

**Enterprise City Board  
of Education**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2014**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRlcpa.com](http://CRlcpa.com) | [blog.cricpa.com](http://blog.cricpa.com)

**Enterprise City Board of Education**  
**Table of Contents**  
**September 30, 2014**

<b>TAB: REPORT</b>	
Independent Auditors' Report	1
<b>TAB: FINANCIAL STATEMENTS</b>	
Management's Discussion and Analysis (MD&A)	4
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	12
Statement Activities	13
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds	14
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	18
Statement of Fiduciary Net Position	19
Notes to Financial Statements	20
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 <b>Government Auditing Standards</b>	40
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	42
Schedule of Expenditures of Federal Awards	45
Notes to Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48
Summary Schedule of Prior Audit Findings	53
Management Letter	54



**Enterprise City Board of Education  
Table of Contents  
September 30, 2014**

**TAB: REQUIRED COMMUNICATIONS**

Required Communications	58
Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality	64
Summary of Audit Adjustments	66
Management Representation Letter	67



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

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

(334) 347-0088  
(334) 347-7650 (fax)  
[www.cricpa.com](http://www.cricpa.com)

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Enterprise City Board of Education (the "Board"), a component unit of the City of Enterprise, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 – 11 and page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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

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

Certified Public Accountants

March 16, 2015

### **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, 2014. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the Board's financial performance.

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

### **Financial Highlights**

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

On the government-wide financial statements:

- The assets of the Board exceeded its liabilities at the close of the 2014 fiscal year by \$125.15 million (net position). Of this amount, there is \$15.3 million in unrestricted net position. Restricted net position is \$0.22 million. The net position invested in capital assets amounted to \$109.60 million. The government-wide financial statements are a long-term availability approach to analyzing the financial statements.
- The total cost of the Board's programs for the year was \$64.07 million. After taking away a portion of these costs paid from with charges for services, intergovernmental aid, interest earnings and other miscellaneous sources, the net cost that required funding from Enterprise City taxpayers was \$16.78 million.

On the fund financial statements:

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4.97 million.
- There was an overall decrease of \$1.13 million in fund balance in governmental funds.
- The Board had a net decrease in its outstanding debt by \$699 thousand due to debt payments.

### **Overview of the Financial Statements**

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

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

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

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

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

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

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

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



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

### *Financial Analysis of the Board as a Whole*

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

#### **Net Position - Governmental Activities**

<i>September 30,</i>	<b>2014</b> <b>(in millions)</b>	2013 (in millions)
<b>Assets</b>		
Current and other assets	\$ 24.70	\$ 25.61
Capital assets, net of depreciation	<b>124.76</b>	127.81
<b>Total assets</b>	<b>149.46</b>	153.42
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunding	<b>.14</b>	.26
<b>Liabilities</b>		
Current liabilities	<b>6.14</b>	5.42
Noncurrent liabilities	<b>14.58</b>	15.30
<b>Total liabilities</b>	<b>20.72</b>	20.72
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - property taxes	<b>3.73</b>	4.24
<b>Net Position</b>		
Net investment in capital assets	<b>109.60</b>	112.07
Restricted	<b>.22</b>	.21
Unrestricted	<b>15.33</b>	16.44
<b>Total net position</b>	<b>\$ 125.15</b>	\$ 128.72

The Board's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$125.15 million at the close of the fiscal year. The majority of the Board's net position are invested in capital assets (land, buildings, and equipment) owned by the Board. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements – are \$15.33 million at the end of the year.

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

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, 2014.

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

<i>Years ended September 30,</i>	<b>2014</b> <b>(in millions)</b>	2013 (in millions)
<b>Program Revenues</b>		
Charges for services	\$ 5.77	\$ 5.42
Operating grants and contributions	39.14	41.81
Capital grants	2.38	2.11
<b>General Revenues</b>		
Local property taxes	4.43	4.45
Sales and use taxes	6.63	6.46
Other taxes	.04	.03
Other	2.10	1.74
<b>Special Item</b>	-	5.41
Total revenues and special item	<b>60.49</b>	67.43
<b>Expenses</b>		
Instructional	36.39	34.61
Instructional support	10.27	9.83
Operation and maintenance	5.26	5.33
Transportation	3.51	3.42
Food service	4.02	4.28
General administration and central support	2.96	2.57
Interest on long-term debt	.78	1.01
Other	.87	.97
Total expenses	<b>64.06</b>	62.02
Change in net position	<b>(3.57)</b>	5.41
<b>Net Position – Beginning</b>	<b>128.72</b>	123.31
<b>Net Position – Ending</b>	<b>\$ 125.15</b>	\$ 128.72

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

### Revenue Analysis:

- Program revenues account for 78% of total revenues including capital grant revenue.
- Operating grants and contributions make up 83% of program revenues. The major sources of revenues in this category are state foundation program funds, state transportation operating funds, and state and federal funds restricted for specific programs.
- Capital grants and contributions include state capital outlay funds and state funds to replace buses.
- Charges for services include federal reimbursement for meals, student meal purchases, and local school revenues.
- General revenues, primarily property taxes and sales taxes, were used to provide \$16.78 million for expenses not covered by program revenues.

### Expense Analysis:

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

### ***Performance of School Board Funds***

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

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. (Note that the relationship between the *fund financial statements* and the *government-wide financial statements* are reconciled on pages 15 and 17.) The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balance of \$15.65 million.

**General Fund** – The general fund is the chief operating fund of the Board. The general fund balance decreased by \$61 thousand this year. This is primarily due to the following reasons:

- Normal fluctuations of tax revenues and budgeted expenditures.

**Insurance Loss Recovery Fund** - This fund is used to account for funds received from covered capital losses. The fund balance of this fund increased \$32 thousand during fiscal year due to investment income.

**Capital Projects-Local Fund** - The capital projects-local fund is used to account for local financial resources paid on behalf of the Board for the acquisition or construction of major capital facilities. This fund accounts for the proceeds of the local district 7 mil ad valorem tax used for school construction projects. The fund balance of this fund increased \$.24 million during fiscal year 2014. This increase is due to no large capital projects during the fiscal year.

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

The original 2014 fiscal year budget, adopted on September 12, 2013, 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 May 29, 2014. The amendment was necessary to amend the budgeted 2014 federal allocations, 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 18. Because actual revenues exceeded actual expenses there was an overall increase in the general fund.

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

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

**Capital Assets** - The Board's investment in capital assets for its governmental activities at September 30, 2014 totaled \$124.76 million, net of accumulated depreciation. The capital asset activity for the year is detailed in Note 6 to the financial statements. Increases during the year represent additions to those categories, while decreases represent retirements of assets during the year and depreciation of depreciable assets for the year. Capital assets were decreased (depreciated) by \$4.15 million during fiscal year 2014. The Board expended available resources to acquire \$1.09 million in capital asset additions during the year.

**Long-Term Debt** - At year-end, the Board owed \$15.30 million in warrants, net of unamortized premiums. Of this amount, \$4.18 million was owed on the 2009C Pool Bonds, and \$11.1 million on the 2010 Warrants. More information with regard to the Board's long-term debt is presented in Note 8 to the financial statements.

### ***Factors Bearing on the Board's Future***

**Funding** - The rolling reserve act took effect in FY'13. A 15-year average will provide a stable funding base to establish a cap on state Education Trust Fund (ETF) appropriations. The process first builds reserves to allow repayment of the \$437 million debt owed to the state's Alabama Trust Fund by the constitutional deadline and then directs reserves to a stabilization fund. The stabilization fund will enable the state to reliably provide funding when revenue growth fails to meet projections in any given year. The long-term stability will allow school boards, administrators and teachers to serve students consistently.

**County and City Sales Tax** - City sales tax revenues increased slightly by 0.1% while County Sales tax increased by 4.7% for FY'14.

**Property Tax** - Property taxes decreased slightly by 0.4%. A portion of the special district property tax is earmarked for debt payment on the Capital Outlay Warrants Series 2010.

**Student Enrollment** - The latest student enrollment figure, as of the 2014-2015 twenty day (after Labor Day) report, was 6,674 students. This indicates a decrease in enrollment of 0.2%, or 12.95 students, over the prior year and an increase of 24%, or 1,291.68 students, over the last 10 years. State foundation program funds, our largest source of funds, are tied to student enrollment numbers. Because this funding is based on prior year enrollment numbers, we expect state foundation funding to decrease slightly for FY'16 by \$61,000.

**Medical and Retirement Costs** - Employee health insurance is provided through the Public Education Employees' Health Insurance Program (PEEHIP). PEEHIP employer cost is \$780 per employee per month for fiscal year 2014. Employer contributions to the Teachers Retirement System (TRS) remained at 11.71% and decreased slightly to 11.05% for Tier 1 and Tier 2 employees, respectively, for fiscal year 2015. The Board must use local funds to pay the salary-related benefit costs not paid by state and federal funds.



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

### ***Contacting the School Board's Financial Management***

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

**Enterprise City Board of Education**  
**Statement of Net Position**  
**September 30, 2014**

	<b>Governmental Activities</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 3,775,664
Investments	13,879,037
Receivables	6,550,329
Inventories	137,973
Restricted assets:	
Cash and cash equivalents	341,024
Accrued interest receivable	18,075
Capital assets, not being depreciated	6,583,955
Capital assets, net of depreciation	118,174,837
<hr/>	
Total assets	149,460,894
<hr/>	
<b>Deferred Outflows of Resources</b>	
Deferred loss on refunding	141,655
<hr/>	
<b>Liabilities</b>	
Accounts payable	729,902
Salaries and benefits payable	4,487,645
Accrued interest payable	120,189
Unearned revenue	76,409
Long-term liabilities	
Due and payable within one year	724,257
Due and payable after one year	14,580,740
<hr/>	
Total liabilities	20,719,142
<hr/>	
<b>Deferred Inflows of Resources</b>	
Unavailable revenue - property taxes	3,735,687
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	109,595,450
Restricted for debt service	220,835
Unrestricted	15,331,435
<hr/>	
Total net position	\$ 125,147,720
<hr/>	

**Enterprise City Board of Education**  
**Statement of Activities**  
**For the Year Ended September 30, 2014**

<b>Functions / Programs</b>	<b>Expenses</b>
Instructional services	\$ 36,390,103
Instructional support services	10,269,734
Operation and maintenance services	5,257,474
Student transportation services	3,507,438
Food services	4,018,709
General administrative services	2,967,827
Interest and fiscal charges	783,337
Other expenses	872,993
Total	\$ 64,067,615

*See accompanying notes to financial statements.*



Charges For Services	Program Revenues		Net (Expenses) Revenues and Changes In Net Position Governmental Activities
	Operating Grants and Contributions	Capital Grants and Contributions	
\$ 541,461	\$ 27,300,476	\$ 688,199	\$ (7,859,967)
1,059,149	6,316,283	-	(2,894,302)
403,639	1,674,398	370,637	(2,808,800)
209,130	2,176,704	571,405	(550,199)
3,204,117	260,313	-	(554,279)
11,420	1,086,104	749,804	(1,120,499)
-	-	-	(783,337)
339,877	328,296	-	(204,820)
<u>\$ 5,768,793</u>	<u>\$ 39,142,574</u>	<u>\$ 2,380,045</u>	<u>(16,776,203)</u>

#### General Revenues

##### Taxes:

Property taxes for general purposes	2,509,055
Property taxes for specific purposes	1,921,440
Local sales tax	6,631,296
Other taxes	34,758
Investment earnings	94,761
Gain on disposition of capital assets	65,571
Miscellaneous	1,939,749
<b>Total general revenues</b>	<b>13,196,630</b>
<b>Change in net position</b>	<b>(3,579,573)</b>
<b>Net position - beginning</b>	<b>128,727,293</b>
<b>Net position - ending</b>	<b>\$ 125,147,720</b>

**Enterprise City Board of Education**  
**Balance Sheet – Governmental Funds**  
**September 30, 2014**

	General Fund	Insurance Loss Recovery Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 1,546,193	\$ 863,799
Investments	6,792,620	4,290,308
Receivables	3,267,942	-
Due from other funds	130,000	-
Inventories	-	-
Restricted assets:		
Cash and cash equivalents	-	-
<b>Total assets</b>	<b>\$ 11,736,755</b>	<b>\$ 5,154,107</b>
<b>Liabilities</b>		
Accounts payable	\$ 525,996	\$ -
Due to other funds	-	-
Salaries and benefits payable	4,080,152	-
Unearned revenue	-	-
<b>Total liabilities</b>	<b>4,606,148</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - property taxes	2,156,872	-
<b>Fund Balances</b>		
Non-spendable	-	-
Restricted	-	-
Assigned	-	5,154,107
Unassigned	4,973,735	-
<b>Total fund balances</b>	<b>4,973,735</b>	<b>5,154,107</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,736,755</b>	<b>\$ 5,154,107</b>

*See accompanying notes to financial statements.*

Local Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 662,514	\$ 703,158	\$ 3,775,664
2,796,109	-	13,879,037
1,578,815	1,703,572	6,550,329
-	-	130,000
-	137,974	137,974
341,024	-	341,024
<u>\$ 5,378,462</u>	<u>\$ 2,544,704</u>	<u>\$ 24,814,028</u>
\$ 3,640	\$ 200,267	\$ 729,903
-	130,000	130,000
-	407,493	4,487,645
-	76,409	76,409
3,640	814,169	5,423,957
<u>1,578,815</u>	<u>-</u>	<u>3,735,687</u>
-	137,974	137,974
341,024	-	341,024
3,454,983	1,592,561	10,201,651
-	-	4,973,735
3,796,007	1,730,535	15,654,384
<u>\$ 5,378,462</u>	<u>\$ 2,544,704</u>	<u>\$ 24,814,028</u>

**Enterprise City Board of Education  
Reconciliation of Balance Sheet of Governmental  
Funds to Statement of Net Position  
For the Year Ended September 30, 2014**

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

Total fund balance - governmental funds	\$	15,654,384
---	----	------------

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

Cost of capital assets	\$ 160,822,122	
Accumulated depreciation	(36,063,330)	124,758,792
<hr/>		

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

Accrued interest receivable		18,075
-----------------------------	--	--------

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	(120,189)	
Deferred loss on refunding	141,655	
Current portion of long-term debt	(724,257)	
Non-current portion of long-term debt	(14,580,740)	(15,283,531)
<hr/>		

Total net position - governmental activities	\$	125,147,720
--	----	-------------

---

*See accompanying notes to financial statements.*

**Enterprise City Board of Education**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances – Governmental Funds**  
**For the Year Ended September 30, 2014**

	General Fund	Insurance Loss Recovery Fund
<b>Revenues</b>		
State revenues	\$ 34,269,714	\$ -
Federal revenues	1,231,417	-
Local revenues	9,561,469	32,392
Other revenues	109,712	-
<b>Total revenues</b>	<b>45,172,312</b>	<b>32,392</b>
<b>Expenditures</b>		
Instructional services	29,205,934	-
Instructional support services	8,030,683	-
Operation and maintenance services	4,120,125	-
Student transportation services	2,595,091	-
Food services	7,266	-
General administrative services	1,847,113	-
Capital outlay	-	-
Debt service:		
Principal	-	-
Interest	-	-
Other expenses	107,358	-
<b>Total expenditures</b>	<b>45,913,570</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	(741,258)	32,392
<b>Other Financing Sources (Uses)</b>		
Indirect cost	130,000	-
Transfers in	2,106,222	-
Transfers out	(1,776,641)	-
Sale of capital assets	65,571	-
Other financing sources	155,058	-
<b>Total other financing sources (uses)</b>	<b>680,210</b>	<b>-</b>
Net change in fund balances	(61,048)	32,392
<b>Fund Balances - beginning</b>	<b>5,034,783</b>	<b>5,121,715</b>
<b>Fund Balances - ending</b>	<b>\$ 4,973,735</b>	<b>\$ 5,154,107</b>

*See accompanying notes to financial statements.*

Local Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,375,236	\$ 36,644,950
-	5,523,241	6,754,658
1,944,286	4,861,913	16,400,060
-	339,959	449,671
<u>1,944,286</u>	<u>13,100,349</u>	<u>60,249,339</u>
32,945	3,797,838	33,036,717
-	2,218,535	10,249,218
8,709	1,092,655	5,221,489
-	545,960	3,141,051
-	4,254,355	4,261,621
-	1,041,725	2,888,838
691,613	1,800	693,413
505,000	194,148	699,148
459,725	205,790	665,515
3,439	760,632	871,429
<u>1,701,431</u>	<u>14,113,438</u>	<u>61,728,439</u>
<u>242,855</u>	<u>(1,013,089)</u>	<u>(1,479,100)</u>
-	-	130,000
-	1,808,808	3,915,030
-	(2,138,389)	(3,915,030)
-	-	65,571
-	-	155,058
<u>-</u>	<u>(329,581)</u>	<u>350,629</u>
242,855	(1,342,670)	(1,128,471)
<u>3,553,152</u>	<u>3,073,205</u>	<u>16,782,855</u>
<u>\$ 3,796,007</u>	<u>\$ 1,730,535</u>	<u>\$ 15,654,384</u>

**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, 2014**

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

Total net change in fund balances - governmental funds	\$	(1,128,471)
--	----	-------------

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

Capital outlays	\$ 1,094,664		
Depreciation expense	(4,148,604)		(3,053,940)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds.			18,075
--	--	--	--------

Accrued interest and the amortization of bond discounts and premiums of debt are reported as expenses in the Statement of Activities. However, these expenses do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

Interest	4,499		
Amortization	(118,884)		(114,385)

Only the gain or loss on the sale of capital assets is reported in the Statement of Activities, whereas in the governmental funds, the proceed from the sale increase financial resources. The change in net position differs from the change in fund balances in this amount.

Proceeds from sale of capital assets	(65,571)		
Gain on disposition of capital assets	65,571		-

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Principal payments on long-term debt			699,148
--------------------------------------	--	--	---------

Change in net position of governmental activities	\$		(3,579,573)
---	----	--	-------------

**Enterprise City Board of Education**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund**  
**For the Year Ended September 30, 2014**

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
<b>Revenues</b>		
State revenues	\$ 33,818,984	\$ 34,127,104
Federal revenues	1,065,871	1,065,871
Local revenues	9,176,045	9,176,045
Other revenues	92,031	92,031
<b>Total revenues</b>	<b>44,152,931</b>	<b>44,461,051</b>
<b>Expenditures</b>		
Instructional services	27,169,716	27,436,499
Instructional support services	7,200,755	7,221,732
Operation and maintenance services	4,289,402	4,379,331
Student transportation services	2,660,086	2,671,086
General administrative services	1,739,991	1,774,991
Food services	-	-
Other expenses	182,245	182,244
<b>Total expenditures</b>	<b>43,242,195</b>	<b>43,665,883</b>
<b>Excess revenues over expenditures</b>	<b>910,736</b>	<b>795,168</b>
<b>Other Financing Sources (Uses)</b>		
Indirect cost	225,704	225,704
Transfers in	508,060	508,060
Transfers out	(1,400,571)	(1,400,571)
Sale of capital assets	-	-
Other financing sources	-	130,000
<b>Total other financing sources (uses)</b>	<b>(666,807)</b>	<b>(536,807)</b>
<b>Excess Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>243,929</b>	<b>258,361</b>
<b>Fund Balance - beginning</b>	<b>6,769,000</b>	<b>8,332,874</b>
<b>Fund Balance - ending</b>	<b>\$ 7,012,929</b>	<b>\$ 8,591,235</b>

*See accompanying notes to financial statements.*



	<b>Actual (Budgetary Basis)</b>		<b>Variance with Final Budget</b>
\$	34,269,714	\$	142,610
	1,231,417		165,546
	9,561,469		385,424
	109,712		17,681
	<hr/>		
	45,172,312		711,261
	<hr/>		
	28,407,441		(970,942)
	7,887,834		(666,102)
	4,112,704		266,627
	2,543,059		128,027
	1,830,042		(55,051)
	7,266		(7,266)
	243,163		(60,919)
	<hr/>		
	45,031,509		(1,365,626)
	<hr/>		
	140,803		(654,365)
	<hr/>		
	130,000		(95,704)
	2,106,222		1,598,162
	(1,776,641)		(376,070)
	65,571		65,571
	155,058		25,058
	<hr/>		
	680,210		1,217,017
	<hr/>		
	821,013		562,652
	<hr/>		
	8,232,874		(100,000)
	<hr/>		
\$	9,053,887	\$	462,652
	<hr/>		

Enterprise City Board of Education  
Statement of Fiduciary Net Position  
September 30, 2014

	<b>Private-Purpose Trust Funds</b>	
<hr/>		
<b>Assets</b>		
Cash and cash equivalents	\$	44,758
<hr/>		
<b>Liabilities</b>		
Accounts payable	\$	831
Due to external organizations		43,927
<hr/>		
Total liabilities	\$	44,758
<hr/>		

*See accompanying notes to financial statements.*



## Enterprise City Board of Education Notes to Financial Statements

### **NOTE**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Reporting Entity***

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

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

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

The financial statements of the Board include local school activity funds and other funds under the control of school principals. These funds are reported on a reporting period ended September 30, 2014 as a special revenue fund.

***Basis of Presentation, Basis of Accounting***

**Basis of Presentation**

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

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

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

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

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

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

The Board reports the following major governmental funds:

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

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

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

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

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

1. 2013-381 Career Grant
2. Health & Science, RFP – Engineering STEM Grant
3. IDEA – Part B
4. Preschool Ages 3 – 5 Part B
5. Vocational Education – Basic Grant
6. Vocational Education – Reserve Fund
7. Title I Part A
8. Title II Part A Teacher and Principal Training

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

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

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

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

***Measurement Focus, Basis of Accounting***

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

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

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

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

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

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

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

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

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

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

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

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

**Restricted Assets** - Restricted assets at September 30, 2014 consist of cash and cash equivalents which are restricted by debt agreements for debt service payments. Cash and cash equivalents restricted for debt service payments totaled \$341,024.

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

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

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

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

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

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

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

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

**Compensated Absences** – For vacation leave and other compensated absences with similar characteristics, GASB 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.



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

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

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

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has one item that qualifies for reporting in this category, deferred loss on refunding.

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 one item that qualifies for reporting in this category, unavailable revenue - property taxes.

**Unamortized Bond Insurance**

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

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

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

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

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

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

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

As of September 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

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

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

*Unassigned* – All other spendable amounts.

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

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

Fund balances at September 30, 2014 are as follows:

	General Fund	Insurance Loss Recovery Fund	Local Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 137,974	\$ 137,974
Restricted:					
Debt service	-	-	341,024	-	341,024
Assigned:					
Insurance Loss					
Recovery Fund	-	5,154,107	-	-	5,154,107
Local capital					
projects	-	-	3,454,983	-	3,454,983
Subsequent years'					
budget	-	-	-	1,592,561	1,592,561
Unassigned	4,973,735	-	-	-	4,973,735
	<u>\$ 4,973,735</u>	<u>\$ 5,154,107</u>	<u>\$ 3,796,007</u>	<u>\$ 1,730,535</u>	<u>\$ 15,654,384</u>

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

***Management Estimates and Assumptions***

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

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

***Recently Issued Accounting Pronouncements***

The GASB has issued the following statements:

Recently Issued and Adopted:

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. It requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities, and also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement was effective for reporting periods beginning after June 15, 2013, and the provisions of this statement are required to be applied retroactively, with the exception of disclosures related to cumulative amounts paid or received in relation to a financial guarantee. The Board implemented GASB Statement No. 70 for the year ended September 30, 2014. There was no impact on these financial statements as a result of the implementation of GASB Statement No. 70.

Recently Issued

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the statement. The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about

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

pensions also are addressed. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The calculation of pension contributions is unaffected by the change. However, when adopted it will result in the restatement of the Board's Fiscal Year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plan and the recognition of pension expense in accordance with the provisions of the statement.

Management has not yet determined the financial statement impact of the pronouncement.

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. Management has not yet determined the financial statement impact of the pronouncement.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management has not yet determined the financial statement impact of the pronouncement.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgets***

The Board adopts an annual budget for the general fund as prescribed by State law. 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 2014 fiscal year was

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

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

September 16, 2013. The Board approved and submitted its original 2014 annual budget on September 13, 2013. Additionally, Board policy requires all annual appropriations to lapse at fiscal year-end.

The 2014 budget was amended in May 2014 primarily to budget carryover federal funds, adjust federal allocations, and budget additional state and other grant funds that became available after submission of the original budget.

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

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

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

	<b>Total Expenditures</b>
Budget basis	\$ 45,031,509
Non-budgeted accrued salaries and fringe benefits	
Instructional services	798,493
Instructional support services	142,849
Operations and maintenance	7,421
Student transportation services	52,031
General and administrative	17,072
Other expenditures	(135,804)
GAAP basis	\$ 45,913,571

***Excess Expenditures Over Appropriations***

The general fund actual expenditures exceeded budgeted expenditures by \$1,365,626. The excess was funded with additional current year revenues.

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

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

	<b>Total Fair Value</b>	<b>0 – 1 Year</b>	<b>1 – 5 Years</b>
Certificates of deposit	\$ 13,879,037	\$ 8,064,773	\$ 5,814,264

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2014 consist of the following:

	<b>General</b>	<b>Local Capital Projects</b>	<b>Other Non- major</b>	<b>Total</b>
State Department of Education				
School Lunch Program	\$ -	\$ -	\$ 403,583	\$ 403,583
E-Rate/SLC Refunds	-	-	209,843	209,843
ACT 2013-381 Career	-	-	110,061	110,061
CT Hlth & Sci, RFP Eng. STEM	-	-	178,199	178,199
IDEA-Part B	-	-	153,110	153,110
Pre-School Part B	-	-	1,424	1,424
Vocational Education	-	-	9,873	9,873
Title I, Part A	-	-	103,233	103,233
Title II, Part A – Teacher Training	-	-	35,751	35,751
Title III – English Lang.	-	-	12,087	12,087

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

**NOTE 4 – RECEIVABLES (Continued)**

Title X – Homeless Education	-	-	8,312	8,312
Capital Projects	-	-	17,084	17,084
Coffee County Rev. Commissioner	2,703,009	1,578,815	-	4,281,824
City of Enterprise	560,040	-	-	560,040
Other	4,893	-	3,845	8,738
Department of Defense	-	-	457,167	457,167
<b>Total receivables</b>	<b>\$ 3,267,942</b>	<b>\$ 1,578,815</b>	<b>\$ 1,703,572</b>	<b>\$ 6,550,329</b>

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

**NOTE 5 - INTERFUND ACTIVITY**

Due to/from other funds at September 30, 2014 consisted of the following amounts:

Due to General Fund from Nonmajor Governmental in the amount of \$130,000.

Interfund transfers consisted of the following for the year ended September 30, 2014:

<b>Transfers Out</b>	<b>Transfers In</b>		
	<b>General</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
General	\$ -	\$ 1,808,808	\$ 1,808,808
Nonmajor governmental	2,106,222	-	2,106,222
	<b>\$ 2,106,222</b>	<b>\$ 1,808,808</b>	<b>\$ 3,915,030</b>

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

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,571,889	\$ 3,650	\$ -	\$ 4,575,539
Construction in progress	1,318,652	689,764	-	2,008,416
<b>Total capital assets, not being depreciated</b>	<b>5,890,541</b>	<b>693,414</b>	<b>-</b>	<b>6,583,955</b>



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

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

	Beginning Balance	Additions	Deductions	Ending Balance
Other capital assets:				
Buildings	135,358,988	-	-	135,358,988
Building improvements	10,525,645	-	-	10,525,645
Furniture and equipment	8,305,520	401,250	353,236	8,353,534
Total other capital assets at historical cost	154,190,153	401,250	353,236	154,238,167
Less accumulated depreciation for:				
Buildings	21,991,011	2,806,870	-	24,797,881
Building improvements	5,594,913	496,370	-	6,091,283
Furniture and equipment	4,682,038	845,364	353,236	5,174,166
Total accumulated depreciation	32,267,962	4,148,604	353,236	36,063,330
Total other capital assets, net	121,922,191	(3,747,354)	-	118,174,837
Total governmental activities capital assets, net	\$ 127,812,732	\$ (3,053,940)	\$ -	\$ 124,758,792

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 3,353,386
Instructional support services	20,516
Operation and maintenance services	35,984
Student transportation services	514,731
Food services	139,996
General and administrative	78,989
Other expenditures	5,002
Total governmental activities depreciation expense	\$ 4,148,604

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

	General Fund	Local Capital Projects	Other Governmental
<b>Property Taxes</b> – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.	\$ 2,156,872	\$ 1,578,815	\$ -

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

**NOTE 7 - UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES (Continued)**

**Unearned Revenue** – Daily lunch and breakfast sales revenue received but not yet expended represent revenues that will be recognized subsequent to year end.

	-	-	76,409
	\$ 2,156,872	\$ 1,578,815	\$ 76,409

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

**NOTE 8 - LONG-TERM DEBT**

During the year ended September 30, 2014, the following changes occurred in long-term liabilities reported in the statement of net position:

	Balance October 1, 2013	Proceeds	Retirements	Balance September 30, 2014	Amounts Due Within One Year
2010 Capital					
Outlay Warrants	\$ 11,590,000	\$ -	\$ (505,000)	\$ 11,085,000	\$ 520,000
2009 Capital					
Improvement					
Pool Bonds	4,373,159	-	(194,148)	4,179,011	201,722
Unamortized					
bond premiums	43,521	-	(2,535)	40,986	2,535
	\$ 16,006,680	\$ -	\$ (701,683)	\$ 15,304,997	\$ 724,257

**2010 Capital Outlay Warrants**

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

The warrants are secured by a pledge and assignment of the Board's allocable portion of the proceeds of a special franchise, excise and privilege license tax. The Board recognized a deferred loss on refunding on issuance of the 2010 warrants in the amount of \$607,093. Amortization of the deferred loss on refunding for the year ended September 30, 2014 was \$121,419.

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

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

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

Fiscal Year Ending September 30,	Principal	Interest
2015	\$ 520,000	\$ 444,350
2016	535,000	428,525
2017	550,000	412,250
2018	565,000	395,525
2019	585,000	376,813
2020 – 2024	3,300,000	1,510,013
2025 – 2029	4,090,000	713,593
2030	940,000	22,325
	<b>\$ 11,085,000</b>	<b>\$ 4,303,394</b>

Pledged revenues recognized for the year ended September 30, 2014 were \$2,400,000 while total debt service was \$964,725.

***Capital Improvement Pool Bonds, Series 2009-C***

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

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

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

Fiscal Year Ending September 30,	Principal	Interest
2015	\$ 201,722	\$ 198,024
2016	209,983	189,956
2017	218,245	181,556
2018	226,506	172,826
2019	236,145	163,766
2020 – 2024	1,355,597	642,686
2025 – 2029	1,730,813	268,056
<b>Total</b>	<b>\$ 4,179,011</b>	<b>\$ 1,816,870</b>

## Enterprise City Board of Education Notes to Financial Statements

### NOTE 9 - EMPLOYEE RETIREMENT PLAN

#### *Plan Description*

The Board contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama. Substantially all employees are members of the Teachers' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after 10 years of creditable service for all employees. Vested employees may retire with full benefits as follows:

	<b>Tier 1 (members hired before January 1, 2013)</b>	<b>Tier 2 (members hired on or after January 1, 2013)</b>
Eligibility for retirement benefits	Age 60 with at least 10 years of service or after 25 years of service at any age	Age 62 with at least 10 years of service
Average final salary (AFS)	Average of highest 3 fiscal years (July-June) out of the last 10 fiscal years the member made contributions	Average of the highest 5 fiscal years (July-June) out of the last 10 fiscal years the member made contributions
Benefit factor (BF)	2.0125%	1.65%
Maximum monthly benefit	$(AFS \times \text{years of service} \times BF) / 12$	$(AFS \times \text{years of service} \times BF) / 12$

Disability retirement benefits are calculated in the same manner as retirement benefits. Pre-retirement death benefits are payable to the member's beneficiaries in varying amounts dependent upon years of service and whether the member was vested (10 years or more of service).

The Teachers' Retirement System of Alabama was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System of Alabama is vested in the Board of Control (currently 14 members). Benefit provisions are established by the Code of Alabama 1975., Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

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

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

***Funding Policy***

Employees of the Board are required by statute to contribute a percentage of their salary to the Teachers' Retirement System of Alabama (7.5% for Tier 1 employees and 6.0% for Tier 2 employees). The Board is required to contribute the remaining amounts necessary to fund the actuarial determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System of Alabama recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

<i>Fiscal year ended September 30,</i>	<b>2014</b>	2013	2012
Total percentage of covered payroll	<b>17.58%</b>	17.58%	17.25%
Contributions:			
Percentage contributed by the Board	<b>11.71%</b>	10.08%	10.00%
Percentage contributed by employees	-	-	7.25%
Percentage contributed by Tier 1 employees	<b>7.50%</b>	7.50%	-
Percentage contributed by Tier 2 employees	<b>6.00%</b>	6.00%	-
Contributed by the Board	<b>\$ 3,615,061</b>	\$ 3,001,659	\$ 2,937,015
Contributed by the employees	<b>2,294,827</b>	2,230,164	2,129,336
<b>Total contributions</b>	<b>\$ 5,909,888</b>	\$ 5,231,823	\$ 5,066,351

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

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

*Code of Alabama 1975, Section 16-25A-8* provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. The employer's share of premiums for retired Board employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. Retirees eligible for Medicare benefits must pay \$10 per month for coverage while those not eligible for Medicare must pay \$151 per month for

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

coverage. The estimated portion of health insurance premiums paid by the Board for retired employees was approximately \$1,114,523 or 30.83% of total Board allocations paid during fiscal year 2014. 100% of the required contributions were paid by the Board. The Board has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

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

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

The Board has a construction contract in place at Holly Hill Elementary School. The total contract is for \$1,948,700 and \$1,906,700 has been expended to date. Costs to complete this contract totaled \$42,000 at September 30, 2014.

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

**NOTE 12 - RISK MANAGEMENT**

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

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

**NOTE 12 - 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 13 - ON-BEHALF PAYMENTS**

The U.S. Government makes certain retiree drug subsidy payments on-behalf of the Board for its employees to the Retirement Systems of Alabama. The Board records these payments as both a revenue and expenditure in the general fund. The total of on-behalf payments for the fiscal year ended September 30, 2014 was \$221,030.

**NOTE 14 - SUBSEQUENT EVENTS**

The Board has evaluated subsequent events between September 30, 2014 and March 16, 2015, the date the financials were available to be issued, and there were none to disclose.

**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, 2014, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 16, 2015

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies [2013-05 and 2014-01].



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2013-14 and 2014-02.

We noted certain other matters that we reported to the Board's management in a separate letter dated March 16, 2015.

## **The Boards' Response to Findings**

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

## **Purpose of this Report**

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

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

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

Certified Public Accountants

March 16, 2015

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Enterprise City Board of Education's (the "Board's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Board's major federal programs for the year ended September 30, 2014. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in the accompanying schedule of findings and questioned costs, the Board did not comply with requirements regarding CFDA 10.553 & 10.555 Child Nutrition Cluster as described in finding numbers 2013-14 for eligibility and 2014-02 for equipment and real property management. Compliance with such requirements is necessary, in our opinion, for the Board to comply with the requirements applicable to that program.

### ***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph above, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended September 30, 2014.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2014.

### ***Other Matters***

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

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

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-14 and 2014-02 to be significant deficiencies.

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

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

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

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

Certified Public Accountants

March 16, 2015

**Enterprise City Board of Education  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2014**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass Through Grantor's Number	Expenditures
<b>Social Security Administration</b>			
Disability Insurance	96.001	N/A	\$ 1,978
<b>U.S. Department of Education</b>			
Direct Program:			
Impact Aid	84.041	N/A	1,129,656
Passed through State Department of Education			
Title I	84.010	180	1,193,061
Title II - Teacher Training	84.367	180	179,473
Education for Homeless Children and Youth	84.196	180	14,000
English Language Acquisition State Grants	84.365	180	38,689
Vocational Education – Basic Grant	84.048	180	54,848
Vocational Education – Reserve Funds	84.048A	180	3,764
Subtotal			1,483,835
Special Education Cluster			
Special Education Grants to States	84.027	180	1,173,506
Special Education Preschool Grants	84.173	180	17,061
Subtotal Special Education Cluster			1,190,567
Total U.S. Department of Education			3,804,058
<b>U.S. Department of Agriculture</b>			
Passed through State Department of Education			
Child Nutrition Cluster			
USDA Severe Need Breakfast Program	10.553	180	427,502
National School Lunch Program	10.555	180	1,459,558
Subtotal Child Nutrition Cluster			1,887,060
Food Distribution Program*	10.565	180	220,207
Fresh Fruit and Vegetable Program*	10.582	180	64,931
Total U.S. Department of Agriculture			285,138

(Continued)

See accompanying notes to the schedule of expenditures of federal awards.

**Enterprise City Board of Education  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended September 30, 2014**

**U.S. Department of Defense**

Direct Programs			
ROTC Program	12.357	N/A	99,783
DoDea Grants	12.556	N/A	676,641
<hr/>			
Total U.S. Department of Defense			776,424
<hr/>			
Total expenditures of federal awards			\$ 6,754,658
<hr/>			

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

**Enterprise City Board of Education**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2014**

**NOTE 1 – BASIS OF ACCOUNTING**

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

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

**NOTE 2 - DONATED FOOD PROGRAM**

The value of non-cash commodities received from the federal government in connection with the donated food program is reflected in the accompanying financial statements. The total assigned value of commodities donated was \$285,138 for fiscal year 2014.

**NOTE 3 – CONTINGENCIES**

Grant monies received and disbursed by the Board are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Board does not believe that such disallowance, if any, would have a material effect on the financial position of the Board. As of March 16, 2015, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

**Enterprise City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Any noncompliance material to financial statements noted?     yes         no

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	Child Nutrition Cluster
10.555	USDA Breakfast Program
84.010	National School Lunch Program
	Title I – Part A
	Special Education Cluster
84.027	Special Education – IDEA Part B
84.173	Special Education – Preschool

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

Auditee qualified as low-risk auditee?                                 yes         no

**Section II – Financial Statements Findings**

**2013-05 Segregation of Duties (Partial Repeat)**

**Condition** – An inadequate system of segregation of duties exists relative to the following processes:



**Enterprise City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014**

- Matching invoices received in the mail to originating purchase order for central office
- Reconciling the bank statements
- Posting transactions into McAleer
- Printing pre-signed checks

**Criteria** – Duties should be segregated to serve as a check and balance to maintain the best procurement control system possible. Different employees should perform the separate duties of signing checks, reconciling bank accounts, processing cash disbursements, and maintaining books of original entry.

**Cause** – Adequate policies and procedures are not in place to ensure that no individual employee could handle more than one of the above-noted functions in the procurement process.

**Effect** – Improper or inadequate segregation of duties could result in errors reported in the financial statements.

**Recommendation** – Proper segregation of duties dictates that employees involved in the purchasing function should not be responsible for posting transactions into the system or printing pre-signed checks. We recommend dividing these processes between different individuals to strengthen disbursement controls.

**Views of Responsible Officials and Planned Corrective Actions** – The duty of printing checks has been removed from this employee. This will add needed controls to the purchasing function.

#### **2014-01 Procurement**

**Condition** – Our audit procedures revealed the following:

- In a test of 60 local school disbursements, we noted 10 where the date of the purchase order (PO) was after the date of purchase and 15 in which the purchase order nor invoice were stamped paid or cancelled.

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

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

## Enterprise City Board of Education Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

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

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

**Views of Responsible Officials and Planned Corrective Actions** – Local schools have been notified of these issues and are working to resolve them. With the recent purchase of Softdocs, a document routing and storage system, we will be able to eliminate these and other control issues when fully implemented. The new system will allow us to electronically initiate, route, approve, sign and store all purchase information. It will also allow us to monitor and control POs more effectively and electronic signatures will be attached to all documents initiated or approved.

### Section III – Federal Award Findings and Questioned Costs

**2013-14 Eligibility (Repeat)  
Child Nutrition Cluster (180)  
CFDA No. 10.553 and 10.555  
U.S. Department of Agriculture**

**Condition** – Applications for free and reduced meals are reviewed and eligibility is determined by comparing the data reported by the child’s household to published income eligibility guidelines. From a sample of 60 applications, 18 were unsigned by the determining and confirming official.

**Criteria** – The Alabama State Department of Education eligibility determination resource manual states, *“Applications approved for benefits must include date approved, level of benefit for which the student is approved, and be signed or initialed by the determining official. Applications denied for benefits must identify the reason for denial. In addition, the record should also include the date of denial, the date the denial notice was sent, and the name of the determining official. These may be noted on the application or on a copy of the notification letter to parents.”* Additionally, each application should include, *“...verification (second party review) by the official named in the Policy Statement. This official must check the accuracy of each free and reduced-price application determination, sign and date the application or computer print-out indicating this has been completed.”*

**Cause** – The absence of formal application policies and procedures can lead to inaccurate determination and misappropriation of federal funds.

**Effect** – Without proper documentation of determining and approving officials, management is unable to ensure procedures have been followed and each determination is accurate. As a result, a qualified opinion was issued.

**Enterprise City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014**

**Questioned Costs – None**

**Recommendation** – We recommend adherence to all policies and procedures prescribed by the Alabama State Department of Education. We recommend that all applications be signed by the determining and confirming officials and reviewed for completeness and accuracy prior to entering approvals into the system.

**Views of Responsible Officials and Planned Corrective Actions** – Beginning with the 2014-2015 school year, the eligibility determination process will be revised to comply with the Alabama State Department of Education eligibility determination resource manual. A new electronic system has been put in place which will address all issues. It is an electronic process where the software automatically generates the result of free, reduced, or denied, and requires an automated signature with a new set of controls.

**2014-02 Equipment and Real Property Management  
Child Nutrition Cluster (180)  
CFDA No. 10.553 and 10.555  
U.S. Department of Agriculture**

**Condition** – A physical inspection of equipment purchased by the Child Nutrition Program disclosed that tag asset numbers used to meet the identification number requirement noted below were not located on all equipment.

**Criteria** – OMB Circular A-110 2 CFR section 215.32 - Property records maintained by the Board of Education must contain the following information about each item of equipment with an acquisition cost of \$5,000: description (including serial number or **other identification number**), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and ultimate disposition data including, the date of disposal and sales price or method used to determine current fair market value. Physical inspection should allow for any of the items noted to be traced to the item and or source documents for the item.

**Cause** – The absence of identification markers can lead to inaccurate maintenance and misappropriation of federal funds.

**Effect** – Without proper documentation, management is unable to ensure procedures have been followed.

**Questioned Costs – None**

**Recommendation** – We recommend that all equipment items be reviewed for proper asset tags as related to the equipment and inventory listing maintained by the Board.



**Enterprise City Board of Education  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014**

**Views of Responsible Officials and Planned Corrective Actions** – The Child Nutrition Program department is in the process of placing asset tags on current equipment inventory and will be focused on ensuring adequate tagging of items in the future.



**Enterprise City Board of Education  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2014**

**2013-13** – Corrected in current year.

**2013-15** – Corrected in current year.

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

In planning and performing our audit of the financial statements of Enterprise City Board of Education (the “Board”), a component unit of the City of Enterprise, Alabama for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Board’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

However, during our audit we became aware of the matters noted below that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Board’s internal control in our letter dated March 16, 2015. This letter does not affect our report dated March 16, 2015 on the financial statements of the Board.

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

**2013-20 Information Technology General Controls (ITGC) (Partial Repeat)**

***Anti-Virus Protection***

**Finding** – Avira anti-virus software is centralized by the IT department. However, it was noted that one workstation where financial data is accessed did not have anti-virus software running and another had virus definitions out of date by more than one year.

**Recommendation** – Anti-virus protection is essential to the security of a workstation, the financial data of the Board, and the network as a whole. The Board should ensure that all workstations have anti-virus software installed and proactively ensure that the software remains up-to-date.

### **2014-03 Information Technology General Controls (ITGC)**

#### ***User Terminations***

IT control best practice will allow access to the Internet Banking application only to approved active users.

**Finding** – Six former employees had not been timely deactivated.

**Recommendation** – It is recommended that the termination process be formalized to ensure that all users with access to financial data are removed within 24 hours of termination.

### **2014-04 Information Technology General Controls (ITGC)**

#### ***External Vulnerability/Penetration Testing***

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

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

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

### **2014-05 Ticket Counts at Athletic Events**

Management's policy for ticket sales at athletic events requires the individuals charged with collecting tickets to reconcile any differences between the value of tickets sold and the total cash collected.

**Finding** – For three athletic events, during August through September 2014 (EHS vs Colquit County, EHS vs. Auburn and JV/9<sup>th</sup> grade vs. Dothan) cash deposited for ticket sales compared to the number of tickets sold was short \$1,688.

**Recommendation** – Cash management is a crucial part of ticketing any sporting event. We recommend that ticket inventory control totals be summarized and compared to the bank deposit slips the night of the event to ensure that all cash sales are timely deposited, accounted for, and recorded. Additionally, we recommend strict adherence to management's policies regarding the counting, collection and sign off of authorized employees.

### **2014-06 Purchase Requisitions**

A purchase requisition process documents the individual requesting the purchase, need, quantity, time frame, and department approval prior to the issuance of a purchase order.

**Finding** – Currently blanket purchase orders, covering several vendors, of material amounts are generated by department (i.e. transportation, maintenance, etc.). These purchase orders are being appropriately signed by CSFO and Superintendent. However, the individual vendor charges against the blanket purchase orders are not being reviewed past the department level.

**Recommendation** – We suggest establishing a monetary limit per item and vendor, and a time limit for the blanket PO's for no more than 60 days. In addition, each invoice charged against the blanket P.O. should be reviewed by someone outside the department before issuing subsequent blanket P.O.'s.

### **2014-07 Travel Approval Forms**

A travel approval form documents the individual requesting the travel, location, duration, and the approximate expense prior to engaging in travel.

**Finding** – Travel is being reimbursed based on receipts after travel has been completed. There is no documented approval of the travel prior to it being taken.

**Recommendation** – We recommend that a policy be established requiring documented pre-approval of travel at the local school and central office levels. Any travel that has not received such approval should not be reimbursed.

### **2014-08 Controls over Vehicle Maintenance**

Odometer readings are recorded at the Board's fueling station and maintained in the fueling station's electronic system records. Controls over vehicle maintenance should include policies and processes to ensure that usage is monitored, reviewed, and compared to the electronic system records. Adequate monitoring helps ensure that usage is for a legal and public purpose and that scheduled maintenance is timely performed.

**Finding** – Routine maintenance is performed on vehicles as deemed necessary by the maintenance department. At the time of maintenance the odometer mileage is not being recorded.

**Recommendation** – We recommend electronic system records be compared to the odometer reading each time a unit is serviced. This will ensure both adequate maintenance of vehicles and provide a comparison to the electronic system records which would help identify potentially unauthorized usage.



## 2014-09 Controls over Merchandise Credits

Controls over merchandise purchasing credits (free merchandise) should include a system for tracking the use of the credits and policies and processes to ensure that the merchandise chosen is approved by a supervisor other than the individual executing the purchase. Adequate supervision ensures that merchandise obtained with purchasing credits is limited to a valid and legal public purpose.

**Finding** – Merchandise at the local schools obtained with contract rebate rewards was ordered and received directly by employees of the Board without going through a supervisory approval process.

**Recommendation** – We recommend that merchandise obtained with purchasing credits be approved by an appropriate level of management. The individual approving the items purchased with the credits should not be the same individual who requisitioned the original purchase.

We appreciate the opportunity to have conducted your audit for fiscal year ended September 30, 2014 and the cooperation received from your personnel during the course of our audit. Should you have any questions concerning this report, please do not hesitate to contact us.

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

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

Certified Public Accountants

March 16, 2015



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

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

(334) 347-0088  
(334) 347-7650 (fax)  
[www.cricpa.com](http://www.cricpa.com)

March 16, 2015

Members of the Enterprise City Board of Education  
Enterprise, Alabama

Dear Members of the Enterprise City Board of Education:

We are pleased to present the results of our audit of the September 30, 2014 financial statements of the Enterprise City Board of Education (the "Board").

This report to the Board summarizes our audit, the reports issued and various analyses and observations related to the Board's accounting and reporting. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the Board's September 30, 2014 financial statements. We considered the Board's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Members of the Board, expect. We received the full support and assistance of the Board's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board, management and others within the Board and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you. If you have any questions or comments, please call me at 334-347-0088.

Very truly yours,

A handwritten signature in black ink that reads "Carr, Riggs &amp; Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

Certified Public Accountants

## Required Communications

As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Board. Specifically, we planned and performed our audit to:

- Perform audit services 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, in order to express an opinion on the Board's financial statements for the year ended September 30, 2014 and to 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**;
- Communicate directly with the Members of the Board and management regarding the results of our procedures;
- Address with the Members of the Board and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Members of the Board and management; and
- Other audit-related projects as they arise and upon request.

## Required Communications

We have audited the financial statements of Enterprise City Board of Education (the “Board”) for the year ended September 30, 2014, and have issued our report thereon dated March 16, 2015. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR’S RESPONSE
<p><b>Auditor’s responsibility under Generally Accepted Auditing Standards</b></p>	<p>As stated in our engagement letter dated December 19, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor’s judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;</i></li> <li>• <i>The auditor should also discuss the auditor’s judgment about the quality, not just the acceptability, of the Board’s accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.</i></li> </ul>	<p>The significant accounting policies used by the Board are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements:</p> <ul style="list-style-type: none"> <li>• GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees</li> </ul> <p>The adoption of GASB 70 did not have a significant impact on the consolidated financial statements or disclosures.</p> <p>We noted no transactions entered into by the Board during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<ul style="list-style-type: none"> <li>• <i>Critical accounting policies and practices applied by the Board in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i></li> <li>• <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> </ul>	
<p><b>Management judgments and accounting estimates</b></p> <p><i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality".</p>
<p><b>Corrected and uncorrected misstatements</b></p> <p><i>All significant audit adjustments arising from the audit, whether or not recorded by the Board, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	<p>Please see the following section titled "Summary of Audit Adjustments."</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Potential effect on the financial statements of any significant risks and exposures</b></p> <p><i>Major risks and exposures facing the Board and how they are disclosed.</i></p>	<p>No significant risks or exposures disclosed.</p>
<p><b>Material uncertainties related to events and conditions, specifically going concern issues</b></p> <p><i>Any doubt regarding the Board's ability to continue, as a going concern (if extended procedures, communicate results), and any other material uncertainties.</i></p>	<p>No such uncertainties were noted or disclosed.</p>
<p><b>Other information in documents containing audited financial statements</b></p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
<p><b>Disagreements with management</b></p> <p><i>Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Board's financial statements or the auditor's report.</i></p>	<p>None.</p>
<p><b>Management consultation with other independent accountants</b></p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>None of which we are aware.</p>
<p><b>Major issues discussed with management prior to retention</b></p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>None.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Difficulties encountered in performing the audit</b></p> <p><i>Serious difficulties encountered in dealing with management that relate to the performance of the audit.</i></p>	None.
<p><b>Deficiencies in internal control</b></p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	See Schedule of Findings and Questioned Costs and Management Letter beginning on page 48 and page 54.
<p><b>Fraud and illegal acts</b></p> <p><i>Fraud involving senior management, or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p><b>Other material written communications</b></p> <ul style="list-style-type: none"> <li>• <i>Management representation letter</i></li> <li>• <i>Management "SAS 115" letter</i></li> <li>• <i>Financial Statement Findings</i></li> </ul>	<p>Please see the following section titled "Management Representation Letter".</p> <p>Please see the Management Letter starting on page 54.</p> <p>Please see the Schedule of Findings and Questioned Costs starting on page 48.</p>
<p><b>Other matters</b></p> <p><i>Communication of other pertinent matters.</i></p>	None.

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Board's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Cash	The Board maintains its cash balances in high quality financial institutions. All of the Board's demand deposits are insured and collateralized by the Federal Deposit Insurance Corporation ("FDIC") and the Security for Alabama Funds Enhancement ("SAFE") Program operated by the office of the Treasurer of the State of Alabama as authorized by Section 41-14A of the Code of Alabama 1975, as amended.	X	No significant judgments or estimates.	The Board's policy is in accordance with all applicable accounting guidelines.
Depreciation of Property and Equipment, net	The Board depreciates assets over the expected remaining useful life of the individual asset.	X	Judgments in this area relate to the estimate of the remaining useful life of the asset.	The Board's recognition methods and disclosures appear appropriate.
Accounts Payable and Program Expenses (including payroll and liabilities)	The Board records expenses on the modified accrual basis of accounting and classifies based on program receiving benefit and allowable/unallowable nature of cost.	X	Significant judgments include identification of nature of cost as allowable versus unallowable.	The Board's policy is in accordance with all applicable accounting guidelines.



## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Revenue Recognition	Revenues are recognized when earned, and in 2014 primarily consist of local tax collections, foundation allocations from the State of Alabama DOE, and state and federal grants.	X	Judgments in this are related to timing of revenue recognition and adoption of appropriate methods of accounting.	The Board's policy is in accordance with all applicable accounting guidelines.
Manual Journal Entries	The Board records a number of journal entries each month.	X	The nature of these journal entries is inherently more risky than utilizing system generated information with no manual intervention. These journal entries are subject to a more stringent set of controls.	The Board's journal entry review policy appears appropriate.

## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Board and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Plan or passed (uncorrected).

### Corrected Adjustments

#### Ad Valorem Taxes Receivable

The Board accrues ad valorem taxes levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of September 30 but the actual billing and collection of these taxes will occur subsequent to year end. An entry was made to increase ad valorem taxes receivable and unearned revenue by \$3,735,687. The adjustment had no impact on net position or fund equity.

#### Retiree Drug Subsidy

The U.S. Government makes certain retiree drug subsidy payments on-behalf of the Board for its employees to the Retirement Systems of Alabama. An adjustment was made to increase revenue and expenditures of the general fund by \$221,030. The adjustment had no impact on fund equity.

### Uncorrected Adjustments

None noted

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Board's operating environment that has been identified as playing a significant role in the Board's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

## Management Representation Letter

March 16, 2015

Carr, Riggs & Ingram, LLC  
PO Box 311070  
Enterprise, AL 36331

This representation letter is provided in connection with your audit of the financial statements of Enterprise City Board of Education, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of September 30, 2014, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 16, 2015, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 19, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
  - a) Disclosures related to accounting estimates are complete and appropriate.
  - b) No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

## Management Representation Letter

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements. A list of the uncorrected misstatements is attached to the representation letter.
- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements.
- 10) We have reviewed the legal correspondence letter dated March 16, 2015 provided to us by Hand Arendall, LLC. We are not aware of any changes to the information provided in the letter, or any additional pending, threatened litigation, claims, or assessments or unasserted claims, and we have not consulted any other lawyers concerning other significant litigation, claims, or assessments.
- 11) Guarantees, whether written or oral, under which the Enterprise City Board of Education is contingently liable, if any, have been properly recorded or disclosed.

### Information Provided

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Enterprise City Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

### **Government—specific**

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The Enterprise City Board of Education has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 27) The Enterprise City Board of Education has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The Enterprise City Board of Education has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

## Management Representation Letter

- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) We have appropriately disclosed the Enterprise City Board of Education's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) We agree with the findings of specialists in evaluating the Employee Retirement Plan and Postemployment Benefits Other Than Pension financial statement disclosures and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give

or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

45) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

## Management Representation Letter

- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments, and OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.



## Management Representation Letter

- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- w) We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_