay	-	-	916,137	(916,137)
Principal retirement	-	-	103,613	(103,613)
Interest and fiscal charges	-	-	7,725	(7,725)
Other expenses	696,911	774,431	695,211	79,220
Total expenditures	55,768,718	57,361,978	58,340,394	(978,416)
Excess revenues over expenditures	3,967,759	4,500,786	5,831,966	1,331,180
Other Financing Sources (Uses)				
Indirect cost	544,395	404,279	-	(404,279)
Proceeds from issuance of long-term debt	-	-	70,268	70,268
Transfers in	-	-	77,410	77,410
Transfers out	(1,493,277)	(1,576,675)	(1,570,254)	6,421
Sale of capital assets	20,000	20,000	4,300	(15,700)
Other financing sources	-	-	1,189	1,189
Total other financing sources (uses)	(928,882)	(1,152,396)	(1,417,087)	(264,691)
Excess Revenues and Other Sources Over Expenditures and Other Uses				
	3,038,877	3,348,390	4,414,879	1,066,489
Fund Balances - beginning, as previously stated	18,959,276	23,706,669	19,004,005	(4,702,664)
Prior period adjustment (see note 7)	-	-	4,939	4,939
Fund Balances - beginning of year as restated	18,959,276	23,706,669	19,008,944	(4,697,725)
Fund Balances - ending	\$ 21,998,153	\$ 27,055,059	\$ 23,423,823	\$ (3,631,236)
Reconciliation of GAAP to budgetary basis				
GAAP basis expenditures	\$ 55,768,718	\$ 57,361,978	\$ 58,340,394	\$ (978,416)
Non-budgeted accrued salaries and fringe benefits				
Instructional services	-	-	(203,639)	203,639
Instructional support services	-	-	(56,543)	56,543
Operation and maintenance services	-	-	(3,435)	3,435
Student transportation services	-	-	(15,943)	15,943
General administrative services	-	-	(4,444)	4,444
Other expenditures	-	-	(8,271)	8,271
Budgetary basis expenditures	\$ 55,768,718	\$ 57,361,978	\$ 58,048,119	\$ (686,141)

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

Enterprise City Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual – Food and Nutrition

<i>For the year ended September 30, 2022</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Federal revenues	\$ 2,552,500	\$ 4,459,700	\$ 4,566,417	\$ 106,717
Local revenues	299,900	430,900	441,987	11,087
Other revenues	128,000	128,000	85,345	(42,655)
Total revenues	2,980,400	5,018,600	5,093,749	75,149
Expenditures				
Operation and maintenance services	347,300	-	-	-
Food service	5,423,003	6,184,808	5,043,192	1,141,616
Other expenses	129,586	-	-	-
Total expenditures	5,899,889	6,184,808	5,043,192	1,141,616
Excess revenues over expenditures	(2,919,489)	(1,166,208)	50,557	1,216,765
Other Financing Sources (Uses)				
Transfers in	1,239,161	1,310,109	1,255,361	(54,748)
Excess Revenues and Other Sources Over Expenditures and Other Uses	(1,680,328)	143,901	1,305,918	1,162,017
Fund Balances - beginning	2,500,000	2,575,880	2,405,331	(170,549)
Fund Balances - ending	\$ 819,672	\$ 2,719,781	\$ 3,711,249	\$ 991,468
Reconciliation of GAAP to budgetary basis				
GAAP basis expenditures	\$ 5,899,889	\$ 6,184,808	\$ 5,043,192	\$ 1,141,616
Non-budgeted accrued salaries and fringe benefits				
Food service	-	-	(16,964)	16,964
Budgetary basis expenditures	\$ 5,899,889	\$ 6,184,808	\$ 5,026,228	\$ 1,158,580

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

**Enterprise City Board of Education
Statement of Fiduciary Net Position**

<i>September 30, 2022</i>	Custodial Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 5,404
<hr/>	
Net Position	\$ 5,404
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The accompanying notes are an integral part of these financial statements.

**Enterprise City Board of Education
Statement of Changes in Fiduciary Net Position**

<i>For the year ended September 30, 2022</i>	Custodial Funds
Revenues	
Other revenues	\$ 12,117
Expenditures	
Food service	7,668
Excess revenues over expenditures	4,449
Net Position - beginning	955
Net Position - ending	\$ 5,404

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

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

The financial statements of the Board include local school activity funds and other funds under the control of school principals. These funds are reported on a reporting period ended September 30, 2022, as a special revenue fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific 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

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (continued)

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 received 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.

Food & Nutrition – This fund accounts for the funds received from the State Department of Education and received from other sources, which are to be used to provide breakfast and lunch to students.

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. Preschool Ages 3 – 5 Part B
3. Special Education – State Personnel Development
4. Vocational Education – Basic Grant
5. Title I Part A
6. Title II Part A Supporting Effective Instruction
7. Title III Part A English Language Acquisition State Grants
8. Title IV Part A Safe & Drug-free
9. Title VI Rural & Low Income Program
10. ARPA IDEA – Part B
11. ARPA Preschool Ages 3 – 5 Part B
12. CARES Act – GEER & ESSER II
13. CRRSA Act – ESSER II & III
14. ARPA Act – ESSER III
15. SLC E-Rate Refund
16. Local School Activity Funds
17. Summer Food Service Fund
18. Child and Adult Care
19. DoDea Grants

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.

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (continued)

Debt Service Funds – account for the accumulation of resources for, and the payment of, the Board’s principal and interest payments on long-term debt.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the 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 when a liability is incurred, regardless of the timing of related cash flows. 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 and due. 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 funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the permanent funds. All annual appropriations lapse at fiscal year-end. State law requires Alabama school boards to prepare and submit to the State Superintendent of Education the annual budget adopted by the local board of education. In accordance with the regulations of the State Board of Education, the due date for submission of the budget for the 2022 fiscal year was September 15, 2021. The Board approved and submitted its original 2022 annual budget on September 2, 2021.

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (continued)

The 2022 budget was amended June 2022 primarily to budget carryover federal funds, adjust federal allocations, and add revenue and expenditures for fund sources not reflected in the original budget.

The City Superintendent of Education 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 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, unbudgeted capital asset acquisitions that are not financed are reported as expenditures in the fund financial statements but are not reported as expenditures for budgetary purposes. For the year ended September 30, 2022, expenditures exceeded appropriations in the general fund by \$978,416. The over-expenditure was funded by unanticipated revenues.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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 companies not insured by the federal government.

Receivables and Allowance for Doubtful Accounts

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.

Lease Receivable

The Board records revenues from lease in accordance with GASB No. 87, *Leases*. The lease receivable is initially measured at the present value of the lease payments expected to be received during the lease term. The deferred lease inflow of resources is measured as the sum of the initial measurement of the lease receivable net of lease payments received. Lease receipts result in a reduction of the lease receivable and recognition of inflows of revenues. At September 30, 2022, the Board's total lease receivable of \$35,378 was for the lease of building space.

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (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. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs 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.

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

Asset Class	Capitalization Threshold	Estimated Useful Life
Land improvements - exhaustible	\$ 50,000	40 years
Buildings	50,000	40 - 50 years
Building improvements	50,000	7 - 40 years
Right-to-use	25,000	5 - 20 years
Equipment	5,000	5 - 20 years
Vehicles	5,000	5 - 7 years
Equipment under lease	5,000	5 - 20 years

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

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 three items reported in this category, deferred loss on refunding of debt, deferred outflows related to pension and deferred outflows related to OPEB. A deferred loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources (continued)

deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Deferred outflows related to OPEB result from OPEB contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, the net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and differences between actual and expected experience. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension or OPEB liability in future reporting years.

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 three items that qualify for reporting in this category, deferred inflows related to leases, deferred inflows related to pension, and deferred inflows related to OPEB. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Deferred inflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows related to pensions or OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years. The deferred inflows related to leases relate to a building lease in which the Board is the lessor. Revenue will be recognized over the life of the lease. The Board received \$45,473 and \$2,527 in principal and interest payments, respectively, during the year ended September 30, 2022.

Compensated Absences

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

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

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

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Compensated Absences (continued)

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 cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Unearned revenues

Unearned revenues are a liability that represents amounts received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt and capital leases 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, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Lease Obligations

GASB No. 87, *Leases*, was adopted October 1, 2021. Under this new guidance, all contracts allowing for the Board to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees.

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment. Any contract not meeting the 12-month period requirement is recognized as rental expense.

The Board uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Board uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of lease liability are composed of fixed payments and term options that the Board is reasonably certain to exercise.

The Board monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Pension Plan

The Teachers' Retirement System of Alabama (the Plan or TRS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to 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 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.

Other Postemployment Benefits (OPEB) Liability

The Alabama Retired Education Employees' 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 Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Categories and Classification of Fund Balance

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

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

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

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

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

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

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Categories and Classification of Fund Balance (continued)

Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as committed. Under the Board’s policy, only the Superintendent may assign amounts for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The Board’s reported governmental fund balance at September 30, 2022, is comprised of the following:

	General Fund	Special Revenue Food & Nutrition Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	\$ -	\$ 297,737	\$ -	\$ 297,737
Prepaid Expense	373,742	-	-	373,742.00
Restricted:				
Debt service	-	-	450,906	450,906
Assigned:				
Subsequent years' budget	-	3,413,512	6,159,176	9,572,688
Unassigned	23,050,081	-	-	23,050,081
	\$ 23,423,823	\$ 3,711,249	\$ 6,610,082	\$ 33,745,154

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Economic Dependency

The Board receives a substantial amount of its support from federal and state government. A significant reduction in the level of support, if this were to occur, may have a significant impact on the Board’s programs and activities.

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the remaining useful life of property and equipment, the identification of allowable versus unallowable costs, the timing of revenue recognition, pension liability, and OPEB liability.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 19, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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 payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. All leases with a term greater than 12 months are recognized as a lease liability and an intangible right-of-use lease asset by the lessee. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Board adopted Statement No. 87 for the year ended September 30, 2022. For more information on the effects of the adoption of Statement No. 87, see Note 2 and 7.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020. The Board adopted GASB 89 for the year ended September 30, 2022, and GASB 89 did not have a significant impact on the financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports,

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and No. 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The Board adopted GASB 92 for the year ended September 30, 2022, and GASB 92 did not have a significant impact on the financial statements.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). The objectives of GASB 93 are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement No. 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments.

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Board adopted GASB 93 for the year ended September 30, 2022, and GASB 93 did not have a significant impact on the financial statements.

In June 2020, the GASB issued 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* (GASB 97). The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of GASB 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Board adopted GASB 97 for the year ended September 30, 2022, and GASB 97 did not have a significant impact on the financial statements.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). GASB 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in GAAP for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

The requirements of GASB 98 are effective for fiscal years ending after December 15, 2021, with early application permitted. The Board adopted GASB 98 for the year ended September 30, 2022, and GASB 98 did not have a significant impact on the financial statements.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement seeks to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 prescribes accounting and financial reporting for (1) each category of accounting change and (2) error corrections. GASB 100 also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information. The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Enterprise City Board of Education Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The Board is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

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.

Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits with original maturities of greater than three months. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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

Custodial Credit Risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the Board places its deposits are certified as "qualified public depositories," as required under the SAFE program. For an investment, this is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Board has limited its interest rate risk by investing in money market funds which are required to maintain an average dollar-weighted portfolio maturity of 90 days or less and certificates of deposits held at local banks with an original maturity of one year or less.

Enterprise City Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Receivables as of September 30, 2022, consist of the following:

	General	Special Revenue		Total
		Food & Nutrition Fund	Other Governmental	
State Department of Education				
IDEA-Part B	\$ -	\$ -	\$ 720,990	\$ 720,990
IDEA-Part B - ARPA	-	-	63,738	63,738
Special Education - State Improvement Grant	-	-	53,913	53,913
Pre-School Part B- Ages 3-5	-	-	11,279	11,279
IDEA-Part B Preschool- ARPA	-	-	5,493	5,493
Title I, Part A	-	-	191,797	191,797
Title II, Part A – Teacher and Principal Training	-	-	2,951	2,951
Title III – English Lang. Acq., Lang. Enhance. & Acad.	-	-	47,043	47,043
Title IV - Student Support and Academic Achievemei	-	-	10,773	10,773
Title V, Part B - Rural Ed	-	-	53,896	53,896
Vocational Education	-	-	39,223	39,223
CARES Act	-	-	1,065,146	1,065,146
Child and Adult Care	-	-	51,475	51,475
Child Nutrition Program	-	572,509	-	572,509
Teams Contracts	258,101	-	-	258,101
CTI - Expansion Grant	5,000	-	-	5,000
Jobs for Alabama's Graduates	10,000	-	-	10,000
Alabama Medicaid Outreach	62,476	-	-	62,476
Dale County Rev. Commissioner	29,738	-	-	29,738
Coffee County Rev. Commissioner	800,645	-	-	800,645
City of Enterprise	1,000,990	-	-	1,000,990
Other	-	31	-	31
Department of Defense	-	-	89,968	89,968
Total receivables	\$ 2,166,950	\$ 572,540	\$ 2,407,685	\$ 5,147,175

The Board deems all amounts collectible and, therefore an allowance for doubtful accounts is not necessary.

Leases – Lessor

The Board accounts for leases in accordance with GASB Statement No. 87, *Leases*. The Board's operations consist of an agreement for use of a building by the City of Enterprise. The agreement will expire in FY 23. The Board recognized \$45,473 of lease principal and \$2,527 of lease interest for the year ended September 30, 2022.

The Board is expected to collect \$35,378 in principal and \$622 in interest in FY 23.

Enterprise City Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2022:

For the year ended, September 30, 2022	October 1, 2021, as Restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 5,250,966	\$ 1,064,131	\$ -	\$ 6,315,097
Construction in progress	5,056,582	5,165,094	1,064,131	9,157,545
<hr/>				
Total capital assets, not being depreciated	10,307,548	6,229,225	1,064,131	15,472,642
<hr/>				
Capital assets, being depreciated:				
Buildings	150,295,129	-	-	150,295,129
Building improvements	21,167,513	-	-	21,167,513
Furniture and equipment	12,167,698	1,735,458	510,298	13,392,858
<hr/>				
Total other capital assets at historical cost	183,630,340	1,735,458	510,298	184,855,500
<hr/>				
Less accumulated depreciation for:				
Buildings	46,430,142	3,693,520	-	50,123,662
Building improvements	6,720,636	514,158	-	7,234,794
Furniture and equipment	7,894,382	1,041,087	505,360	8,430,109
<hr/>				
Total accumulated depreciation	61,045,160	5,248,765	505,360	65,788,565
<hr/>				
Total capital assets, being depreciated, net	122,585,180	(3,513,307)	4,938	119,066,935
<hr/>				
Right-to-use lease assets, being amortized				
Equipment	497,423	70,268	-	567,691
<hr/>				
Less accumulated amortization for				
Equipment	289,604	100,618	-	390,222
<hr/>				
Right-to-use lease assets, being amortized, net	207,819	(30,350)	-	177,469
<hr/>				
Total governmental activities capital and right-to-use lease assets, net	\$ 133,100,547	\$ 2,685,568	\$ 1,069,069	\$ 134,717,046

Enterprise City Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Depreciation and amortization expense was allocated to the governmental functions in the statement of activities as follows:

<i>For the year ended September 30,</i>	<i>2022</i>
Instructional services	\$ 4,147,966
Instructional support services	372
Operation and maintenance services	224,105
Student transportation services	593,234
Food services	192,848
General and administrative	178,769
Other expenditures	12,089
<hr/>	
Total governmental activities depreciation and amortization expense	\$ 5,349,383

Unearned Revenue

Daily lunch and breakfast sales received but not yet expended represent \$114,381 in revenues for the Special Revenue Food & Nutrition Fund that will be recognized subsequent to year end.

Long-Term Debt and Liabilities

Bonds Payable

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:

For the years ending September 30,	Principal	Interest
2023	\$ 365,000	\$ 70,282
2024	374,000	61,636
2025	382,000	52,790
2026	395,000	43,700
2027	402,000	34,375
2028-2030	1,268,000	26,717
<hr/>		
	\$ 3,186,000	\$ 289,500

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (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, 2022 was \$41,169.

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

For the years ending September 30,	Principal	Interest
2023	\$ 279,199	\$ 99,626
2024	293,128	85,666
2025	307,676	71,010
2026	322,843	55,626
2027	338,320	39,484
2028-2029	515,402	27,369
	\$ 2,056,568	\$ 378,781

Enterprise City Board of Education
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Leases Payable

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Board has entered into multiple lease agreements as lessee for equipment that qualify as leases for accounting purposes.

The present value of the future minimum lease payments is as follows:

For the years ending September 30,	Principal	Interest
2023	\$ 100,502	\$ 5,737
2024	44,905	2,468
2025	14,127	1,424
2026	14,732	819
2027	11,462	202
	\$ 185,728	\$ 10,650

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022, was as follows for governmental activities:

	Balance October 1, 2021, restated	Additions	Reductions	Ending Balance	Due Within One Year
Leases	\$ 219,073	\$ 70,268	\$ (103,613)	\$ 185,728	\$ 100,502
2015-B Pool					
Refunding Bonds	2,322,148	-	(265,580)	2,056,568	279,199
2017 Capital					
Outlay Warrants	3,545,000	-	(359,000)	3,186,000	365,000
Unamortized					
bond premiums	312,198	-	(41,169)	271,029	41,169
Governmental activity long-term liabilities	\$ 6,398,419	\$ 70,268	\$ (769,362)	\$ 5,699,325	\$ 785,870

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Net Investment In Capital Assets

The elements of this calculation are as follows:

Capital and right-to-use assets (net)	\$ 134,717,046
Outstanding debt related to capital and right-to-use lease assets	(5,388,286)
<hr/>	
Net investment in capital and right-to-use lease assets	\$ 129,328,760
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Interfund Receivables, Payables and Transfers

Transfers Out	Transfers In			Total
	General Fund	Special Revenue Food & Nutrition Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 1,255,361	\$ 314,893	\$ 1,570,254
Nonmajor governmental funds	77,410	-	228,438	305,848
		\$ 77,410	\$ 1,255,361	\$ 543,331
				\$ 1,876,102

Note 3: EMPLOYEE RETIREMENT PLAN

Description of Plan

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

Plan Membership and Benefits

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

Enterprise City Board of Education Notes to Financial Statements

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Plan Membership and Benefits (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 formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

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 Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by 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.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters' contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2021 was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$4,795,111.

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

At September 30, 2022, the Board reported a liability of \$47,468,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers.

Enterprise City Board of Education
Notes to Financial Statements

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

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

At September 30, 2021, the System's proportion was 0.503890%, which was an increase of 0.040865% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the Board recognized pension expense of \$3,934,527. At September 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,198,000	\$ 2,766,000
Changes of assumptions	4,983,000	-
Net difference between projected and actual earnings on pension plan investments	-	11,205,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,757,000	4,261,000
Employer contributions subsequent to the measurement date	4,797,942	-
Total	\$ 16,735,942	\$ 18,232,000

\$4,797,942 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,

2023	\$ (772,000)
2024	(644,000)
2025	(2,354,000)
2026	(2,524,000)

The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.45%

* Net of pension plan investment expense

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

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021, which became effective at the beginning of fiscal year 2020. Mortality rates for TRS were based on the Pub-2010 Teacher Tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	15.00%	2.80%
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%	9.00%
Real estate	10.00%	6.50%
Cash	5.00%	2.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.00%

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

Note 3: EMPLOYEE RETIREMENT PLAN (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board's net pension liability	\$ 69,869,000	\$ 47,468,000	\$ 28,601,000

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, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. 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 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

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 1*

Enterprise City Board of Education Notes to Financial Statements

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Plan Description (continued)

6, 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.

Funding Requirements

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.

Plan Membership and Benefits

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 Notes to Financial Statements

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Plan Membership and Benefits (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, eye glasses, 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, 2017, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the United Healthcare (UHC) Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana replaced the UHC contract. The MAPDP plan is fully insured by Humana and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the MAPDP plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Net OPEB Liability, Significant Assumptions, and Discount Rate

At September 30, 2022, the Board reported a liability of \$30,277,992 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the Board's proportion was 0.586009%, which was an increase of 0.004459% from its proportion measured as of September 30, 2020.

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

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

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

Inflation	2.50%
Salary increases ¹	3.25% - 5.00%
Long-term investment rate of return ²	7.00%
Municipal Bond Index rate at the measurement date	2.29%
Municipal Bond Index rate at the prior measurement date	2.25%
Projected year for fiduciary net position (FNP) to be depleted	2051
Single equivalent interest rate the measurement date	3.97%
Single equivalent interest rate the prior measurement date	3.05%
Healthcare cost trend rate	
Pre-Medicare eligible	6.50%
Medicare eligible	**
Ultimate trend rate	
Pre-Medicare eligible	4.50% in 2028
Medicare eligible	4.50% in 2025

¹ Includes 2.75% wage inflation.

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

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

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

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

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

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2020 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. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Rate of Return*
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	5.00%	1.50%
Total	100.00%	

*Geometric mean, includes 2.5% inflation

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 3.97%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.99% of the employer contributions were used to assist in funding retiree benefit payments in 2021, and it is assumed that the 12.99% will increase at the same rate as expected benefits for the closed group reaching 20.00%. It is assumed the \$800 rate

Enterprise City Board of Education
Notes to Financial Statements

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

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 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

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

For the year ended September 30, 2022, the System recognized OPEB expense of (\$2,155,899), with no special funding situations. At September 30, 2022, 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	\$ 716,378	\$ 10,533,769
Changes of assumptions	10,783,214	11,736,009
Net difference between projected and actual earnings on OPEB plan investments	-	944,477
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,637,251	4,878,176
Employer contributions subsequent to the measurement date	1,221,821	-
Total	\$ 14,358,664	\$ 28,092,431

\$1,221,821 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 ending September 30, 2023.

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 ending September 30,

2023	\$	(4,711,700)
2024		(3,925,151)
2025		(4,201,135)
2026		(825,565)
2027		(448,636)
Thereafter		(843,401)

Enterprise City Board of Education
Notes to Financial Statements

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Sensitivity to Changes in the Healthcare Cost Trend Rates and Discount 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 (5.50% decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.50% decreasing to 5.50% for pre- Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB liability	\$ 23,758,312	\$ 30,277,992	\$ 38,677,967

The following table presents the Board's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.97%, 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 (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Net OPEB liability	\$ 37,243,269	\$ 30,277,992	\$ 24,691,070

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, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 5: RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board purchases commercial 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.

Enterprise City Board of Education
Notes to Financial Statements

Note 5: RISK MANAGEMENT (Continued)

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

Note 6: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the Board is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Board, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Board or results of activities.

The Board had various active construction projects as of September 30, 2022 with estimated commitments totaling \$5,188,000. Approximately, \$9,157,545 has been expended under these contracts as of September 30, 2022, the remainder of which will be funded with grant funds.

Note 7: PRIOR PERIOD ADJUSTMENT

As discussed in Note 1, the implementation of GASB Statement No. 87 required the Board to restate beginning net position and fund balance. A reconciliation of the prior period ending net position to the current year beginning net position is as follows:

Net position, beginning of year	\$	55,713,759
GASB 87 implementation		(6,315)
<hr/>		
Net position, beginning of year, as restated	\$	<u>55,707,444</u>

A reconciliation of the prior period ending fund balance to the current year beginning fund balance is as follows:

Fund Balances, beginning of year	\$	25,642,212
GASB 87 implementation		4,939
<hr/>		
Net position, beginning of year, as restated	\$	<u>25,647,151</u>

**Enterprise City Board of Education
Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net Pension Liability
Teachers' Retirement System of Alabama
Last Eight Fiscal Years**

<i>As of and for the year ended September 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.503890%	0.463025%	0.528129%	0.507430%	0.506802%	0.489417%	0.491541%	48.793300%
Employer's proportionate share of the collective net pension liability	\$ 47,468,000	\$ 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 during the measurement period*	\$ 37,066,482	\$ 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	128.06%	158.26%	166.75%	147.51%	147.50%	169.24%	165.65%	143.12%
Plan fiduciary net position as a percentage of the total pension liability	76.44%	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 on which contributions to the pension plan are based. For FY 2022, the measurement period is October 1, 2020 through September 30, 2021.

Note to Schedule

Note 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

**Enterprise City Board of Education
Required Supplementary Information
Schedule of Employer's Contributions
Teachers' Retirement System of Alabama
Last Eight Fiscal Years**

<i>As of and for the year ended September 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 4,797,942	\$ 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	4,797,942	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	\$ 40,163,159	\$ 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	11.95%	11.90%	12.04%	12.07%	11.91%	11.75%	11.75%	11.64%

Note to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Note 2: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

**Enterprise City Board of Education
Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
Last Five Fiscal Years**

<i>As of and for the year ended September 30,</i>	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.586009%	0.581550%	0.667362%	0.642867%	0.633367%
Employer's proportionate share of the collective net OPEB liability	\$ 30,277,992	\$ 37,741,785	\$ 25,178,019	\$ 52,835,480	\$ 47,042,883
Employer's covered-employee payroll during the measurement period*	\$ 37,066,482	\$ 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	81.69%	104.29%	71.90%	156.24%	139.03%
Plan fiduciary net position as a percentage of the total collective OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

*Employer's covered-employee payroll during the measurement period is the total covered-employee payroll. For FY 2022, the measurement period is October 1, 2020 through September 30, 2021.

Note to Schedule

Note 1: GASB Codification P52 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

Note 2: For years following the valuation date (when no new valuation is performed), covered payroll has been set to equal to the covered payroll from the most recent valuation.

**Enterprise City Board of Education
Required Supplementary Information
Schedule of Employer's Contributions
Alabama Retired Education Employees' Health Care Trust
Last Five Fiscal Years**

<i>As of and for the year ended September 30,</i>	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 1,221,821	\$ 1,023,712	\$ 1,151,552	\$ 1,898,055	\$ 1,570,137
Contributions in relation to the actuarially determined contribution	1,221,821	1,023,712	1,151,552	1,898,055	1,570,137
Contribution deficiency (excess)					\$ -
Employer's covered-employee payroll	\$ 40,163,159	\$ 37,066,482	\$ 36,190,473	\$ 35,020,282	\$ 33,815,865
Contributions as a percentage of covered-employee payroll	3.04%	2.76%	3.18%	5.42%	4.64%

Notes to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Note 2: GASB Codification P52 requires information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for only the years for which information is available.

Enterprise City Board of Education Notes to Required Supplementary Information

PENSION

The discount rate used was 7.45%, as compared to 7.70% at the prior measurement date.

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

Methods and Assumptions Used to Determine Contribution Rates

The actuarially determined contribution rates in the Schedule of Pension Contributions were calculated as of September 30, 2021, 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:

	General Employees
Inflation	2.50%
Salary increases (including inflation)	3.25 - 5.00%
Investment rate of return *	
(net of investment expense, including inflation)	7.45%

*Net of pension plan investment expense

OPEB

Changes in Actuarial Assumptions

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending September 30, 2020 are summarized below.

Assumption	Description
Price inflation	2.50%
Investment Return	7.00%
Wage inflation	2.75%
Mortality Rates (pre-Retirement, Post-Retirement, Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66 2/3% to the table beginning in year 2019.
Retirement Rates	Deceased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability Rates	Lowered rates of disability retirement at most ages.
Salary increases	No change to total assumption rates of salary increases, but increased merit salary by 0.25% to offset the recommended decrease in wage inflation assumption by 0.25%.

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

Enterprise City Board of Education Notes to Required Supplementary Information

Recent Plan Changes

Beginning in plan year 2021, the Medicare Advantage (MAPD) plan premium rates exclude the Affordable Care Act (ACA) Health Insurer Fee which was repealed on December 20, 2019.

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

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

Methods and Assumptions Used to Determine Contribution Rates

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2021, 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:

Inflation	2.50%
Salary Increases ¹	5.00 - 3.25%
Long-term investment rate of return ²	7.00%
Municipal Bond Index Rate at Measurement Date	2.29%
Municipal Bond Index Rate at Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate at Measurement Date	3.97%
Single Equivalent Interest Rate at Prior Measurement Date	3.05%
Healthcare cost trend rates	
<i>Pre-Medicare Eligible</i>	6.50%
<i>Medicare Eligible</i>	**
Ultimate Trend Rate	
<i>Pre-Medicare Eligible</i>	4.50% in 2028
<i>Medicare Eligible</i>	4.50% in 2025

¹Includes 2.75% wage inflation

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

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



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

Mailing Address:
PO Box 311070
Enterprise, AL 36331

334.347.0088
334.347.7650 (fax)
CRlcpa.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Enterprise City Board of Education (the "Board") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated April 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

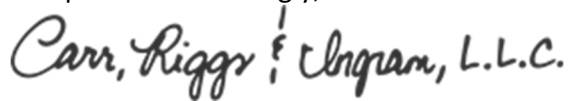
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." with a vertical line above the ampersand.

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

Enterprise, Alabama

April 19, 2023



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

Mailing Address:
PO Box 311070
Enterprise, AL 36331

334.347.0088
334.347.7650 (fax)
CRlcpa.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT 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

Opinion on Each Major Federal Program

We have audited Enterprise City Board of Education's (the "Board's") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2022. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

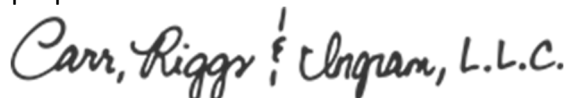
their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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

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

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



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

Enterprise, Alabama
April 19, 2023

**Enterprise City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022**

Section I - Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
c. Noncompliance material to financial statements noted?	No

Federal Awards

1. Type of auditors' report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes
4. Identification of major programs	

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425C 84.425D 84.425U	Education Stabilization Fund CARES Act GEER CARES Act ESSER II CARES Act ESSER III
84.027 84.027X 84.173 84.173X	Special Education Cluster Special Education - Grants to States COVID-19 - ARPA - IDEA Part B Special Education - Preschool Grants COVID-19 - ARPA - IDEA Part B Preschool

5. Dollar threshold used to distinguish between type A and type B programs?	\$ 750,000
6. Auditee qualified as low-risk under 2CFR 200.520?	No

**Enterprise City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022**

Section II - Financial Statements Findings

No such findings in the current year.

Section III – Federal Award Findings and Questioned Costs

Item 2022-001 Special Tests and Provisions – Wage Rate Requirements

Education Stabilization Fund (ESF) ALN# 84.425

U.S. Department of Education

Passed through the State Department of Education

Grant period – Years ended September 30, 2021 (84.425U) (84.425C) and September 30, 2020 (84.425D)

Criteria – Grantees should have controls in place to ensure that contractors and subcontractors are notified of the requirement to pay prevailing wage rates to all laborers and mechanics employed on construction contracts in excess of \$2,000 financed by federal assistance funds and to submit weekly certified payrolls for each week in which contract work is performed. 2 CFR 200.303 requires the non-Federal entity to “(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal statutes, regulations, and the terms and conditions of the Federal award.” 2 CFR 200.326 and 29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction (DOL Regulations) require the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition – Adequate controls were not in place to ensure that contractors and subcontractors were notified of the requirements to comply with the wage rate requirements and provided timely certified payrolls throughout the construction projects.

Cause – A clause describing the Wage Rate Requirements was not added to the construction contracts. There was a lack of sufficient controls over the communication of this requirement to ensure that accurate and complete certified payrolls were provided to the Board.

Effect – Lack of notification of the wage rate requirements to the contractors and subcontractors could lead to disallowed costs. We noted that payments to contractors did not have supporting documentation of certified payrolls. However, our audit disclosed no instances of unallowable costs.

Questioned Costs – Not determinable.

Recommendation – We recommend the strengthening of controls to ensure the prevailing wage rate clauses are included in the contracts and that certified payrolls are received for each week in which construction work is performed.

Management’s Response – The Board will strengthen the controls in place to provide assurance that proper prevailing wage rate clauses are added to construction contracts and certified payrolls are received from each week in which construction work is performed.



ENTERPRISE CITY SCHOOLS

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

Zel Thomas, Ph. D.
Superintendent of Education

Corrective Action Plan

The Enterprise City Board of Education (the Board) respectfully submits the following corrective action plan for the year ended September 30, 2022.

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

The finding from the September 30, 2022 schedule of findings and questioned costs is discussed below. The finding is numbered consistent with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

No such findings in the current year.

FINDINGS – FEDERAL AWARDS PROGRAM AUDITS

Item 2022-001 – Special Tests and Provisions – Wage Rate Requirements

Recommendation: 2 CFR 200.303 requires the non-Federal entity to “(a) establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal statutes, regulations, and the terms and conditions of the Federal award.” 2 CFR 200.326 and 29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction (DOL Regulations) require the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). We recommend the strengthening of controls to ensure the prevailing wage rate clauses are included in the contracts and that certified payrolls are received for each week in which construction work is performed. The Chief School Financial Officer, Pam Christian, should review documentation for inclusion of the prevailing wage rate clauses in construction contracts as part of the bid process prior to expenditures being made. She should also review all invoices received from contractors and subcontractors to ensure that the certified payroll information is received for all weeks for which construction work is performed.

Action Taken: Management has reviewed the requirements of 2 CFR Section 200.303 and 2 CFR 200.326 relating to wage rate requirements and agrees with the recommendation. Management will communicate with all contractors and subcontractors regarding the wage rate requirements and will implement additional procedures, effective May 1, 2023, stating that the Chief School Financial Officer, Pam Christian, will review documentation for inclusion of the prevailing wage rate clauses in construction contracts as part of the bid process prior to expenditures being made. She will also review all invoices received from contractors and subcontractors to ensure that the certified payroll information is received for all weeks for which construction work is performed.

**Enterprise City Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2022**

Item 2021-001 – Monthly Reconciliation of Credit Card Expenditures and Recording Expenditures 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.

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.

Current Status: Corrective action was taken.

Item 2021-002 – Inventory and Reconciliation of Capital Assets

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.

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.

Current Status: Corrective action was taken.

Item 2021-003 – Timely Reimbursement Requests

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.

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.

Current Status: Corrective action was taken.

Item 2021-004 – Required Grant Reporting

Condition: There was no evidence of required reporting in the grant files.

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.

Current Status: Corrective action was taken.

**Enterprise City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022**

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
Social Security Administration				
Passed through State Department of Education Disability Insurance/SSI Cluster				
Social Security Disability Insurance***	96.001	N/A	\$ -	\$ 500
U.S. Department of Education				
Direct Program:				
Impact Aid	84.041	N/A	-	1,041,765
Passed through State Department of Education				
COVID-19 - Education Stabilization Fund - CARES Act GEER	84.425C	180	-	75,630
COVID-19 - Education Stabilization Fund - CARES Act ESSER II	84.425D	180	-	3,590,485
COVID-19 - Education Stabilization Fund - CARES Act ESSER III	84.425U	180	-	1,400,962
COVID-19 - Education Stabilization Fund - CARES Act ESSER Homeless Children and Youth	84.425W	180	-	321
Subtotal for 84.425				5,067,398
Special Education Cluster				
Special Education - Grants to States**	84.027	180	-	1,418,239
COVID-19 - ARPA - IDEA Part B**	84.027X	180	-	95,802
Subtotal for 84.027				1,514,041
Special Education - Preschool Grants**	84.173			19,062
COVID-19 - ARPA - IDEA Part B Preschool**	84.173X	180	-	10,015
Subtotal for 84.173				29,077
Subtotal Special Education Cluster				1,543,118
Title I Grants to Local Educational Agencies	84.010	180	-	1,204,483
Supporting Effective Instruction State Grant	84.367	180	-	193,476
English Language Acquisition State Grants	84.365	180	-	99,607
Special Education - State Personnel Development	84.323	180	-	75,100
Title VIB - Rural Education	84.358B	180	-	53,896
Safe and Drug Free Schools and Communities	84.424A	180	-	72,009
Career and Technical Education – Basic Grants to States	84.048	180	-	76,559
Subtotal				1,775,130
Total U.S. Department of Education				9,427,411

(Continued)

See independent auditors' report and accompanying notes to schedule of expenditures of federal awards.

**Enterprise City Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022**

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed through State Department of Education				
Child Nutrition Cluster				
National School Lunch Program*(N)	10.555	180	-	446,083
National School Lunch Program*	10.555	180	-	3,120,549
COVID-19 - National School Lunch Program*	10.555	180	-	138,410
Subtotal for 10.555				- 3,705,042
School Breakfast Program*	10.553	180	-	632,305
Summer Food Service Program for Children*	10.559	180	-	150,471
Fresh Fruit and Vegetable Program*	10.582	180	-	205,838
Subtotal Child Nutrition Cluster				- 4,693,656
State Administrative Expenses	10.560	180	-	18,765
Child and Adult Care Food Program (CACFP)	10.558	180	-	238,760
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649	180	-	4,470
Total U.S. Department of Agriculture				- 4,955,651
U.S. Department of Defense				
Direct Programs				
ROTC Language and Cultural Training Grants	12.357	N/A	-	110,201
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	-	423,889
Total U.S. Department of Defense				- 534,090
Total expenditures of federal awards			\$	- \$ 14,917,652

* Child Nutrition Cluster

** Special Education Cluster

*** Disability Insurance / SSI Cluster

(N) USDA Donated Food – No actual cash transactions.

See independent auditors' report and accompanying notes to schedule of expenditures of federal awards.

Enterprise City Board of Education
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal spending of the Enterprise City Board of Education (the "Board") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Board, it is not intended to and does not represent the financial position of the Board.

Child Nutrition 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 encourage the domestic consumption of nutritious agricultural commodities.

Special Education Cluster - Includes awards that ensure that all children with disabilities have available to them a free appropriate public education 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 - Includes awards that provide benefits to disabled wage earners and their families in the event the family wage earner becomes disabled. These awards provide payments to financially needy individuals who are aged, blind, or disabled.

Note 2: INDIRECT COST RATE

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

Note 3: 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 ended September 30, 2022.

Note 4: SUBRECIPIENTS

The Board did not provide federal funds to subrecipients for the fiscal year ending September 30, 2022.

Enterprise City Board of Education
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Note 5: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

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

- The Board's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.

Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Board's financial statements and as expenditures in the program financial reports and the SEFA.

Note 6: 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.

Note 7: DONATED FOOD PROGRAM

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was \$446,083 for fiscal year 2022.

Note 8: 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 April 19, 2023, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

See independent auditors' report and accompanying notes to schedule of expenditures of federal awards.