

Financial Statements

City of Enterprise

September 30, 2012

City of Enterprise
Enterprise, Alabama
September 30, 2012

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Independent Auditors' Report

Honorable Mayor and
Members of the City Council
City of Enterprise
Enterprise, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Enterprise, Alabama, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Enterprise, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Enterprise Water Works Board, which is both a major fund and forty-five percent, thirty-nine percent, and fifty-six percent, respectively, of the assets, net assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Enterprise Water Works Board, is based on the report of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely

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presented component units, each major fund, and the aggregate remaining fund information of the City of Enterprise, Alabama, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of the City of Enterprise, Alabama'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* and should be considered in assessing the results of our audit.

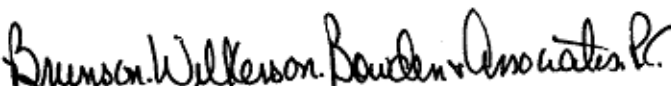
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and schedules of funding progress on pages 4 through 64 and page 132 and pages 139 through 140 be presented to supplement the basic financial 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 and the other auditors 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Enterprise, Alabama's financial statements as a whole. The combining nonmajor fund financial statements and schedules of combined revenues and combined departmental expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 also not a required part of the financial statements. The combining nonmajor fund financial statements, schedules of combined revenues and combined

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

April 18, 2013


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

**City of Enterprise
Enterprise, Alabama
Management's Discussion and Analysis
September 30, 2012**

As City Clerk/Treasurer for the City of Enterprise, Alabama, I offer the following management discussion and analysis as an overview of the City's financial activities for the fiscal year ended September 30, 2012.

The City has implemented Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* (MD&A). This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis.

The intent of the MD&A is to provide a brief, objective, and easily readable analysis of the City's financial performance for the year and its financial position at fiscal year-end September 30, 2012. This is the tenth year for reporting in accordance with GASB Statement 34. Prior year data generally is included for comparative analysis of government-wide data.

The first part of this MD&A provides highlights of the financial activities for this year and a summary of the projected financial operations over the next five years. The second part of the MD&A provides a discussion of the changes from the FY 2012 and FY 2011 financial activities.

One of the key changes in financial presentation required by Statement 34 is the requirement to present two additional statements: Statement of Net Assets and Statement of Activities disclosed below. These statements will reflect the effect of infrastructure cost, as well as, depreciation and long-term debt. Consequently, significant changes have resulted in the reporting of fixed assets and long-term liabilities.

Effective for fiscal year 2009, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions* (OPEB) has been implemented for certain post-employment health care benefits provided. This resulted in significant changes to the reporting of benefits as well as in-depth analysis regarding the future payment of these benefits.

Financial Highlights

At September 30, 2012, the total net assets for Water Works Board amounted to \$5,451,503 as compared to \$5,274,488 as of September 30, 2011. The increase of \$177,015 in net assets is reflected in an increase of \$42,044 in Charges for Services and a net increase of \$61,035 in operating expenses.

**City of Enterprise
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Financial Highlights (Continued)

The increase in total net assets for Governmental Activities of \$2,817,977 is primarily the result of an increase of \$2,422,556 in federal and state grant allocations for ongoing grant projects completed in FY 2012. In addition, Public Works expended \$2,620,513 in capital outlay funded primarily with bond proceeds.

In 2012, the City's unfunded postemployment benefits other than pension benefits increased \$781,645 to \$3,425,546. The unfunded obligation for Other Post-Employment Benefits reported by the Enterprise Water Works Board in FY 2012 was \$284,148. An additional \$64,223 was incurred in FY 2012. An actuarial determination of future benefit obligations was obtained at the end of FY 2011.

The City's revenues for governmental activities increased by \$1,672,927 in FY 2012 primarily as the result of an increase of \$2,399,195 in federal and state grant allocations for grant projects completed in FY 2012. All other General Revenues decreased \$726,268. General Expenses, net of Intergovernmental expenditures, netted a decrease of \$72,009, primarily attributed to expenses related to the federal and state grant projects.

In 2012, ad valorem taxes due to the Enterprise City Schools were remitted directly to the school system. In the past, these funds passed through the City funds.

A new lodging tax, increasing property taxes and franchise taxes plus the change in the school portion of property taxes being remitted directly to the schools caused a decrease of \$960,772 in revenue.

The City's Business Activities include the Enterprise Water Works Board and the Sewer Fund and reflects a decrease in Net Assets of (\$641,342).

Business-Type Activities of the Enterprise Water Works Board reported increased revenues of \$42,044 in Charges for Services. The Board recorded approximately 171.35 million gallons in reduced output and added 2,848 customer accounts to the system. As the result of the reduction in water sales and customer growth, sewer fees only increased \$2,302.

As of September 30, 2012, governmental funds had an ending fund balance of \$4,542,216, net of debt service fund balance of \$1,322,819.

**City of Enterprise
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Management's Discussion and Analysis
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Financial Highlights (Continued)

At year end the City reported a total unrestricted fund balance of \$3,720,289. The City's goal is to maintain \$2.8 million in unrestricted fund balance.

FY 2012 General Fund revenues were down by 3.34%. General Fund departmental operating expenses decreased by \$548,216 or 2.4%.

Sales taxes collected and remitted to the Schools and sales taxes collected to provide for payment of the general obligation warrants issued to the schools constituted 40% of all sales taxes collected in the City. In FY 2012, the City appropriated \$3,759,014 to school related operations.

In FY 2012, the Water Board realized an increase in total net assets of \$177,015 and a reduction of \$4,224,521 in unrestricted deficit net assets.

Current year Water Board operations resulted in a reduction in cash of \$89,848 and a decrease in net working capital of \$4,797,038 primarily as the result of capital projects funded with 2009 GO Warrant Proceeds.

Net income before transfers for the Water Works Board, net of depreciation expense and post-employment benefits, was \$302,377.

Cash available in the Sewer Fund is \$4,335,339 at September 30, 2012. This total consists of \$3,537,512 in remaining proceeds of the \$17,000,000 provided from the Series 2009 General Obligation Warrants issued by the City for Sewer Improvements and unrestricted cash of \$797,827.

Net income before transfers for the Sewer Fund, net of depreciation expense, was \$396,977.

The investment in capital assets, net of accumulated depreciation for governmental and business-type activities as of September 30, 2012, was \$94,394,827. Capital assets, net of accumulated depreciation for governmental operations, are reported at \$56,934,987. This total includes current year additions of \$9,937,362 and reductions of \$3,326,661.

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Financial Highlights (Continued)

Capital assets, net of accumulated depreciation for Water Board operations, were \$17,750,094. This total includes current year additions of \$4,975,353 of which \$4,604,803 is construction in progress. Capital assets for Sewer operations are reported at \$19,709,746, net of accumulated depreciation. This total includes \$8,288,348 of current year construction in progress.

In October 2009, the City issued Series 2009 General Obligation Warrants for capital improvements in the City's Public Works, Sewer, and Water Board operations. The Water Board entered into a funding agreement with the City for its portion of the debt consisting of \$6,500,000 in net proceeds and \$311,509 in issuance costs including original issue discount. The Water Board's portion of the annual debt service will range between \$463,000 and \$487,000 per year with the remaining balance to be paid by the Sewer Fund.

Budgeted revenues for 2012 were more than budgeted revenues for 2011 by \$2,207,062, primarily, in anticipation of grant funding. Actual 2012 revenues exceeded 2011 revenues by \$1,483,031.

Budgeted expenditures for 2012 were projected to be increased by \$3,574,239 from 2011 budgeted expenditures, primarily, in anticipation of capital projects. Actual 2012 expenditures were more than 2011 expenditures by \$3,431,822.

In 2012, the City provided \$4.02 million to other agencies providing various city services.

In January 2009, the City implemented an increase in the lodging tax rate from 2% to 6%, providing funds for a Tourism office and City tourism-related activities. For the 2012 calendar year, which differs from the City's fiscal year, the lodging tax generated \$405,606 in revenue with remittances to the Tourism office in the amount of \$135,202.

On June 2, 2010, the citizens of Coffee County voted to pass a \$30 Fire Protection Fee that will be assessed in the property tax billings for each structure in Coffee County. In FY 2012, \$291,481 was collected.

Sales tax collections increased over last year's collections by \$833,293 or 5.8%.

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Management's Discussion and Analysis
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Financial Highlights (Continued)

In FY 2011, the City issued General Obligation Warrants to refinance the 2001 Water Revenue Bonds saving approximately \$85,000 per year in debt service by the Board. The reduction in debt service generated by the City's refinancing of the 2001 issue and the termination of Water Board's obligation of \$60,000 for the City's 1998 GO Warrant, which paid out in 2011, will generate an additional \$145,000 in additional cash flow annually to the Water Board.

Based upon 2010 census data, the City's population increased 5,386 from 21,176 to 26,562 or 25.4% since 2000. From 1990 to 2000 the population increased 1,053.

The City of Enterprise ranks 28th for best Micropolitan Statistical Area out of 576 Micropolitan Statistical Areas in the United States, while ranking 1st in the State for 2012. The rankings, which are published by economic research company Policom Corp., are based on 23 different economic factors.

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agencies"), have assigned the ratings to the Series 2011 Warrants as follows:

Standard & Poor's: AA-
Moody's: Aa3

Financial Projections

The City has implemented a practice of projecting the effects of financial decisions over a five year period. The current goal is to maintain \$2.8 million in unrestricted funds that may be utilized for general fund purposes. These funds include the General Fund, 4/5 Cents Gas Tax Fund, Senior Citizen Fund, Fire Tax Fund, and Capital Projects Fund. Other restricted funds provide sources from transfers for specific purposes.

Fiscal year 2012 through fiscal year 2016 projections include the continued implementation of a pay plan for City employees recommended by Auburn University that became effective 01/01/06. For the General Fund, projections provide for salary increases at a rate of 3.25% per year on the average. This plan provides a longevity payment in all

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Financial Projections (Continued)

departments based on pay levels and tenure subject to satisfactory annual evaluations. The plan provides for a projected 10% increase in health insurance costs but will be re-evaluated in future budget considerations. Other benefits are budgeted as they relate to salary expenditures.

A provision for approximately \$3.19 million in financing sources for equipment financing has been projected through fiscal year 2012. Related capital expenditures are detailed in the summary. Projected expenditures include current operating expenditures and projected lease payments with transfers for debt service requirements.

Budgets and financial data are reviewed monthly and projections are made for future expenditures relating to general fund operations and capital expenditures.

Projections are based upon the following assumptions:

- Revenue sources, excluding Sales Taxes and Property Taxes were projected from 0-4%.
- Sales Tax and Property Tax revenues were budgeted at a 0% growth rate for fiscal year 2012 and about 1.5% growth in fiscal year 2013 and will increase to 3%, thereafter.
- Transfers from Water Works Board are projected at 3% of gross water sales. Transfers are made on availability of funds as determined by the Water Board.
- Transfers from 911 are based upon 50% maximum of projected dispatcher salaries.
- Personnel expenditures assume a 3.25% increase in salaries and related benefits. Full employment is assumed. Health benefits are budgeted at an approximate 10% increase per year.
- Routine operating expenditures are projected to increase 1½%-2% per year. Utilities and fuel expenditures are budgeted as the market dictates.
- Future capital improvements will be made as transfers are made available by the Water Works Board, grant funds are acquired, and excess reserve balances are accumulated.
- Future grant revenues included in these assumptions are based on recurring law enforcement grants (Federal and State).
- Target operating reserve fund balance is \$2.8 million.

**City of Enterprise
Enterprise, Alabama
Management's Discussion and Analysis
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Financial Projections (Continued)

The City maintains a 5-year financial operating plan and updates the plan on a monthly basis using these assumptions. Budgets are approved on an annual basis. A summary of the current plan is as follows. The projections calculated below are based upon projections as of February 28, 2013.

	Fiscal Year 2013 Budget	Fiscal Year 9/30/13 Projected	Fiscal Year 9/30/14 Projected	Fiscal Year 9/30/15 Projected	Fiscal Year 9/30/16 Projected	Fiscal Year 9/30/17 Projected
General/Capital Funds						
Operating Revenue	\$ 8,507,243	\$ 8,564,635	\$ 8,632,059	\$ 8,785,718	\$ 8,949,101	\$ 9,096,571
Sales Tax - 3 Cent	12,265,114	12,470,576	12,844,694	13,230,034	13,626,936	14,035,743
½ Cent Sales Tax	2,578,637	2,659,306	2,736,085	2,821,258	2,905,895	2,993,072
Ad Valorem Tax - City	1,853,392	1,853,392	1,908,994	1,966,264	2,025,251	2,086,009
Ad Valorem Tax - Schools	-	-	-	-	550,000	550,000
3.5 Mil Ad Valorem Tax	926,696	926,696	954,497	983,132	1,012,626	1,043,005
Other Sources	2,299,030	3,192,893	911,629	876,629	1,107,738	1,428,629
Total Revenues	\$ 28,430,112	\$ 29,667,498	\$ 27,987,958	\$ 28,663,035	\$ 30,177,547	\$ 31,233,029
Fund Balance - Beginning	4,755,723	4,267,500	3,116,019	3,831,279	4,937,968	6,324,027
Total Sources	\$ 33,185,835	\$ 33,934,998	\$ 31,103,977	\$ 32,494,314	\$ 35,115,515	\$ 37,557,056
Operating Expense	\$ 17,554,726	\$ 17,561,731	\$ 17,985,666	\$ 18,410,744	\$ 18,812,616	\$ 19,265,731
Transfer to Schools	3,563,116	3,532,558	3,638,535	3,747,691	4,410,122	4,525,925
D/S - City Current	1,455,444	1,455,444	1,447,398	1,444,405	1,367,724	1,367,724
D/S - School (\$30 mm)	2,313,521	2,313,521	2,313,521	2,313,521	2,313,521	2,313,521
Capital Expense	5,288,043	5,955,725	1,887,578	1,639,985	1,887,505	2,293,393
Total Uses	\$ 30,174,850	\$ 30,818,979	\$ 27,272,698	\$ 27,556,346	\$ 28,791,488	\$ 29,766,294
Fund Balance - Ending	\$ 3,010,985	\$ 3,116,019	\$ 3,831,279	\$ 4,937,968	\$ 6,324,027	\$ 7,790,762

On June 2, 2010, the citizens of Coffee County voted to pass a \$30 Fire Protection Fee that will be assessed in the property tax billings for each structure in Coffee County. Proceeds will be distributed to the various governmental entities based upon the number of structures in its jurisdiction. In FY 2012, collections of the fire protection tax totaled \$291,481. FY 2013 has budgeted collections of an equal amount.

Expenditures for capital equipment will be addressed in the equipment financing program. A \$3 million line of credit will be maintained and the equipment will be amortized and replaced under the established line. Police vehicles will be amortized and replaced every 3 years; other vehicles and equipment will be amortized and replaced every 4-5 years; heavy equipment (including fire trucks) will be amortized and replaced every 7 years. A direct goal of this program is to reduce annual equipment and vehicle maintenance costs. Purchases and debt service on the equipment listed below is included in Capital Expense and Operating Expense, respectively, in the table displayed above.

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Financial Projections (Continued)

<u>Equipment Financing</u>	<u>Fiscal Year 2013 Budget</u>	<u>Fiscal Year 2014 Projected</u>	<u>Fiscal Year 2015 Projected</u>	<u>Fiscal Year 2016 Projected</u>	<u>Fiscal Year 2017 Projected</u>
Admin - Technology Outlay	\$ 65,000	\$ -	\$ -	\$ -	\$ -
Admin - Equipment*	30,000	-	-	-	-
Engineering - Equipment*	60,465	-	-	-	-
Engineering - Vehicles	48,400	-	-	-	-
Airport - Equipment*	14,000	-	-	-	-
Fleet - Equipment*	-	-	-	-	-
Police - Vehicles & Equipment	527,000	-	-	189,000	527,000
Fire - Vehicles & Equipment	639,548	-	-	-	-
Street - Vehicles & Equipment	164,000	50,000	25,000	50,000	50,000
Sanitation - Vehicles & Equipment	-	175,000	175,000	175,000	175,000
Parks & Recreation - Vehicles & Equipment	<u>58,288</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Total Equipment	<u>\$ 1,606,701</u>	<u>\$ 375,000</u>	<u>\$ 350,000</u>	<u>\$ 564,000</u>	<u>\$ 902,000</u>
Equipment - Debt Service	<u>\$ 767,243</u>	<u>\$ 903,707</u>	<u>\$ 844,518</u>	<u>\$ 878,038</u>	<u>\$ 945,926</u>

Capital Outlay expenditures projected for fiscal years 2013 - 2017 are outlined below. Approved expenditures may occur over multi-year periods and are based upon completion of current on-going projects and will be expanded as funds are made available through growth in revenue, budget savings or the acquisition of grants.

<u>Capital Projects</u>	<u>Fiscal Year 2013 Budget</u>	<u>Fiscal Year 2014 Projected</u>	<u>Fiscal Year 2015 Projected</u>	<u>Fiscal Year 2016 Projected</u>	<u>Fiscal Year 2017 Projected</u>
Admin - Miscellaneous	\$ 400	\$ -	\$ -	\$ -	\$ -
Admin - City Hall Parking	5,611	-	-	-	-
Engineering - Maint. Facility	140,000	-	-	-	-
Airport - FAA Grant Projects	153,846	153,846	153,846	153,846	153,846
Fire Protection Fee	582,976	291,621	291,621	291,621	291,621
Public Works Improvements (Warrant Proceeds)	377,631	-	-	-	-
Disposal Plant Maintenance	100,000	-	-	-	-
Dauphin St. ATRIP	264,908	100,904	-	-	-
Farmers Market	904,365	-	-	-	-
Parks & Recreation - Improvements	155,412	62,500	-	-	-
Civic Center	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Projects	<u>\$ 2,715,149</u>	<u>\$ 608,871</u>	<u>\$ 445,467</u>	<u>\$ 445,467</u>	<u>\$ 445,467</u>

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Financial Projections (Continued)

As previously mentioned, a Sewer & Disposal Fund was established for the purpose of accounting for revenues and expenditures related to the operation of these departments. This was prompted by the implementation of an environmental fee for the purpose of building the infrastructure required to provide for compliance with EPA requirements. As the maximum fee of \$10.50 per month was reached the City issued \$27,770,000 in General Obligation Warrants for the purpose of acquiring and constructing various water and sewer improvements. Of this amount, \$6,800,000 was allocated to the Enterprise Water Works Board. The Board will make payments between \$463,000 and \$487,000 annually through 2031. The balance of the Warrants will provide for sewer, disposal, and public works improvements. A summary of the projection through 9/30/17 is as follows:

	Fiscal Year 2013 Budget	Fiscal Year 9/30/13 Projected	Fiscal Year 9/30/14 Projected	Fiscal Year 9/30/15 Projected	Fiscal Year 9/30/16 Projected	Fiscal Year 9/30/17 Projected
Sewer/Disposal Funds						
Operating Revenue	\$ 2,987,249	\$ 2,987,249	\$ 3,027,823	\$ 3,057,434	\$ 3,087,835	\$ 3,118,843
Other Sources - Grants	865,000	865,000	-	-	-	-
Net Working Capital - Beginning	<u>3,352,794</u>	<u>4,518,524</u>	<u>715,573</u>	<u>671,720</u>	<u>804,163</u>	<u>946,600</u>
Total Sources	<u>\$ 7,205,043</u>	<u>\$ 8,370,773</u>	<u>\$ 3,743,396</u>	<u>\$ 3,729,154</u>	<u>\$ 3,891,998</u>	<u>\$ 4,065,443</u>
Operating Expense	\$ 1,568,856	\$ 1,571,513	\$ 1,496,471	\$ 1,514,268	\$ 1,534,675	\$ 1,555,729
Capital Expense	4,225,277	4,672,777	163,982	-	-	-
Transfer to Debt Service	<u>1,410,910</u>	<u>1,410,910</u>	<u>1,411,223</u>	<u>1,410,723</u>	<u>1,410,723</u>	<u>1,410,723</u>
Total Uses	<u>\$ 7,205,043</u>	<u>\$ 7,655,200</u>	<u>\$ 3,071,676</u>	<u>\$ 2,924,991</u>	<u>\$ 2,945,398</u>	<u>\$ 2,966,452</u>
Net Working Capital - Ending	<u>\$ -</u>	<u>\$ 715,573</u>	<u>\$ 671,720</u>	<u>\$ 804,163</u>	<u>\$ 946,600</u>	<u>\$ 1,098,991</u>

The Sewer Departmental operations, combined with general fund and other capital reserves provided over \$3.2 million in the first phase of infrastructure improvements to address EPA compliance issues. Capital in subsequent years will be allocated for sewer extension projects and further upgrades to the disposal system lagoons, treatment plants and equipment. Sufficient capital will be provided to insure compliance as well as meet the growth of requirements of the system with combined cash and debt resources.

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Financial Projections (Continued)

Funds were provided in the Series 2009 General Obligation Warrant issue that will net approximately \$6.8 million for capital improvements to include at least two additional wells and transmission lines to meet the City's water needs for 20 to 30 years based upon engineering and geological analysis. In FY 2011, the City issued General Obligation Warrants to refinance the 2001 Water Revenue Bonds and will save approximately \$85,000 per year in debt payments by the Board.

	<u>Total</u>	<u>Warrant Proceeds</u>	<u>Other Funds</u>
Sources:			
Warrant Principal Proceeds	\$ 8,010,000	\$ 8,010,000	\$ -
Accrued Interest	4,499	4,499	-
2001 Reserve Fund	635,669	-	635,669
2001 Bond Fund	225,559	-	225,559
Net Original Issue Premium	<u>12,427</u>	<u>12,427</u>	<u>-</u>
Total Sources	<u>\$ 8,888,154</u>	<u>\$ 8,026,926</u>	<u>\$ 861,228</u>
Uses:			
2001 Refunding Deposit	\$ 8,521,245	\$ 7,885,576	\$ 635,669
Portion of October 1, 2011 Payment	225,559	-	225,559
Underwriter's Discount	71,289	71,289	-
Accrued Interest to Warrant Fund	4,499	4,499	-
Issuance Expenses, Etc.	<u>65,562</u>	<u>65,562</u>	<u>-</u>
Total Uses	<u>\$ 8,888,154</u>	<u>\$ 8,026,926</u>	<u>\$ 861,228</u>

The reduction debt service payments generated by the City's refinancing of the 2001 issue and the termination of Water Board's obligation of \$60,000 for the City's 1998 GO Warrant which paid out in 2011 will generate an additional \$145,000 in additional cash flow to the Water Board in 2012 and subsequent years. The impact to Water Board Operations is as follows:

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Financial Projections (Continued)

	<u>Fiscal Year 2013 Budget</u>	<u>Fiscal Year 9/30/13 Projected</u>	<u>Fiscal Year 9/30/14 Projected</u>	<u>Fiscal Year 9/30/15 Projected</u>	<u>Fiscal Year 9/30/16 Projected</u>	<u>Fiscal Year 9/30/17 Projected</u>
Water Board						
Net Operating Revenue	\$ 4,034,384	\$ 4,041,917	\$ 4,084,963	\$ 4,163,738	\$ 4,244,088	\$ 4,326,045
Other Financing Sources	-	-	-	-	-	-
Net Working Capital - Beginning	<u>1,143,392</u>	<u>1,317,149</u>	<u>173,275</u>	<u>276,358</u>	<u>457,003</u>	<u>684,273</u>
Total Sources	<u>\$ 5,177,776</u>	<u>\$ 5,359,066</u>	<u>\$ 4,258,238</u>	<u>\$ 4,440,096</u>	<u>\$ 4,701,091</u>	<u>\$ 5,010,318</u>
Operating Expense	\$ 2,566,702	\$ 2,508,344	\$ 2,601,336	\$ 2,644,254	\$ 2,688,528	\$ 2,734,201
Capital Expense	1,411,052	1,496,647	204,278	172,400	172,400	172,400
Debt Service	<u>1,200,022</u>	<u>1,180,800</u>	<u>1,176,267</u>	<u>1,166,438</u>	<u>1,155,891</u>	<u>1,158,349</u>
Total Uses	<u>\$ 5,177,776</u>	<u>\$ 5,185,791</u>	<u>\$ 3,981,881</u>	<u>\$ 3,983,092</u>	<u>\$ 4,016,819</u>	<u>\$ 4,064,950</u>
Net Working Capital - Ending	<u>\$ -</u>	<u>\$ 173,275</u>	<u>\$ 276,357</u>	<u>\$ 457,004</u>	<u>\$ 684,272</u>	<u>\$ 945,368</u>

As is the normal practice, total revenues are calculated at an automatic 2% increase each year, adjusted for uncollectible accounts with grants budgeted as available. Other financing sources reflect funds utilized from bond issues and/or equipment financing proceeds.

Revenues reflect current rates. Adjustments have been made to rates for various miscellaneous services to generate additional income which is not considered in these projections but will be implemented, primarily, in the fiscal year 2013 budget at an increase of approximately \$40,000 per year for adjusted base meter charges, charges for fire suppression fees, and developer connection fees. Other sources are being evaluated.

Operating expenses are projected with the following assumptions:

- Personnel expenditures assume a 3.25% increase in salaries and related benefits. Full employment is assumed. Health benefits are budgeted at an approximate 10% increase per year.
- Routine operating expenditures are projected to increase 1.5%-2% per year unless otherwise established by contract or other means. Utilities and fuel expenditures are budgeted as the market dictates.
- Future capital improvements will be made as grant funds are acquired and excess reserve balances are accumulated with a combination of cash and financing alternatives. With the allocation of warrant proceeds from the Series 2009 General Obligation Warrant issue the following capital outlay projects are projected:

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Financial Projections (Continued)

<u>Capital Projects - Water Board</u>	<u>Fiscal Year 2013 Projected</u>
Upgrade to Radio Read Meters	\$ 160,000
Relocate Utilities - Dauphin Street	152,604
2 New Wells/Tank/Transmission Lines/ Land Acquisition	<u>1,030,548</u>
Total Capital Projects	<u>\$ 1,343,152</u>

Economic Factors and Fiscal Year 2013 Budget

The sales tax increase of ½ cent, combined with the retention of the 3.5 mil ad valorem tax will provide sufficient funding for the \$30 million general obligation issue to construct the new schools. Growth from the revenues will enable the City to maintain its goals and continue to fund operations into the future. In November 2009, the City council increased the lodging tax from 2% to 6% effective January 1, 2010 and allocated 2% of the new tax for the purpose of establishing a tourism office. Under the terms of the Ordinance, 2% will go to the City for general purposes, 2% will be provided for other tourism related purposes, and 2% will go to the Chamber's tourism office. Since October 2011, the disbursements have been as follows. Taxes are collected in arrears.

<u>Lodging Tax</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>2% (Tourism)</u>
2012				
October	\$ 29,461	\$ 34,959	\$ (5,498)	\$ 9,820
November	32,311	37,182	(4,871)	10,770
December	29,706	22,823	6,883	9,902
2013				
January	22,719	21,781	938	7,573
February	30,344	35,815	(5,471)	10,115
March	-	29,678	-	-
April	-	34,490	-	-
May	-	33,065	-	-
June	-	39,692	-	-
July	-	38,064	-	-
August	-	46,057	-	-
September	-	35,488	-	-
Year to Date Total	<u>\$ 144,541</u>	<u>\$ 409,094</u>	<u>\$ (8,019)</u>	<u>\$ 48,180</u>

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Economic Factors and Fiscal Year 2013 Budget (Continued)

The City is experiencing comparatively stable sales tax collections, net of sales taxes collected as the result of the ½ cent increase to fund the school warrants, that is making an impact on budget decisions. Implementation of a new employee pay and classification plan has been delayed as well as the purchase of equipment for various departments. No employee layoffs have occurred. Departments are revising jobs to become more efficient and the replacement of terminated employees is not being done except in essential situations.

Economic Condition

The City provides traditional municipal services and employs approximately 320 full-time and part-time personnel. No employees are represented by labor unions or similar organizations and the City does not bargain collectively with any labor union or employee organization.

The City's public education is administered by the Enterprise City School Board members who are appointed by the City Council. Enterprise-Ozark Community College provides opportunities for higher education as a part of the State's post-secondary school system and a partnership with Huntingdon College, a four-year system.

While sales tax collections are currently comparatively stable, the City of Enterprise continues to have a vibrant economy in spite of the national recession. The standard indicators - unemployment, visitor traffic, home construction, in addition to retail sales are all positive. Fort Rucker, situated 7 miles from the City, is the largest single employer in the area, providing thousands of civilian jobs in the area. Fort Rucker became an army installation in 1955 and is the Headquarters for the Aviation Branch of the Department of the Army, and is the site of the United States Army Aviation Center and School which provides training for helicopter pilots. Fort Rucker also serves as a center for related aviation research and development programs. Fort Rucker maintains a base population of approximately 18,000 and an active military strength of 5,000. In addition to the direct employment of civilians at Fort Rucker, military personnel stationed there stimulate employment in the Enterprise area through demand on local businesses and services. Other employment opportunities are created and maintained by the need of services to be provided by local businesses in support of the activities at Fort Rucker.

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Economic Condition (Continued)

The City of Enterprise ranks 28th for best Micropolitan Statistical Area out of 576 Micropolitan Statistical areas in the United States, while ranking 1st in the State for 2012. The rankings, which are published by economic research company Policom Corp., are based on 23 different economic measurements.

Micropolitan Statistical Area (MICRO): Quasi rural area that must have an urbanized area (city) with a population of at least 10,000 but fewer than 50,000; they must be at least one county. This was established in 2002 by the Office of Management and Budget.

Micropolitan Statistical Areas <u>Alabama Cities</u>	Ranking						
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1. Enterprise - Ozark	28	48	88	75	79	103	141
2. Daphne-Fairhope-Foley	42	27	20	21	25	34	8
3. Troy	263	255	215	243	193	143	175
4. Talladega-Sylacauga	310	208	133	104	100	72	92
5. Cullman	407	423	374	331	336	304	276
6. Albertville	438	380	325	250	255	290	326
7. Fort Payne	457	394	301	199	211	150	126
8. Alexander City	461	553	537	518	503	502	440
9. Scottsboro	495	509	476	472	459	416	370
10. Eufaula, AL-GA	518	562	562	541	538	518	517
11. Selma	522	489	466	420	420	400	343
12. Tuskegee	555	557	568	563	560	564	567
13. Valley	575	575	564	533	529	526	506

Items to Note

- Enterprise-Ozark's economy is ranked as the strongest in Alabama's 13 MICROs; was ranked as second strongest in 2011, 2010, 2009 and 2008
- Enterprise-Ozark MICRO is one of two MICROs in Alabama in top fifty in the nation
- Enterprise-Ozark's economy has ranked in state's top five MICROs for past seven years
- Enterprise-Ozark MICRO is ranked fifth of the fifteen Deep Southern States listed within the top 100 MICROs in the nation

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Economic Condition (Continued)

Today's business owners consider a broad set of criteria in evaluating locations for their companies. More and more, the owners look heavily at the communities based on the personal choice of where they want to live. The City's high quality of living serves as a great attraction for those individuals and their families. Our commitment to responsible growth furthers that opportunity. According to the U.S. Census data, The City of Enterprise's rate of growth in the last decade was 5.2% as per the 2000 census data. Based upon 2010 census data, the growth in population has increased by 5,386 from 21,176 to 26,562 or 25.4% since 2000. From 1990 to 2000 the population increased by 1,053.

The population trend of the City and Coffee County has been as follows:

<u>Census Year</u>	<u>Enterprise</u>	<u>Coffee County</u>
2010	26,562	48,737
2000	21,178	43,615
1990	20,123	40,240
1980	18,033	38,553
1970	15,591	34,872
1960	11,410	30,583

Sales tax revenues produce 61% of the City's General Fund operating revenues which puts the City in a delicate position related to economic cycles. As noted in the summaries of sales tax revenues presented below, the City is experiencing an increase in its primary revenue source.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Difference 2012-2013</u>
October	\$ 1,116,589	\$ 1,121,568	\$ 1,165,221	\$ 43,653
November	1,106,068	1,160,640	1,181,885	21,245
December	1,134,374	1,162,594	1,215,388	52,794
January	1,385,640	1,364,532	1,369,855	5,323
February	1,039,855	1,139,696	1,120,493	(19,203)
March	1,123,975	1,228,986	-	-
April	1,230,595	1,383,189	-	-
May	1,212,817	1,257,428	-	-
June	1,205,038	1,292,836	-	-
July	1,203,073	1,304,338	-	-
August	1,176,552	1,197,000	-	-
September	1,166,071	1,257,256	-	-
Totals	<u>\$ 14,100,647</u>	<u>\$ 14,870,063</u>	<u>\$ 6,052,842</u>	
Year to Date Change				<u>\$ 103,812</u>

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Economic Condition (Continued)

The year-to-date activity generated by the ½ cent sale tax increase, implemented in June 2008, is shown in the table below and is showing a positive trend based upon growth in reported sales.

<u>Fiscal Year 2013 Year To Date</u>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>	<u>Change</u>
October	\$ 201,254	\$ 191,777	\$ 9,477
November	212,978	199,809	13,169
December	210,080	197,003	13,077
January	229,115	236,798	(7,683)
February	195,830	201,227	(5,397)
March	-	212,494	-
April	-	243,134	-
May	-	222,293	-
June	-	227,973	-
July	-	237,093	-
August	-	208,455	-
September	-	224,065	-
Total	<u>\$ 1,049,257</u>	<u>\$ 2,602,121</u>	<u>\$ 22,643</u>

Reported sales numbers for the City in the current fiscal year is presented below. An in depth analysis of the numbers indicate that the trend in the retail market has slowed considerably while strong growth has occurred in the retail automobile sales and the building sales vendors.

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>	<u>Change</u>
October	\$ 40,250,765	\$ 38,355,384	\$ 1,895,381
November	42,595,509	39,961,885	2,633,624
December	42,016,088	39,400,574	2,615,514
January	45,822,939	47,359,552	(1,536,613)
February	39,166,095	40,245,460	(1,079,365)
March	-	42,498,888	-

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Economic Condition (Continued)

	Fiscal Year 2013	Fiscal Year 2012	Change
April	-	48,626,820	-
May	-	44,458,508	-
June	-	45,594,642	-
July	-	47,418,624	-
August	-	41,691,090	-
September	-	44,812,969	-
Total	<u>\$ 209,851,396</u>	<u>\$ 520,424,396</u>	<u>\$ 4,528,541</u>
%Change			<u>2.21%</u>

AlaTax collects and remits all sales taxes for the City. For the current fiscal year, sales tax collections have increased over last year's collections by \$103,812 or 1.75% over the same period last year (October 12-February 13).

Other factors that influenced the preparation of the City's budget for fiscal year 2013 included:

- The total Ad Valorem Tax Millage Rate for the City is 43.5 mills. The City collects 10.5 mills in Property Tax Assessments for City purposes. As previously discussed, the City began receiving 3.5 mills from a tax previously assessed for hospital purposes and is now included in the City's General Fund to help offset payments related to the 2009 General Obligation School Warrants. The net assessed valuation for property inside the City limits of Enterprise is \$248,015,700 (excluding motor vehicles). Total Ad Valorem proceeds for City purposes are expected to generate \$2,699,333 for the City's operations. In FY 2012, \$2,574,799 was generated from these sources. The Net Assessed Valuation also determines the City's capacity to borrow money for capital projects.

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Economic Condition (Continued)

The following information provides unaudited data related to the City's debt limit:

Assessed Valuation of City (September 30, 2012)	\$248,015,700
Gross General Obligation ("G.O.") Debt	76,125,656
G.O. Debt Not Chargeable to Debt Limit	57,521,801
G.O. Debt Chargeable to the Debt Limit	18,603,855
Debt Limit (20% of Assessed Value)	49,603,140
Debt Margin	30,999,285
Total G.O. Debt to Assessed Valuation Ratio	30.7%
2010 Population (From Census)	26,562
Total G.O. Debt Per Capita	2,866

Credit Rating

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agencies"), have assigned the ratings to the Series 2011 Warrants as follows:

**Standard & Poor's: AA-
Moody's: Aa3**

Such ratings reflect the respective Rating Agency's rating of the creditworthiness of the City.

The City has a practice of holding approved and other capital outlay requests until a mid-year review is completed pending an analysis of budget activity at such time. In view of the current economic situation, major expenditures for capital not under construction and equipment are being delayed. While the growth in sales tax revenues have subsided, property taxes and other revenue sources steadily improve. It is expected that sales tax revenues will adjust and continue a positive trend. As the adjustment is made, growth is expected to resume due to the increase in population, and new business and housing startups.

**City of Enterprise
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Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which include: government-wide financial statements, fund financial statements, and notes to the financial statements. In addition to the basic financial statements themselves, this report also contains other supplementary information which I think may be of interest to the reader.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide you with a broad overview of the financial position of the City and are similar to private-sector financial statements. They include a Statement of Net Assets and a Statement of Activities.

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities follows the Statement of Net Assets and presents information showing how the City's net assets changed during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of the related cash flows. Items, such as accounts payable or earned but unused vacation leave, will produce changes in cash in a period other than when the liability is incurred.

Both statements distinguish functions that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities reported in the statements include general government, public works, public safety, cultural, recreational, economic development, and miscellaneous functions. The business-type activities include the Water Works Board and Sewer Fund. This is the fifth year the Sewer Fund operations have been reported as a proprietary fund/business activity.

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Overview of Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

The government-wide financial statements not only include the City (the primary government), but also legally separate components, the Enterprise City Schools, Enterprise Public Library and the Industrial Development Board, for which the City is financially accountable. The City allocates a portion of sales tax proceeds to the Enterprise City Schools and serves as a vehicle for certain financial obligations of the Industrial Development Board.

No financial obligations to the component units are outstanding at this time. Annual appropriations are made to the Public Library for operations and maintenance. The City owns the building housing the Library. Financial information for these component units is reported separately from the information presented in the primary government itself. The government-wide financial statements begin on page 65.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal matters. All funds of the City can be divided into three categories: governmental, proprietary and fiduciary funds.

Governmental Funds – Governmental funds are used to account for the same functions as those reported under the government-wide statement of net assets and statement of activities. However, unlike the government-wide financial statement, governmental fund financial statements focus on events that produce near-term inflows and outflows of expendable resources as well as on the balances of expendable resources available at the end of the year and is a narrower focus than the government-wide financial statements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented in the governmental funds with similar information presented in the governmental activities in the government-wide financial statements. By doing so, the reader may better

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Overview of Financial Statements (Continued)

Fund Financial Statements (Continued)

understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, capital improvement fund, and debt service fund, which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The City adopts an annual appropriated budget for its General Fund and all governmental and proprietary operations. A budgetary comparison statement has been provided for the Governmental Funds to demonstrate compliance with this budget.

Proprietary Funds - The City maintains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Water Works Board and the Sewer Fund which accounts for the Sewer and Disposal departments.

Enterprise Funds - At September 30, 2012, the total net assets for Water Works Board amounted to \$5,451,503 as compared to \$5,274,488 as of September 30, 2011. The increase of \$177,015 in net assets reflects an increase of \$74,766 in Operating Revenues and a net increase of \$61,035 in Operating Expenses.

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Overview of Financial Statements (Continued)

Fund Financial Statements (Continued)

Transfers to the General Fund, when available, are made primarily to cover franchising fees and overhead costs related to the operation of the Water Works Board. In addition to housing the Water Works Board's office operations, the City provides administrative, risk management, financial, and data processing services at an estimated value of \$190,000 per year.

At September 30, 2012, the total net assets for Sewer Fund amounted to \$8,656,672 as compared to \$9,475,029 at September 30, 2011. The decrease of \$818,357 is the result of an increase in construction in progress and other capital projects. The Sewer Fund also received proceeds from the Series 2009 General Obligation Warrants issued by the City and implemented projects. This is the fifth year that the Sewer Fund is reported as a separate entity. In years past, the Sewer Fund was included in General Fund operations. The City provides administrative, risk management, financial, and data processing services allocated from governmental funds at an estimated value of \$108,000 per year.

Fiduciary Funds - The City uses fiduciary funds to account for resources held for the benefit of parties outside City government. These funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the City's own programs. Accounting for these funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes to the financial statements are presented on pages 77 to 130 of the report.

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Other Information

Combining and individual statements and schedules referred to earlier, which present more detailed views of non-major funds used in governmental activities, can be found beginning on page 141.

Government-Wide Financial Analysis

As noted in earlier discussion, changes in net assets over time can be one of the best and most useful indicators of the City's financial position. The City's net assets for governmental activities were \$13,180,881 for fiscal year 2012, as compared to \$10,362,904 in fiscal year 2011, an increase of \$2,817,977. Business Activities resulted in a decrease in net assets of (\$641,342). This is calculated and shown as follows:

	Fiscal Year 2012 Governmental Activities	Fiscal Year 2011 Governmental Activities	Changes
Current and Other Assets, Net of Internal Balances	\$ 11,509,185	\$ 13,336,531	\$ (1,827,346)
Capital Assets, Net	56,934,987	53,490,049	3,444,938
Total Assets	<u>\$ 68,444,172</u>	<u>\$ 66,826,580</u>	<u>\$ 1,617,592</u>
Long-Term Liabilities, Outstanding	\$ 42,397,766	\$ 44,632,112	\$ (2,234,346)
Other Post-Employment Obligations - Net	3,425,546	2,643,901	781,645
Other Liabilities	9,439,979	9,187,663	252,316
Total Liabilities	<u>\$ 55,263,291</u>	<u>\$ 56,463,676</u>	<u>\$ (1,200,385)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 38,784,676	\$ 34,089,130	\$ 4,695,546
Restricted	3,252,164	5,071,622	(1,819,458)
Unrestricted	(28,855,959)	(28,797,848)	(58,111)
Total Net Assets	<u>\$ 13,180,881</u>	<u>\$ 10,362,904</u>	<u>\$ 2,817,977</u>
Total Liabilities and Net Assets	<u>\$ 68,444,172</u>	<u>\$ 66,826,580</u>	<u>\$ 1,617,592</u>

The increase in total net assets for Governmental Activities of \$2,817,977 is primarily the result of an increase of \$3,444,938 in capital assets in FY 2012.

In 2012, the City's unfunded postemployment benefits other than pension benefits increased \$781,645 to \$3,425,546. Presently, retired employees or future employees retiring under the Retirement Systems of Alabama may continue health coverage under the City's group health insurance plan in force at the time of retirement. While retirees pay a portion

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Government-Wide Financial Analysis (Continued)

of the premium, the City operates on a "pay as you go" basis as budget considerations allow and currently contributes 50-75% to the premium based upon the level of participation and also provides a \$10,000 life insurance benefit. Continuation of this funding practice is currently under review as the cost to fund these future commitments increase. An in-depth analysis of this obligation begins on page 107 of the notes to the financial statements.

	Fiscal Year 2012 Business-Type Activities	Fiscal Year 2011 Business-Type Activities	Changes
Current and Other Assets	\$ 7,479,296	\$ 20,576,344	\$ (13,097,048)
Capital Assets, Net	37,459,840	25,106,108	12,353,732
Total Assets	<u>\$ 44,939,136</u>	<u>\$ 45,682,452</u>	<u>\$ (743,316)</u>
Long-Term Liabilities, Outstanding	\$ 28,937,780	\$ 30,104,405	\$ (1,166,625)
Other Post-Employment Obligations - Net	284,148	219,925	64,223
Other Liabilities	1,609,033	608,605	1,000,428
Total Liabilities	<u>\$ 30,830,961</u>	<u>\$ 30,932,935</u>	<u>\$ (101,974)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 11,669,314	\$ 11,756,285	\$ (86,971)
Restricted	1,461,947	6,265,933	(4,803,986)
Unrestricted	976,914	(3,272,701)	4,249,615
Total Net Assets	<u>\$ 14,108,175</u>	<u>\$ 14,749,517</u>	<u>\$ (641,342)</u>
Total Liabilities and Net Assets	<u>\$ 44,939,136</u>	<u>\$ 45,682,452</u>	<u>\$ (743,316)</u>

The City's Business Activities include the Enterprise Water Works Board and the Sewer Fund and reflects a decrease in Net Assets of (\$641,342). The decrease in total assets were offset by decreases in long-term liabilities

The obligation for Other Post-Employment Benefits as provided by the Enterprise Water Works increased \$64,223 in FY 2012. The Enterprise Water Works Board has adopted the provision to come under the City of Enterprise Personnel Policies and Procedures for all areas related to employment concerns.

The largest portion of governmental activities' net assets is Investment in Capital Assets (e.g. land, infrastructure, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. Invested in Capital Assets, net of related debt, increased for governmental activities by \$4,695,546. Assets added to the City's capital assets included the completion of construction of the new Enterprise Civic Center, improvements to the Public Works facility, and the construction of new sidewalks in the

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Government-Wide Financial Analysis (Continued)

downtown area. This net figure includes depreciation expense in the amount of \$3,378,303. For business-type activities, Invested in Capital Assets, net of related debt, decreased by (\$86,971) which includes depreciation expense of \$1,037,927.

The City uses capital assets to provide services to citizens and, consequently these assets are not available for future spending. Although our investment in capital assets is reported net of related debt, the capital assets themselves cannot be used to liquidate that liability and other resources will be needed to repay any associated debt. A portion of net assets is restricted on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations. The City, at September 30, 2012 reported unrestricted (deficit) net assets of (\$28,855,959) in Governmental Activities as compared to (\$28,797,848) at September 30, 2011.

Governmental Activities

	Fiscal Year 2012 Governmental Activities	Fiscal Year 2011 Governmental Activities	Changes
Revenues			
Program Revenues			
Charges for Services	\$ 3,481,344	\$ 3,246,840	\$ 234,504
Operating Grants and Contributions	244,202	267,563	(23,361)
Capital Grants and Contributions	3,565,378	1,142,822	2,422,556
General Revenues			
Property Tax	2,574,799	4,347,390	(1,772,591)
Sales Tax	15,083,822	14,250,529	833,293
Gasoline Taxes	364,020	358,524	5,496
Franchise Taxes	1,880,972	2,310,105	(429,133)
Lodging Taxes	438,553	439,910	(1,357)
Other Taxes	1,151,938	836,987	314,951
Other	518,313	429,744	88,569
Total Revenues	<u>\$ 29,303,341</u>	<u>\$ 27,630,414</u>	<u>\$ 1,672,927</u>
Expenses			
General Government	\$ 3,448,460	\$ 4,317,825	\$ (869,365)
Public Safety	7,017,065	6,676,986	340,079
Highways and Streets	3,958,259	3,997,881	(39,622)
Health and Sanitation	2,496,817	2,126,086	370,731
Culture and Recreation	2,793,682	2,653,125	140,557
Judicial	231,918	234,129	(2,211)
Airport Authority	427,955	504,676	(76,721)
Engineering	667,713	601,271	66,442
Shop	467,944	456,005	11,939
Intergovernmental	4,106,214	5,546,303	(1,440,089)
Interest and Fiscal Charges	2,032,981	2,046,819	(13,838)
Total Expenses	<u>\$ 27,649,008</u>	<u>\$ 29,161,106</u>	<u>\$ (1,512,098)</u>

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Government-Wide Financial Analysis (Continued)

Governmental Activities (Continued)

	Fiscal Year 2012 Governmental Activities	Fiscal Year 2011 Governmental Activities	Changes
Increase in Net Assets Before Transfers	\$ 1,654,333	\$ (1,530,692)	\$ 3,185,025
Transfers In (Out)	<u>1,373,593</u>	<u>337,900</u>	<u>1,035,693</u>
Increase (Decrease) in Net Assets	\$ 3,027,926	\$ (1,192,792)	\$ 4,220,718
Net Assets - Beginning	10,362,904	11,555,696	(1,192,792)
Prior Period Adjustment	<u>(209,949)</u>	<u>-</u>	<u>(209,949)</u>
Net Assets - Ending	<u>\$ 13,180,881</u>	<u>\$ 10,362,904</u>	<u>\$ 2,817,977</u>

The City's revenues for governmental activities increased \$1,672,927 in FY 2012 primarily as the result of an increase of \$2,422,556 in federal and state grants. All other General Revenues decreased by \$749,629, primarily due to the 7 mill Ad Valorem previously collected for the schools being remitted directly to the school system.

Expenses related to Government Activities decreased by \$1,512,098 primarily as reflected in the change in Intergovernmental expenditures. \$10,659,005 was disbursed in FY 2011 to the Enterprise City Schools for the construction project. \$19,040,995 was disbursed in FY 2009 leaving a balance of \$300,000 disbursed in FY 2012. Other than Intergovernmental expenses, consisting of allocations to the Enterprise City Schools, other Expenses netted a decrease of \$72,009, less than 1%.

While efforts to monitor departmental expenditures are ongoing, the City has continued to provide merit raises and absorb increases in benefit costs accounting for increase in departmental expenditures. 2009 General Obligation Warrant proceeds issued for various Public Works projects account for increases in Highway & Street funding.

Business-Type Activities

The Enterprise Water Works Board reported an increase of \$42,044 for revenues for Charges for Services. In addition to the fact that the Water Board provides for a 2% increase in the rates annually, the Water Board recorded approximately 171.35 million gallons in reduced output and added 2,848 accounts to the system in FY 2012. Charges were also increased for miscellaneous services related to cut-offs, after-hours service, and fire suppression systems. As the result of the decreased water sales and customer growth, Sewer fees increased by \$2,302 as sewer fees are calculated at 80% of the water usage charges.

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Government-Wide Financial Analysis (Continued)

Business-Type Activities (Continued)

Other non-operating revenues included interest earned from deposits for Series 2009 General Obligation Warrant proceeds, insurance reimbursements, and equipment sales. Non-operating changes include interest expense related to interest payments on the Series 2009 General Obligation Warrant.

The Sewer Fund was established in fiscal year 2006 as the result of a levy of an environmental fee to offset current and future costs of sewer and disposal operations related to mandates from the Alabama Department of Environmental Management (ADEM) for non-compliance with EPA guidelines in the Northeast Lagoon. Prior to this point, these operations were subsidized with general fund operations as well as user fees. Old rates were established at 80% of the customer's water usage. The new rates are in addition to the old rates as follows:

For households, to include all housing units as defined by the U.S. Census Bureau, the fee structure per unit and implementation date was as follows:

Beginning January 1, 2006: \$ 5.25
Beginning January 1, 2007: \$ 7.00
Beginning January 1, 2008: \$ 8.75
Beginning January 1, 2009: \$10.50 and thereafter

For commercial (non-household) customers, the fee structure and dates of implementation were as follows:

Beginning January 1, 2006: \$.08 per 200 gallons water used minimum - \$5.25
Beginning January 1, 2007: \$.106 per 200 gallons water used minimum - \$7.00
Beginning January 1, 2008: \$.134 per 200 gallons water used minimum - \$8.75
Beginning January 1, 2009: \$.16 per 200 gallons water used minimum - \$ 10.50 and thereafter

The City has received the following revenues in environmental fees:

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Government-Wide Financial Analysis (Continued)

Business-Type Activities (Continued)

<u>Sewer Fund Environmental Fees</u>	<u>Revenues</u>
Fiscal Year 2006	\$ 470,247
Fiscal Year 2007	855,721
Fiscal Year 2008	1,095,394
Fiscal Year 2009	1,285,832
Fiscal Year 2010	1,440,393
Fiscal Year 2011	1,452,723
Fiscal Year 2012	<u>1,477,651</u>
Total	<u>\$ 8,077,961</u>

Capital outlay expenditures prior to the implementation of the environmental fee and after implementation are summarized below:

<u>Capital Outlay - Sewer Fund</u>	<u>Amount</u>
March 2003 to January 2006	\$ 1,157,794
February 2006 to September 2012	<u>14,421,756</u>
Total	<u>\$ 15,579,550</u>

In summary, the Business-Type Activities of the City resulted in a decrease in the net assets of (\$641,342).

	<u>Fiscal Year 2012 Business-Type Activities</u>	<u>Fiscal Year 2011 Business-Type Activities</u>	<u>Changes</u>
Revenues			
Program Revenues			
Charges for Services - Water Board	\$ 3,638,623	\$ 3,596,579	\$ 42,044
Charges for Services - Sewer	2,934,857	2,932,555	2,302
Miscellaneous Operating Revenues	82,792	86,750	(3,958)
Other Non-Operating Revenues	<u>52,215</u>	<u>51,826</u>	<u>389</u>
Total Revenues	<u>\$ 6,708,487</u>	<u>\$ 6,667,710</u>	<u>\$ 40,777</u>
Expenses			
Sewer Operating (Net of Depreciation)	\$ 1,356,256	\$ 1,203,016	\$ 153,240
Water Works (Net of Depreciation)	2,440,302	2,337,166	103,136
Depreciation	1,037,927	1,556,001	(518,074)
Other Non-Operating Expense - Sewer	711,344	723,232	(11,888)
Other Non-Operating Expense - Water	<u>463,304</u>	<u>500,131</u>	<u>(36,827)</u>
Total Expenses	<u>\$ 6,009,133</u>	<u>\$ 6,319,546</u>	<u>\$ (310,413)</u>

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Government-Wide Financial Analysis (Continued)

Business-Type Activities (Continued)

	Fiscal Year 2012 Business-Type Activities	Fiscal Year 2011 Business-Type Activities	Changes
Increase in Net Assets Before Transfers	\$ 699,354	\$ 348,164	\$ 351,190
Transfers In (Out)	(1,373,593)	(337,900)	(1,035,693)
Increase (Decrease) in Net Assets	\$ (674,239)	\$ 10,264	\$ (684,503)
Prior Period Adjustment	32,897	-	32,897
Net Assets - Beginning	14,749,517	14,739,253	10,264
Net Assets - Ending	\$ 14,108,175	\$ 14,749,517	\$ (641,342)

Financial Analysis of the City of Enterprise's Funds

As noted earlier, the City employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds provide information on near-term inflows, outflows, and balances of expendable resources. Governmental fund types include the general fund, debt service, capital projects, and special revenue funds. In assessing financing requirements, unrestricted fund balance is a particular useful measure of net resources available. As of September 30, 2012, governmental funds had an ending fund balance of \$4,542,216 net of debt service fund balance in the amount of \$1,322,819. This represents a reduction of \$2,046,164 for FY 2012. In 2012 the City continued making capital improvements with proceeds from 2009 General Warrant Obligation. The balance of those proceeds of approximately \$402,927 is reported as restricted cash in the Capital Improvement Fund.

	General	Capital Improvement Funds	Debt Service	Other Governmental Funds	Total		Change
					2012	2011	
Assets							
Cash	\$ 2,333,467	\$ 239,426	\$ -	\$ 866,027	\$ 3,438,920	\$ 3,298,379	\$ 140,541
Receivable - Net	3,728,674	151,701	-	56,150	3,936,525	4,023,000	(86,475)
Due From Other	261	14,297	-	-	14,558	121,596	(107,038)
Inventory	90,532	-	-	-	90,532	90,303	229
Restricted -							
Cash & Investments	95,319	402,927	2,525,556	-	3,023,802	5,071,622	(2,047,820)
Prepaid Assets	232,395	-	-	754	233,149	-	233,149
Total Assets	\$ 6,480,648	\$ 808,351	\$ 2,525,556	\$ 922,931	\$ 10,737,486	\$ 12,604,900	\$ (1,867,414)

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

	General	Capital Improvement Funds	Debt Service	Other Governmental Funds	Total		Change
					2012	2011	
Liabilities and Fund Balances							
Liabilities							
Accounts Payable\$	629,100	\$ 78,568	\$ -	\$ 22,419	\$ 730,087	\$ 654,009	\$ 76,078
Accrued Expenses	393,848	-	-	1,419	395,267	225,389	169,878
Mature Principal/ Interest Payable	-	-	1,202,737	-	1,202,737	1,193,814	8,923
Due to Other Funds	62,951	9,780	-	260	72,991	167,605	(94,614)
Deferred Revenue	2,471,369	-	-	-	2,471,369	2,477,436	(6,067)
Total Liabilities \$	3,557,268	\$ 88,348	\$ 1,202,737	\$ 24,098	\$ 4,872,451	\$ 4,718,253	\$ 154,198
Fund Balances							
Non-Spendable \$	322,927	\$ -	\$ -	\$ 754	\$ 323,681	\$ 90,303	\$ 233,378
Restricted	95,319	402,927	1,322,819	-	1,821,065	4,689,586	(2,868,521)
Assigned	579,422	317,076	-	891,353	1,787,851	15,391	1,772,460
Unassigned	1,925,712	-	-	6,726	1,932,438	3,091,367	(1,158,929)
Total Fund Balances \$	2,923,380	\$ 720,003	\$ 1,322,819	\$ 898,833	\$ 5,865,035	\$ 7,886,647	\$ (2,021,612)
Total Liabilities and Fund Balances \$	6,480,648	\$ 808,351	\$ 2,525,556	\$ 922,931	\$ 10,737,486	\$ 12,604,900	\$ (1,867,414)

The City reported a total unrestricted fund balance of \$3,720,289. The City utilizes other governmental funds to fund General Fund activities and transfers to the Capital Improvement Fund pending receipt of grant funding proceeds. The City's goal is to maintain \$2.8 million in unrestricted fund balance from all available sources.

The City's governmental fund balance is allocated 50% to the General Fund, 12% to the Capital Improvement Fund, 23% to the debt service fund and 15% to other non-major funds. Other non-major governmental funds consist of E-911, Tobacco Tax, Asset Forfeiture, Fire Protection, various gas tax funds, and the Senior Citizens Center.

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

	General	Capital Improvement Funds	Debt Service	Other Governmental Funds	Governmental Funds		Change
					2012	2011	
Revenues							
Taxes	\$ 19,002,367	\$ -	\$ -	\$ 613,167	\$ 19,615,534	\$ 20,213,608	\$ (598,074)
Licenses and Permits	2,661,961	-	-	-	2,661,961	3,039,073	(377,112)
Intergovernmental	735,048	3,141,077	-	46,072	3,922,197	1,534,838	2,387,359
Charges for Services	1,963,435	-	-	397,833	2,361,268	2,402,040	(40,772)
Fines	198,170	-	-	-	198,170	162,000	36,170
Interest Income	3,710	-	103	143	3,956	9,699	(5,743)
Miscellaneous	278,842	-	-	5,448	284,290	254,130	30,160
Donations	9,500	50,000	-	6,566	66,066	15,023	51,043
Total Revenues	\$ 24,853,033	\$ 3,191,077	\$ 103	\$ 1,069,229	\$ 29,113,442	\$ 27,630,411	\$ 1,483,031
Expenditures							
General & Administrative	\$ 1,888,680	\$ 546	\$ -	\$ -	\$ 1,889,226	\$ 1,703,240	\$ 185,986
Fire Department	2,227,078	-	-	15,782	2,242,860	2,177,891	64,969
Street Department	1,312,887	-	-	-	1,312,887	1,522,184	(209,297)
Police Department	4,276,856	-	-	17,649	4,294,505	4,201,336	93,169
Sanitation Department	1,935,028	-	-	-	1,935,028	1,928,529	6,499
Appropriations	4,383,889	-	-	-	4,383,889	5,546,303	(1,162,414)
Leisure Services	2,032,554	-	-	-	2,032,554	1,890,259	142,295
Judicial	228,167	-	-	-	228,167	234,129	(5,962)
Non-Departmental	1,153,619	6,474	-	183,971	1,344,064	1,585,281	(241,217)
Capital Outlay/Other	560,978	5,986,653	-	88,708	6,636,339	1,866,347	4,769,992
Engineering	645,565	-	-	-	645,565	601,271	44,294
City Shop	446,864	-	-	-	446,864	456,005	(9,141)
Civic Center	246,693	-	-	-	246,693	271,798	(25,105)
Airport	366,364	-	-	-	366,364	504,676	(138,312)
Principal	692,327	-	2,060,000	-	2,752,327	2,756,146	(3,819)
Interest	49,141	-	1,920,414	-	1,969,555	2,049,670	(80,115)
Total Expenditures	\$ 22,446,690	\$ 5,993,673	\$ 3,980,414	\$ 306,110	\$ 32,726,887	\$ 29,295,065	\$ 3,431,822
Excess of Revenues Over (Under)							
Expenditures	\$ 2,406,343	\$ (2,802,596)	\$ (3,980,311)	\$ 763,119	\$ (3,613,445)	\$ (1,664,654)	\$ (1,948,791)
Long-Term Debt Issued							
Debt Issued	\$ 425,190	\$ -	\$ -	\$ -	\$ 425,190	\$ 258,238	\$ 166,952
Sale of Assets	21,811	-	-	-	21,811	-	21,811
Operating Transfers In	765,639	1,158,484	4,004,863	8,728	5,937,714	5,212,165	725,549
Operating Transfers Out	(4,103,776)	-	-	(460,345)	(4,564,121)	(4,874,265)	310,144
Total Other Financing Sources (Uses)	\$ (2,891,136)	\$ 1,158,484	\$ 4,004,863	\$ (451,617)	\$ 1,820,594	\$ 596,138	\$ 1,224,456

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

	General	Capital Improvement Funds	Debt Service	Other Governmental Funds	Governmental Funds		
					2012	2011	Change
Excess Revenue and Other Financing Sources (Uses)	\$ (484,793)	\$ (1,644,112)	\$ 24,552	\$ 311,502	\$ (1,792,851)	\$ (1,068,516)	\$ (724,335)
Fund Balance - Beginning	3,401,613	2,608,164	1,298,267	578,603	7,886,647	8,955,163	(1,068,516)
Prior Period Adjustment	6,560	(244,049)	-	8,728	(228,761)	-	(228,761)
Fund Balance - Ending	<u>\$ 2,923,380</u>	<u>\$ 720,003</u>	<u>\$ 1,322,819</u>	<u>\$ 898,833</u>	<u>\$ 5,865,035</u>	<u>\$ 7,886,647</u>	<u>\$ (2,021,612)</u>

The reduction in the General Fund balance by \$484,793 and subsequently the reduction to Governmental fund balances from FY 2011 is the direct result of property tax funds due to the school being paid directly to the schools. Moderate growth in tax revenues with increases in grant funding, and reductions in operating expenditures helped the City to maintain target reserves and fund on-going capital projects. Total revenues increased slightly by 5.4% with positive trends to the major revenue sources. Grant revenues are variable and offset the overall revenue growth. City departmental operating expenses increased by 11.71%, mainly due to the increase in capital outlay. Departmental operating expenditures only increased by 1% while the City maintained merit pay increases and absorbed health insurance premium increases for employees.

General Fund	2012	2011	\$ Change	% Change
Revenues				
Sales Tax	\$ 15,083,822	\$ 14,250,529	\$ 833,293	5.92%
Ad Valorem Taxes	2,574,799	4,347,390	(1,772,591)	(40.77%)
Franchise Fees	1,880,972	2,203,695	(322,723)	(14.64%)
Grant Revenues	269,918	245,740	24,178	9.84%
Insurance Proceeds	96,272	76,040	20,232	26.61%
Lodging Tax	438,553	439,940	(1,387)	(0.32%)
Other Revenues	<u>4,508,697</u>	<u>4,150,629</u>	<u>358,068</u>	<u>8.63%</u>
Total Revenues	<u>\$ 24,853,033</u>	<u>\$ 25,713,963</u>	<u>\$ (860,930)</u>	<u>(3.35%)</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

<u>General Fund</u>	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Expenditures				
Appropriations -				
School Construction	\$ 300,000	\$ 2,023,402	\$ (1,723,402)	(85.17%)
School Sales Taxes	3,459,014	3,295,747	163,267	4.95%
Other	264,613	227,154	37,459	16.49%
Capital Outlay	560,978	222,233	338,745	152.43%
Debt Service	741,468	736,247	5,221	0.71%
Other Departmental	<u>17,120,617</u>	<u>16,490,123</u>	<u>630,494</u>	<u>3.82%</u>
Total Expenditures	<u>\$ 22,446,690</u>	<u>\$ 22,994,906</u>	<u>\$ (548,216)</u>	<u>(2.38%)</u>

Sales Tax Revenues comprise 61% of total General Fund revenues and are more influenced by economic downturns than other sources. Sales tax collections did not significantly decrease during the recent economic downturn and trended to a slight upturn in FY 2012.

<u>Sales Tax Revenues</u>	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Sales Tax - City	\$ 8,999,637	\$ 8,494,851	\$ 504,786	5.94%
Sales Tax - Schools	3,471,696	3,278,654	193,042	5.89%
Sales Tax - ½ Cent	<u>2,612,489</u>	<u>2,477,024</u>	<u>135,465</u>	<u>5.47%</u>
Total Revenues	<u>\$ 15,083,822</u>	<u>\$ 14,250,529</u>	<u>\$ 833,293</u>	<u>5.85%</u>

Sales taxes collected and remitted to the Schools and sales taxes collected to provide for payment of the general obligation warrants issued to the schools constitute 40% of all sales taxes collected in the City. Appropriations in Other Governmental Funds also include a remittance to the Schools for Ad Valorem Taxes collected for School Construction purposes. In FY 2012, the City appropriated \$3,759,014 to school related operations.

Sales tax appropriations to the school are based on the following formula:

Total Sales Tax Collections for the month are provided by Alatax, the City's contractor:

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

- .005% of the Total Sales for the City is calculated and subtracted from the total Sales Tax Collections for the month.
- A Usage Tax of 5% is then calculated and subtracted from Total Sales Tax collections for the month.
- An insurance premium of \$1,200 is subtracted from the Total Sales Tax collections for the month.
- Sales Tax collection costs are subtracted from Total Sales Tax Collections for the month.
- 30% of the calculated balance plus the \$1,200 insurance premium amount is remitted to the Schools.

For example, in February 2013, the remittance was calculated as follows:

Gross Receipts	\$ 1,120,492.91
Less: ½% New Tax (Total Sales \$39,166,095.21 x .005%)	<u>(195,830.48)</u>
Adjusted Gross	\$ 924,662.43
Less: 5% Use Tax	(46,233.12)
Less: Insurance	(1,200.00)
Less: Collection Fees	<u>(9,997.55)</u>
Net Receipts	<u>\$ 867,231.76</u>
30% Due Schools	\$ 260,169.53
Plus Insurance	<u>1,200.00</u>
Total Remittance	<u><u>\$ 261,369.53</u></u>

Expenditures for Capital Outlay in the General Fund include various equipment purchases by City departments. The City has implemented an equipment purchasing plan with funds provided by a \$3 million line of credit. Equipment is depreciated over a 3 to 7 year period. General Fund Debt Service expenditures reflect payments related to financing

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

of this equipment. Interest payments at the current rate of 1.82% are made quarterly. \$425,190 in financing proceeds was disbursed in fiscal year 2012 in the General Fund. Reductions in the amount of \$615,327 leave a balance of \$1,748,567. Debt service payments in the General Fund also reflect payments for t-hangars at the Enterprise Municipal Airport in the total amount of \$77,000. This will pay out in 2013.

Capital Equipment - Financed General Fund	2012
Street - Equipment	\$ 47,160
Police - Equipment	185,958
Parks and Recreation - Equipment	17,460
Administration - Equipment	10,216
Sanitation - Equipment	123,666
Airport - Equipment	<u>40,730</u>
Total - Capital Equipment Financed FY 2012	<u>\$ 425,190</u>

The practice of the City is to budget revenues at no more than 3% growth and to limit non- personnel expenditures, i.e. salaries and benefits, to an increase of 1.5%. Expenditures for salaries include an average of a 3.25% increase for classified employees. Elected officials and department head salaries are set by the City Council. Retirement benefits were calculated at 6.64% of payroll for eligible employees. Insurance premiums are budgeted at a 10% increase but rates are set by the State Employees Insurance Board and the Council determines the annual contribution made by the City. Worker's compensation is budgeted at a 20% increase but rates are a function of payroll and experience set by the Alabama Municipal Worker's Compensation Board. The City assumes that all positions are filled in the budgeting process. The City's target General Fund unrestricted fund balance is \$2.8 million. Funds made available after operating expenditures and in excess of the target unrestricted fund balance are available for capital expenditures.

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

Personnel expenditures are as follows:

<u>General Fund</u>	<u>2012 Budget</u>	<u>2011 Budget</u>	<u>Change</u>	<u>% Change</u>	<u>2012 Actual</u>	<u>2012 Budget Differential</u>
Salaries and						
Payroll Taxes	\$ 9,289,066	\$ 9,047,692	\$ 241,374	2.67%	\$ 8,907,614	\$ (381,452)
Retirement	603,308	512,548	90,760	17.71%	526,525	(76,783)
Insurance -						
Employees	1,413,161	1,648,964	(235,803)	(14.30%)	1,610,776	197,615
Insurance -						
Retirees	151,951	168,011	(16,060)	(9.56%)	204,836	52,885
Workman's						
Compensation	344,510	353,006	(8,496)	(2.41%)	259,935	(84,575)
Unemployment						
Insurance	<u>10,644</u>	<u>14,128</u>	<u>(3,484)</u>	<u>(24.66%)</u>	<u>7,104</u>	<u>(3,540)</u>
Total						
Expenditures	<u>\$ 11,812,640</u>	<u>\$ 11,744,349</u>	<u>\$ 68,291</u>	<u>0.58%</u>	<u>\$ 11,516,790</u>	<u>\$ (295,850)</u>

Expenditures from the Capital Improvement Fund include such projects as the retrofit of City Hall for hazard mitigation and energy improvements, the installation of street lights and new sidewalks on Main Street, Airport improvements, new school sidewalks, and the Farmers Market funded all or in part by grant funds. In FY 2011 and FY 2012, the City has focused on doing capital projects funded, in whole or part, by outside funding sources. This practice will continue through FY 2013. Other projects will be funded with the balance of bond proceeds and general fund transfers.

<u>Capital Outlay Projects - Expenditures</u>	<u>2012 Expended</u>	<u>2013 Projected</u>
HVAC Improvements - City Hall	\$ 360,883	\$ 6,011
Airport Improvements	2,679,548	286,541
Public Works Improvements	2,626,798	363,375
Safe Routes to School Grant Project	32,742	2,384
Disposal Plant Maintenance	-	100,000
Dauphin Street ATRIP	-	20,746

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

<u>Capital Outlay Projects - Expenditures</u>	<u>2012 Expended</u>	<u>2013 Projected</u>
Industrial Park Improvements	-	8,056
Civic Center - Senior Center Upgrades	-	30,000
Farmers Market	-	904,365
Fire Protection Fee	-	582,976
Splash Pad	99,976	-
Traffic Lights	6,474	-
Parks & Recreation Improvements	37,496	155,412
Engineering Sign Shop & Improvements	<u>149,210</u>	<u>140,000</u>
Total	<u>\$ 5,993,127</u>	<u>\$ 2,599,866</u>

Funding sources for Capital Projects are as follows:

<u>Capital Projects - Funding Sources</u>	<u>2012 Received</u>	<u>2013 Pending</u>
2009 GO Warrant Proceeds	\$ 2,817,093	\$ -
Donations	50,000	-
HVAC Project - City Hall	241,935	13,843
Airport Improvements	2,613,093	279,376
Safe Routes to School Grant Project	11,116	15,010
ADECA Splash Park Grant Project	50,000	-
Fire Protection Fee	-	291,621
Farmers Market	-	<u>65,700</u>
Total	<u>\$ 5,783,237</u>	<u>\$ 665,550</u>

Proceeds in the amount of \$3.6 million from the 2009 General Obligation Warrants were also provided to implement the construction of new Public Works facilities and resurfacing projects throughout the City. These funds will continue to be utilized to construct and improve the Public Works departmental facilities and to fund a resurfacing project in 2013.

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

Other Governmental Funds consist of appropriations to the E-911, Fire Tobacco Tax, Fire Protection Fund, Gasoline Tax Funds, Municipal Court, Senior Citizens Center, and Debt Service Funds and account for 3.7% of the City's Governmental Funds revenues and 13.1% of the City's Governmental Funds expenditures. Various restrictions apply to the use of these funds but they are generally available to fund applicable departmental operations of the City. A summary of these funds' operations is as follows:

<u>Other Governmental Funds</u>	2012 Revenues & Transfers-In	2012 Expenditures & Transfers-Out
Fire Department Tobacco Tax	\$ 18,323	\$ 15,533
Fire Protection Fund	291,592	249
\$.07 State Gasoline Tax	113,598	104,996
\$.04/\$.05 State Gasoline Tax	88,634	45,068
Motor Vehicle Tax	101,163	138,825
Asset Forfeiture (Police)	5,148	17,649
E-911 Services	398,118	365,361
Senior Citizens Center	<u>61,381</u>	<u>78,774</u>
Total	<u>\$ 1,077,957</u>	<u>\$ 766,455</u>

In December 2008, the City Council held a referendum on the renewal of a 3.5 mill Ad Valorem Tax currently obligated to the Enterprise Hospital Board. This tax expired September 30, 2009. The referendum authorized the renewal of the 3.5 mill Ad Valorem Tax for an additional 25 years beginning October 1, 2009. Proceeds have been redirected to the Enterprise City Council for the purposes of providing an additional source of revenue to make payments on the General Obligation Warrants issued March 1, 2009 in the event proceeds from the implementation of the ½ cent sales tax in June 2008 fail to cover debt service requirements. Excess funds are authorized for other capital purposes. The City began collecting these funds in October 2010.

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Financial Analysis of the City of Enterprise's Funds (Continued)

Governmental Funds (Continued)

<u>General Obligation Warrants</u>	<u>2012 Balance</u>	<u>2013 Debt Service</u>
Warrants Payable		
2002 GO Warrants	\$ 4,145,000	\$ 865,000
2004 GO Warrants	9,525,000	-
2009 GO School Warrants	27,690,000	1,175,000
2009 GO Warrants - City Portion	2,966,038	92,264
2009 GO Warrants - Water Works	6,226,509	204,811
2009 GO Warrants - Sewer	<u>16,284,717</u>	<u>-</u>
Total	<u>\$ 66,837,264</u>	<u>\$ 2,337,075</u>

The Debt Service Fund, designated as a major fund in 2012 is funded primarily from transfers from the General Fund. In the future, resources from the Water Board and Sewer Fund, as well as, unspent proceeds from the 2009 General Obligation Warrants, will be transferred into the Debt Service Fund to service the 2009 GO Warrants. Currently, all long-term debt is issued as general obligation warrants. The Water Works board entered into a funding agreement with the City for its portion of the debt related to the 2009 GO warrants.

Proprietary Funds

Proprietary Fund statements provide the same information as in the business activities column of the government-wide statements, but in greater detail, and on a fund basis for Enterprise detailing Water Works Board operations and the Sewer Fund. In fiscal year 2008 the Sewer Fund was reported as a proprietary fund. With the implementation of an environmental fee, the Sewer Fund has become a fund supported entirely by user fees (charges for services). For the sake of clarity, the water fund and sewer fund financials are discussed separately.

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Water Works Board

	Fiscal Year 2012 Water Works Board	Fiscal Year 2011 Water Works Board	Change
Current Assets			
Cash	\$ 155,629	\$ 245,477	\$ (89,848)
Restricted Cash	1,461,947	5,433,076	(3,971,129)
Receivables	594,895	656,413	(61,518)
Due from Other	-	122,942	(122,942)
Unbilled Revenue	225,306	213,496	11,810
Prepaid Assets	<u>4,010</u>	<u>4,010</u>	<u>-</u>
Total Current Assets	<u>\$ 2,441,787</u>	<u>\$ 6,675,414</u>	<u>\$ (4,233,627)</u>
Non-Current Assets			
Debt Issue Costs - Net	\$ 256,233	\$ 290,224	\$ (33,991)
Land	114,526	114,526	-
Construction in Progress	5,438,190	833,387	4,604,803
Buildings	47,494	47,494	-
Wells, Tanks and Plants	20,731,794	20,694,994	36,800
Equipment	2,384,413	2,050,663	333,750
Accumulated Depreciation	<u>(10,966,323)</u>	<u>(10,403,560)</u>	<u>(562,763)</u>
Total Non-Current Assets	<u>\$ 18,006,327</u>	<u>\$ 13,627,728</u>	<u>\$ 4,378,599</u>
Total Assets	<u>\$ 20,448,114</u>	<u>\$ 20,303,142</u>	<u>\$ 144,972</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 633,114	\$ 125,532	\$ 507,582
Accrued Expenses	24,997	42,695	(17,698)
Accrued Interest	131,430	67,490	63,940
Due to Other Funds	466,227	596,450	(130,223)
Bonds, Notes Payable, Net of Original Issue Discount	<u>469,207</u>	<u>329,397</u>	<u>139,810</u>
Total Current Liabilities	<u>\$ 1,724,975</u>	<u>\$ 1,161,564</u>	<u>\$ 563,411</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Water Works Board (Continued)

	Fiscal Year 2012 Water Works Board	Fiscal Year 2011 Water Works Board	Change
Long-Term Liabilities			
Compensated Absences	\$ 27,658	\$ 25,907	\$ 1,751
Customer Deposits	51,291	51,291	-
Other Post-Employment Benefit Obligations	284,148	219,925	64,223
Bonds, Notes Payable, Net of Original Issue Discount	<u>12,908,539</u>	<u>13,569,967</u>	<u>(661,428)</u>
Total Long-Term Liabilities	<u>\$ 13,271,636</u>	<u>\$ 13,867,090</u>	<u>\$ (595,454)</u>
Total Liabilities	<u>\$ 14,996,611</u>	<u>\$ 15,028,654</u>	<u>\$ (32,043)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 4,372,348	\$ 4,448,725	\$ (76,377)
Restricted for Capital Projects	-	5,010,585	(5,010,585)
Restricted by Bond Requirements	1,461,947	422,491	1,039,456
Unrestricted (Deficit)	<u>(382,792)</u>	<u>(4,607,313)</u>	<u>4,224,521</u>
Total Net Assets	<u>\$ 5,451,503</u>	<u>\$ 5,274,488</u>	<u>\$ 177,015</u>

For comparative purposes, restricted cash has been reclassified as a current asset.

In fiscal year 2012 the decrease in long term liabilities as evidenced by the reduction on Bonds and Notes payable resulted in an increase in total net assets of \$177,015 for the Water Board. It should also be noted that the Unrestricted Net Assets (Deficit) decreased by \$4,224,521.

The net effect of the adjustments and operations in the Water Board resulted in a reduction in cash of \$4,060,977 and a decrease in net working capital of \$4,797,038 primarily as the result of projects funded with 2009 GO Warrant Proceeds. A summary of the cash flow and net working capital is as follows:

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Water Works Board (Continued)

	Fiscal Year 2012 Water Works Board	Fiscal Year 2011 Water Works Board	Change
Net Cash Flows From			
Operating Activities	\$ 2,048,565	\$ 1,363,464	\$ 685,101
Net Cash Flows From Other			
Non-Capital Financing Activities	(116,912)	(48,819)	(68,093)
Principal and Interest on Debt	(1,019,358)	(1,300,459)	281,101
Acquisition of Fixed Assets	(4,975,353)	(1,586,506)	(3,388,847)
Net Proceeds from Debt Issuance	-	8,022,426	(8,022,426)
Deposit to Escrow Account	-	(8,320,050)	8,320,050
Bond Issuance Cost Paid	-	(136,850)	136,850
Debt Expense	-	(22,600)	22,600
Grant Funds Received	-	9,863	(9,863)
Interest Income	<u>2,081</u>	<u>14,898</u>	<u>(12,817)</u>
Net Cash Provided	\$ (4,060,977)	\$ (2,004,633)	\$ (2,056,344)
Beginning Cash	<u>5,678,553</u>	<u>7,683,186</u>	<u>(2,004,633)</u>
Ending Cash	<u>\$ 1,617,576</u>	<u>\$ 5,678,553</u>	<u>\$ (4,060,977)</u>

	Fiscal Year 2012 Water Works Board	Fiscal Year 2011 Water Works Board	Change
Current Assets			
Cash	\$ 155,629	\$ 245,477	\$ (89,848)
Restricted Cash	1,461,947	5,433,076	(3,971,129)
Receivables	594,895	656,413	(61,518)
Due from Other	-	122,942	(122,942)
Unbilled Revenue	225,306	213,496	11,810
Prepaid Assets	<u>4,010</u>	<u>4,010</u>	<u>-</u>
Total Current Assets	<u>\$ 2,441,787</u>	<u>\$ 6,675,414</u>	<u>\$ (4,233,627)</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Water Works Board (Continued)

	Fiscal Year 2012 Water Works Board	Fiscal Year 2011 Water Works Board	Change
Current Liabilities			
Accounts Payable	\$ 633,114	\$ 125,532	\$ 507,582
Accrued Expenses	24,997	42,695	(17,698)
Accrued Interest	131,430	67,490	63,940
Due to Other Funds	466,227	596,450	(130,223)
Bonds, Notes Payable, Net of Original Issue Discount	<u>469,207</u>	<u>329,397</u>	<u>139,810</u>
Total Current Liabilities	<u>\$ 1,724,975</u>	<u>\$ 1,161,564</u>	<u>\$ 563,411</u>
Net Working Capital	<u>\$ 716,812</u>	<u>\$ 5,513,850</u>	<u>\$ (4,797,038)</u>

GASB Statement No. 45 implemented in fiscal year 2009 requires the reporting of Other Post-Employment Benefit Obligations. The current OPEB liability for the Water Board is \$284,148 of which \$84,091 was incurred in 2012. The Board currently pays for benefits on a "pay as you go" basis. An in-depth analysis of the Water Works OPEB obligation is presented in Note 8 beginning on page 107.

	Fiscal Year 2012 Water Works Board	Fiscal Year 2011 Water Works Board	Change
Operating Revenues			
Charges for Services	\$ 3,638,623	\$ 3,596,579	\$ 42,044
Miscellaneous	<u>82,792</u>	<u>50,070</u>	<u>32,722</u>
Total Operating Revenues	<u>\$ 3,721,415</u>	<u>\$ 3,646,649</u>	<u>\$ 74,766</u>
Operating Expenses			
Operating Expenses	\$ 2,205,652	\$ 2,111,988	\$ 93,664
Contractual Services	150,559	146,613	3,946
Other Post-Employment Benefits	84,091	78,565	5,526
Depreciation	<u>562,763</u>	<u>604,864</u>	<u>(42,101)</u>
Total Operating Expenses	<u>\$ 3,003,065</u>	<u>\$ 2,942,030</u>	<u>\$ 61,035</u>
Operating Income	<u>\$ 718,350</u>	<u>\$ 704,619</u>	<u>\$ 13,731</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Water Works Board (Continued)

	Fiscal Year 2012 Water Works Board	Fiscal Year 2011 Water Works Board	Change
Non-Operating Revenues/Expenses			
Grant Revenues	\$ 8,450	\$ -	\$ 8,450
Interest Income	2,081	6,141	(4,060)
Interest Expense	(463,304)	(477,531)	14,227
Donated Property	36,800	-	36,800
Bond Expense	-	(22,600)	22,600
Other Income	-	9,863	(9,863)
Total Non-Operating Revenues/Expenses	\$ (415,973)	\$ (484,127)	\$ 68,154
Operating Transfers			
Operating Transfers Out	\$ (125,362)	\$ (48,819)	\$ (76,543)
Net Income	\$ 177,015	\$ 171,673	\$ 5,342
Total Net Assets - Beginning	<u>5,274,488</u>	<u>5,102,815</u>	<u>171,673</u>
Total Net Assets - Ending	<u>\$ 5,451,503</u>	<u>\$ 5,274,488</u>	<u>\$ 177,015</u>

Net income before transfers for the Water Works Board, net of depreciation expense and post-employment benefits, was \$302,377. Revenues from water usage fees increased \$42,044.

Rates for water sales automatically increase 2% each year as authorized by the Water Board in 2001. The Water Board currently has over 15,000 customers and has been in a continuous growth pattern over the last few years. Revenue from water sales is the result of usage and is affected primarily by weather conditions.

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Water Works Board (Continued)

<u>Year</u>	<u>Water Meters</u>	<u>Sprinkler Meters</u>
2004	12,152	843
2005	12,817	909
2006	13,533	1,029
2007	14,395	1,274
2008	14,667	1,287
2009	14,935	1,315
2010	15,079	1,478
2011	15,200	1,500
2012	15,584	1,328

Usage from September 30, 2011 to September 30, 2012 decreased by 171.3 million gallons. While rates vary based upon usage, we estimate the average usage to be 6,000 gallons per month at a cost of \$14.60 per month.

<u>2010 - 2011</u>	<u>Gallons Pumped</u>
October	192,661,000
November	132,223,200
December	118,329,800
January	113,209,500
February	104,269,400
March	145,913,100
April	183,609,800
May	259,194,000
June	263,417,900
July	199,286,300
August	225,831,100
September	191,254,700
	<u>2,129,199,800</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Water Works Board (Continued)

<u>2011 - 2012</u>	<u>Gallons Pumped</u>
October	181,186,700
November	140,053,600
December	115,796,100
January	108,896,900
February	99,901,100
March	147,937,700
April	176,168,000
May	215,527,900
June	223,972,300
July	213,939,400
August	170,086,100
September	164,387,300
	<u>1,957,853,100</u>
Change	<u>(171,346,700)</u>

Routine operating expenses were relatively unchanged in 2012. Other uses of water funds are for the payment of debt service related to a 2011 warrant issue and the funding agreement for the 2009 General Warrant obligation issued by the City on behalf of the Water Board. For fiscal year 2010, the projects related to the 2009 Warrant issue were implemented with \$42,000 expended from these funds for advertising and design. Other key expenditures were as follows:

<u>Other Expenditures - Water</u>	<u>2012</u>
Repairs to Wells and Equipment	\$ 62,411
Repairs to Water Lines	53,602
Radio Read Meters	<u>160,500</u>
Total	<u>\$ 276,513</u>

Sewer Fund

As previously stated, the Sewer Fund was previously treated as a governmental fund until fiscal year 2008. All operations are now reported as a Proprietary/Enterprise Fund.

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Sewer Fund (Continued)

	Fiscal Year 2012 <u>Sewer Funds</u>	Fiscal Year 2011 <u>Sewer Funds</u>	<u>Change</u>
Current Assets			
Cash	\$ 797,827	\$ 858,586	\$ (60,759)
Restricted Cash	3,537,512	12,432,375	(8,894,863)
Due From Other	524,660	519,517	5,143
Prepaid Assets	<u>8,810</u>	<u>-</u>	<u>8,810</u>
Total Current Assets	<u>\$ 4,868,809</u>	<u>\$ 13,810,478</u>	<u>\$ (8,941,669)</u>
Non-Current Assets			
Land	\$ 265,930	\$ 265,930	\$ -
Construction in Progress	12,530,535	4,242,187	8,288,348
Buildings	627,265	627,265	-
Improvements Other Than Buildings	676,169	676,169	-
Plants	12,043,676	12,027,176	16,500
Equipment	970,569	879,847	90,722
Accumulated Depreciation	(7,404,398)	(6,949,970)	(454,428)
Debt Issue Costs - Net	<u>378,694</u>	<u>396,678</u>	<u>(17,984)</u>
Total Non-Current Assets	<u>\$ 20,088,440</u>	<u>\$ 12,165,282</u>	<u>\$ 7,923,158</u>
Total Assets	<u>\$ 24,957,249</u>	<u>\$ 25,975,760</u>	<u>\$ (1,018,511)</u>
Current Liabilities			
Accounts Payable	\$ 339,221	\$ 39,229	\$ 299,992
Accrued Expenses	<u>11,064</u>	<u>4,262</u>	<u>6,802</u>
Total Current Liabilities	\$ 350,285	\$ 43,491	\$ 306,794
Long-Term Liabilities			
Bonds and Notes Net of Original Issue Discount	<u>\$ 15,950,292</u>	<u>\$ 16,457,240</u>	<u>\$ (506,948)</u>
Total Liabilities	<u>\$ 16,300,577</u>	<u>\$ 16,500,731</u>	<u>\$ (200,154)</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Sewer Fund (Continued)

	Fiscal Year 2012 <u>Sewer Funds</u>	Fiscal Year 2011 <u>Sewer Funds</u>	<u>Change</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 7,296,966	\$ 7,307,560	\$ (10,594)
Restricted for Capital Projects	-	832,857	(832,857)
Unrestricted	<u>1,359,706</u>	<u>1,334,612</u>	<u>25,094</u>
Total Net Assets	<u>\$ 8,656,672</u>	<u>\$ 9,475,029</u>	<u>\$ (818,357)</u>
Total Liabilities and Net Assets	<u>\$ 24,957,249</u>	<u>\$ 25,975,760</u>	<u>\$ (1,018,511)</u>

Cash available in the Sewer Fund is \$4,335,339 at September 30, 2012. This total consists of \$3,537,512 in remaining proceeds of the \$17,000,000 provided from the Series 2009 General Obligation Warrants issued by the City for Sewer Improvements, and unrestricted cash of \$797,827. A cash flow summary for fiscal year 2012 is as follows.

<u>Sewer Fund Cash Flow Summary</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
Net Cash Flow from			
Operating Activities	\$ 1,893,787	\$ 1,678,566	\$ 215,221
Cash Flows from Other			
Non-Capital Financing Activities	(1,248,231)	(289,081)	(959,150)
Principal and Interest on Debt	(1,217,301)	(1,233,232)	15,931
Acquisition of Fixed Assets	(8,387,770)	(3,661,036)	(4,726,734)
Bond Expense	(991)	-	(991)
Interest Income	<u>4,884</u>	<u>35,822</u>	<u>(30,938)</u>
Net Cash Provided	\$ (8,955,622)	\$ (3,468,961)	\$ (5,486,661)
Beginning Cash	<u>13,290,961</u>	<u>16,759,922</u>	<u>(3,468,961)</u>
Ending Cash	<u>\$ 4,335,339</u>	<u>\$ 13,290,961</u>	<u>\$ (8,955,622)</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Sewer Fund (Continued)

The Statement of Revenues, Expenses and Changes in Fund Net Assets reflects the changes based upon the reporting of the Sewer Fund operations as a proprietary fund. Operating Income for the Sewer Fund, which included an increase in usage charges of \$2,302, increased by \$288,355. The increase in revenue was complemented by a decrease of depreciation expense contributing to a reduction in Net Assets of \$851,254. Net income before transfers, net of depreciation expense, was \$396,977.

	Fiscal Year 2012 <u>Sewer Funds</u>	Fiscal Year 2011 <u>Sewer Funds</u>	<u>Change</u>
Operating Revenues			
Charges for Services	\$ 2,934,857	\$ 2,932,555	\$ 2,302
Miscellaneous	<u>-</u>	<u>36,680</u>	(36,680)
Total Operating Revenues	<u>\$ 2,934,857</u>	<u>\$ 2,969,235</u>	<u>\$ (34,378)</u>
Operating Expenses			
Operating Expenses	\$ 1,356,256	\$ 1,203,016	\$ 153,240
Depreciation	<u>475,164</u>	<u>951,137</u>	(475,973)
Total Operating Expenses	<u>\$ 1,831,420</u>	<u>\$ 2,154,153</u>	<u>\$ (322,733)</u>
Operating Income	<u>\$ 1,103,437</u>	<u>\$ 815,082</u>	<u>\$ 288,355</u>
Non-Operating Revenues (Expenses)			
Interest Income	\$ 4,884	\$ 35,822	\$ (30,938)
Interest Expense	(710,353)	(723,232)	12,879
Bond Expense	<u>(991)</u>	<u>-</u>	(991)
Total Non-Operating Revenues (Expenses)	<u>\$ (706,460)</u>	<u>\$ (687,410)</u>	<u>\$ (19,050)</u>
Operating Transfers and Other Sources (Uses)			
Operating Transfers Out	<u>\$ (1,248,231)</u>	<u>\$ (289,081)</u>	<u>\$ (959,150)</u>
Total Operating Transfers and Other Sources (Uses)	<u>\$ (1,248,231)</u>	<u>\$ (289,081)</u>	<u>\$ (959,150)</u>
Net Income (Loss)	\$ (851,254)	\$ (161,409)	\$ (689,845)
Total Net Assets - Beginning	9,475,029	9,636,438	(161,409)
Prior Period Adjustment	<u>32,897</u>	<u>-</u>	<u>32,897</u>
Total Net Assets - Ending	<u>\$ 8,656,672</u>	<u>\$ 9,475,029</u>	<u>\$ (818,357)</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Proprietary Funds (Continued)

Sewer Fund (Continued)

Charges for Services for the Sewer Fund consists primarily of funds generated by water sales as sewer rates are billed at 80% of the water rates (excluding sprinkler meters) and environmental fees passed in 2006. As previously discussed, the volume of water sales decreased by 171.3 million gallons and affected sewer usage fees. Revenues from environmental fees were as follows:

<u>Sewer Fund/Environmental Fees</u>	<u>Revenues</u>
2008	\$ 1,095,394
2009	1,285,832
2010	1,440,393
2011	1,452,723
2012	<u>1,477,651</u>
Total	<u>\$ 6,751,993</u>

Proceeds from environmental fees are utilized by the City to fund payments related to the 2009 General Obligation Warrants. The annual debt payment for the Sewer/Public Works portion of the issue is approximately \$911,000.

Capital Assets and Debt Administration

Capital Assets - The investment in capital assets, net of accumulated depreciation for governmental and business-type activities, as of September 30, 2012, is \$94,394,827. This includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure (acquired in fiscal year 2012 and previous years) and construction in progress, net of accumulated depreciation. The accounting for governmental activity capital assets in the Statement of Net Assets and depreciation in the Statement of Activities is a reporting requirement of GASB Statement #34.

Total capital assets for governmental operations are reported at \$56,934,987, net of accumulated depreciation. This total includes additions of \$9,937,362 and reductions of \$3,326,661.

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Financial Analysis of the City of Enterprise's Funds (Continued)

Capital Assets and Debt Administration (Continued)

<u>Capital Assets</u>	<u>2012 Total</u>	<u>2011 Total</u>	<u>Change</u>
Land	\$ 1,853,768	\$ 1,758,133	\$ 95,635
Construction			
In Progress	3,106,017	3,450,503	(344,486)
Buildings and			
Equipment	29,783,189	27,501,172	2,282,017
Improvements	4,079,474	3,886,408	193,066
Infrastructure	75,975,030	71,590,561	4,384,469
Less: Accumulated			
Depreciation	<u>(57,862,491)</u>	<u>(54,696,728)</u>	<u>(3,165,763)</u>
Total	<u>\$ 56,934,987</u>	<u>\$ 53,490,049</u>	<u>\$ 3,444,938</u>

Additions and deletions are summarized as follows:

Construction in Progress - City Hall Retrofit	\$ 2,679,548
Construction in Progress - Street	32,742
Construction in Progress - E-911	45,068
Land - Farmers Market	95,635
Building - Engineering	149,210
Building - Public Works	967,625
Building & Improvements - City Hall	1,037,165
Machinery & Equipment - Administration	59,346
Machinery & Equipment - Street	44,440
Machinery & Equipment - Parks	56,332
Machinery & Equipment - Airport	51,610
Machinery & Equipment - Sanitation	136,204
Machinery & Equipment - Police	193,322
Improvements - Parks	164,794
Infrastructure - Street	4,224,321
Equipment Sold	(188,672)
Reclassification of Construction in Progress	(3,137,989)
Depreciation - Net of Assets Sold	<u>(3,165,763)</u>
Total	<u>\$ 3,444,938</u>

**City of Enterprise
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Financial Analysis of the City of Enterprise's Funds (Continued)

Capital Assets and Debt Administration (Continued)

Total capital assets for Water Board operations are reported at \$17,750,094, net of accumulated depreciation. This total includes additions of \$4,975,353 net of depreciation.

<u>Capital Assets</u>	<u>2012 Water</u>	<u>2011 Water</u>	<u>Change</u>
Land	\$ 114,526	\$ 114,526	\$ -
Construction in Progress	5,438,190	833,387	4,604,803
Buildings and Equipment	2,431,907	2,098,157	333,750
Infrastructure	20,731,794	20,694,994	36,800
Less: Accumulated Depreciation	<u>(10,966,323)</u>	<u>(10,403,560)</u>	<u>(562,763)</u>
Total	<u>\$ 17,750,094</u>	<u>\$ 13,337,504</u>	<u>\$ 4,412,590</u>

Changes are summarized below:

Construction in Progress - 2009 Improvements	\$ 4,604,803
Buildings & Equipment - Radio Read Meters	160,500
Buildings & Equipment	173,250
Infrastructure - Donated Infrastructure	36,800
Depreciation - Net of Assets Sold	<u>(562,763)</u>
Total	<u>\$ 4,412,590</u>

Total capital assets for Sewer operations are reported at \$19,709,746, net of accumulated depreciation. This total includes additions of \$8,404,270 and reductions of \$8,700, net of depreciation.

<u>Capital Assets</u>	<u>2012 Sewer</u>	<u>2011 Sewer</u>	<u>Change</u>
Land	\$ 265,930	\$ 265,930	\$ -
Construction in Progress	12,530,535	4,242,187	8,288,348
Buildings and Equipment	1,597,834	1,507,112	90,722
Improvements	676,169	676,169	-
Infrastructure	12,043,676	12,027,176	16,500
Less: Accumulated Depreciation	<u>(7,404,398)</u>	<u>(6,949,970)</u>	<u>(454,428)</u>
Total	<u>\$ 19,709,746</u>	<u>\$ 11,768,604</u>	<u>\$ 7,941,142</u>

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Financial Analysis of the City of Enterprise's Funds (Continued)

Capital Assets and Debt Administration (Continued)

Changes are summarized below:

Construction in Progress - Sewer Outfall Lines (Phase 2)/SE Forcemain	\$ 1,624,209
Construction in Progress - WWTP Improvements	6,664,139
Machinery and Equipment	115,922
Equipment Sold	(8,700)
Depreciation	<u>(454,428)</u>
Total	<u>\$ 7,941,142</u>

Additional information about capital assets can be found in Note 6 of the financial statements beginning on page 100.

Long-Term Debt

In October 2009, the City issued Series 2009 General Obligation Warrants for capital improvements in the City's Public Works, Sewer, and Water Board operations. The Water Board entered into a funding agreement with the City for its portion of the debt consisting of \$6,500,000 in net proceeds and \$311,509 in issuance costs. The Water Board's portion of the annual debt service will range between \$463,000 and \$487,000 per year with the remaining balance to be paid by the Sewer Fund.

	<u>2012</u>	<u>Reductions</u>	<u>Balance</u>
2009 General Obligation Bonds:			
2009 Water Works	\$ 6,426,415	\$ 199,906	\$ 6,226,509
2009 Sewer	16,807,547	522,830	16,284,717
2009 City/Public Works	<u>3,056,038</u>	<u>90,000</u>	<u>2,966,038</u>
Total	<u>\$ 26,290,000</u>	<u>\$ 812,736</u>	<u>\$ 25,477,264</u>

At year-end, the governmental activities of the City had total bond debt, notes payable, and other long-term obligations outstanding in the amount of \$48,153,841.

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Long-Term Debt (Continued)

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Changes in Long-Term Liabilities:			
Landfill Costs	\$ 7,481	\$ 9,351	\$ (1,870)
Notes Payable	219,250	296,250	(77,000)
Compensated Absences	437,223	339,172	98,051
Other Post-Employment Benefits	3,425,546	2,643,901	781,645
Warrants Payable	44,326,038	46,386,038	(2,060,000)
Net Unamortized Bond Premium, OID, Loss on Debt Refunding	(261,697)	(282,684)	20,987
Total Long-Term Liabilities	<u>\$ 48,153,841</u>	<u>\$ 49,392,028</u>	<u>\$ (1,238,187)</u>
Changes in GO Warrants Payable:			
2002 GO Warrants	\$ 4,145,000	\$ 4,720,000	\$ (575,000)
2004 GO Warrants	9,525,000	9,775,000	(250,000)
2009 GO School Warrants	27,690,000	28,835,000	(1,145,000)
2009 GO Warrants - City Portion	2,966,038	3,056,038	(90,000)
2009 GO Warrants - Water Works	6,226,509	6,426,415	(199,906)
2009 GO Warrants - Sewer	<u>16,284,717</u>	<u>16,807,547</u>	<u>(522,830)</u>
Total Long-Term Liabilities	<u>\$ 66,837,264</u>	<u>\$ 69,620,000</u>	<u>\$ (2,782,736)</u>

The City implemented the equipment financing program with a \$3 million line of credit in September 2005 (fiscal year 2005) and began implementation of the program in fiscal year 2006. Principal and interest payments are made quarterly on the line of credit. The City made principal payments in the amount of \$615,327. A listing of the equipment purchased is as follows:

Street-Equipment	\$ 47,160
Police-Equipment	185,958
Parks & Recreation-Equipment	17,460
Administration-Equipment	10,216
Sanitation-Equipment	123,666
Airport-Equipment	<u>40,730</u>
Total - General Fund	<u>\$ 425,190</u>
Total - Equipment Finance	<u>\$ 425,190</u>

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Long-Term Debt (Continued)

Revenue bonds issued by the Water Works Board in December 2010 for improvements to the system have an outstanding balance of \$7,655,000. Total outstanding Water and Sewer Obligations are reflected in the following summary:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
2011 Revenue Bonds -			
Water Works	\$ 7,655,000	\$ 8,010,000	\$ (355,000)
2009 GO Warrants -			
Water Board	6,226,509	6,426,415	(199,906)
2009 GO Warrants -			
Sewer Board	16,284,717	16,807,547	(522,830)
Unamortized OID/Bond Premium	(445,790)	(474,837)	29,047
Bond Refunding	(392,398)	(412,521)	20,123
Compensated Absences	27,658	25,907	1,751
Other Post-Employment Benefits	<u>284,148</u>	<u>219,925</u>	<u>64,223</u>
Total	<u>\$ 29,639,844</u>	<u>\$ 30,602,436</u>	<u>\$ (962,592)</u>

Budgetary Highlights

Budget to actual statements and schedules are provided in the financial statements for the Governmental Funds. Budget columns are provided for both the original budget adopted as well as the final budget. Note that total expenditures did not exceed the original budget or final budget amounts.

Budget amendments were made during the course of the year to provide for the expenditure of purchases encumbered in previous years and unbudgeted expenditures as approved by the City Council. Encumbered amounts are automatically recorded as budget revisions in the City's accounting software, but they are formally approved by the City council on an annual basis. It is the practice of the City Council to approve all capital expenditure requests as the items are purchased. The budget amendments are made primarily for encumbrance from the previous fiscal year and for departmental budgets that exceed the approved guidelines as well as any capital expenditures that were not previously budgeted.

**City of Enterprise
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Budgetary Highlights (Continued)

A comparison of the fiscal year 2011 and fiscal year 2012 budgets and a comparison of the fiscal year 2011 and fiscal year 2012 actual expenditures are listed below.

Governmental Funds Budget

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Variance</u>
Revenues			
Taxes	\$ 18,697,648	\$ 20,370,747	\$ (1,673,099)
Licenses and Permits	3,034,171	2,936,581	97,590
Intergovernmental	4,343,751	401,969	3,941,782
Charges for Services	2,458,775	2,519,350	(60,575)
Fines	149,410	125,000	24,410
Interest Income	9,198	14,906	(5,708)
Miscellaneous	292,044	338,397	(46,353)
Donations	81,850	152,835	(70,985)
Total Revenues and Other Sources	\$ 29,066,847	\$ 26,859,785	\$ 2,207,062
Expenditures			
General and Administrative	\$ 1,660,175	\$ 1,677,507	\$ (17,332)
Fire Department	2,219,835	2,212,906	6,929
Street Department	1,264,999	1,309,844	(44,845)
Police Department	4,324,420	4,283,299	41,121
Sanitation Department	1,924,751	2,099,137	(174,386)
Appropriations	4,215,210	5,630,192	(1,414,982)
Leisure Services	2,055,802	1,880,522	175,280
Judicial	257,459	230,596	26,863
Non-Departmental	1,754,096	1,836,403	(82,307)
Capital Outlay	9,883,575	4,656,373	5,227,202
Engineering	685,583	648,216	37,367
City Shop	444,770	455,760	(10,990)
Civic Center	239,329	247,194	(7,865)
Airport Authority	413,194	453,395	(40,201)
Debt Service	6,361,728	6,508,843	(147,615)
Total Expenditures	\$ 37,704,426	\$ 34,130,187	\$ 3,574,239
Excess of Revenues Over Expenditures Including Transfers and Other Sources	\$ (8,637,579)	\$ (7,270,402)	\$ (1,367,177)
Other Financing Sources (Uses)			
Proceeds From Long-Term Debt, Net	\$ 1,700,280	\$ 377,690	\$ 1,322,590
Sale of Capital Assets	100,000	-	100,000
Transfers In	7,678,267	7,042,239	636,028
Transfers Out	(4,768,782)	(5,001,698)	232,916
Total Other Financing Sources (Uses)	\$ 4,709,765	\$ 2,418,231	\$ 2,291,534

Increases in grant funding (intergovernmental) and the completion of the FY 2009 School funding warrant proceeds (appropriations) drove the changes in the FY 2012 Budget as compared to FY 2011 as depicted in the comparison of the actual FY 2012-FY 2011 numbers.

**City of Enterprise
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Budgetary Highlights (Continued)

Governmental Funds Actual

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Variance</u>
Revenues			
Taxes	\$ 19,615,534	\$ 20,213,608	\$ (598,074)
Licenses and Permits	2,661,961	3,039,073	(377,112)
Intergovernmental	3,922,197	1,534,838	2,387,359
Charges for Services	2,361,268	2,402,040	(40,772)
Fines	198,170	162,000	36,170
Interest Income	3,956	9,699	(5,743)
Miscellaneous	284,290	254,130	30,160
Donations	66,066	15,023	51,043
Total Revenues and Other Sources	\$ 29,113,442	\$ 27,630,411	\$ 1,483,031
Expenditures			
General and Administrative	\$ 1,889,226	\$ 1,703,240	\$ 185,986
Fire Department	2,242,860	2,177,891	64,969
Police Department	4,294,505	4,201,336	93,169
Street Department	1,312,887	1,522,184	(209,297)
Sanitation Department	1,935,028	1,928,529	6,499
Appropriations	4,383,889	5,546,303	(1,162,414)
Leisure Services	2,032,554	1,890,259	142,295
Judicial	228,167	234,129	(5,962)
Non-Departmental	1,344,064	1,585,281	(241,217)
Capital Outlay	6,636,339	1,866,347	4,769,992
Engineering	645,565	601,271	44,294
City Shop	446,864	456,005	(9,141)
Civic Center	246,693	271,798	(25,105)
Airport Authority	366,364	504,676	(138,312)
Debt Service	4,721,882	4,805,816	(83,934)
Total Expenditures	\$ 32,726,887	\$ 29,295,065	\$ 3,431,822
Excess of Revenues Over Expenditures Including Transfers and Other Sources	\$ (3,613,445)	\$ (1,664,654)	\$ (1,948,791)
Other Financing Sources (Uses)			
Proceeds From Long-Term Debt, Net	\$ 425,190	\$ 258,238	\$ 166,952
Sale of Capital Assets	21,811	-	21,811
Transfers In	5,937,714	5,212,165	725,549
Transfers Out	(4,564,121)	(4,874,265)	310,144
Total Other Financing Sources (Uses)	\$ 1,820,594	\$ 596,138	\$ 1,224,456
Net Change in Fund Balances	\$ (1,792,851)	\$ (1,068,516)	\$ (724,335)
Fund Balances - Beginning	7,886,647	8,955,163	(1,068,516)
Prior Year Adjustments	(228,761)	-	(228,761)
Fund Balances - Ending	\$ 5,865,035	\$ 7,886,647	\$ (2,021,612)

Budgeted revenues for 2012 were more than budgeted revenues for 2011 by \$2,207,062 primarily in anticipation of grant funding and changes in licensing and permit fees. Actual 2012 revenues were more than 2011 revenues by \$1,483,031 with changes in grant funding (intergovernmental) and licenses and permits decreasing as anticipated.

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Budgetary Highlights (Continued)

Budgeted expenditures for 2012 were projected to be increased by \$3,574,239 from 2011 budgeted expenditures, primarily, in anticipation of additional capital projects.

<u>Governmental Funds - Actual</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Change</u>	<u>Total % Change</u>
Total Expenditures	\$ 32,726,887	\$ 29,295,065	\$ 3,431,822	11.71%
Less: Appropriation for School Construction (from Bond Proceeds)	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>	0.00%
Total	<u>\$ 32,426,887</u>	<u>\$ 28,995,065</u>	<u>\$ 3,431,822</u>	11.83%

Other financing sources and uses were budgeted providing approximately \$1,820,594 in operating sources as compared to approximately \$4.2 million available from School Warrant Proceeds in 2009.

Continued growth in property tax revenue and the implementation of the ½ cent sales tax in fiscal year 2008 provides the basis for the City's ability to continue to fund routine operating expenses as well as meet debt service requirements.

<u>Property Tax Collections</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Change</u>	<u>Total % Change</u>
City - 7 mill	\$ 1,722,060	\$ 1,736,881	\$ (14,821)	(0.85%)
Schools - 7 mill	-	1,737,074	(1,737,074)	(100.00%)
Hospital - 3.5 mill (Reverts to City in 2011)	<u>852,739</u>	<u>873,435</u>	<u>(20,696)</u>	(2.40%)
Total	<u>\$ 2,574,799</u>	<u>\$ 4,347,390</u>	<u>\$ (1,772,591)</u>	(40.77%)

<u>Sales Tax Collections</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Change</u>	<u>Total % Change</u>
October	\$ 1,121,568	\$ 1,116,589	\$ 4,979	0.45%
November	1,160,640	1,106,068	54,572	4.93%
December	1,162,594	1,134,374	28,220	2.49%
January	1,364,532	1,385,640	(21,108)	(1.52%)

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Budgetary Highlights (Continued)

<u>Sales Tax Collections</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Change</u>	<u>Total % Change</u>
February	1,139,696	1,039,855	99,841	9.60%
March	1,228,986	1,123,975	105,011	9.34%
April	1,383,189	1,230,595	152,594	12.40%
May	1,257,428	1,212,817	44,611	3.68%
June	1,292,836	1,205,038	87,798	7.29%
July	1,304,338	1,203,073	101,265	8.42%
August	1,197,000	1,176,552	20,448	1.74%
September	<u>1,257,256</u>	<u>1,166,071</u>	<u>91,185</u>	7.82%
	<u>\$ 14,870,063</u>	<u>\$ 14,100,647</u>	<u>\$ 769,416</u>	5.46%

As previously discussed, the ½ Cent sales tax provides the basis for debt service payments for the 2009 School Warrants of approximately \$2.32 million. As per agreement, \$550,000 from the Hospital tax will be applied for debt service purposes beginning in 2011 with the balance of the payment to be paid from ½ cent sales tax proceeds. Additional funds are available for City uses.

<u>½ Cent Sales Tax</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Change</u>
October	\$ 191,777	\$ 200,971	\$ (9,194)
November	199,809	198,927	882
December	197,003	185,454	11,549
January	236,798	237,190	(392)
February	201,227	182,795	18,432
March	212,494	200,740	11,754
April	243,134	220,168	22,966
May	222,293	214,851	7,442
June	227,973	215,570	12,403
July	237,093	212,943	24,150
August	208,455	208,622	(167)
September	<u>224,065</u>	<u>199,323</u>	<u>24,742</u>
Total	<u>\$ 2,602,121</u>	<u>\$ 2,477,554</u>	<u>\$ 124,567</u>

In January 2009, the City implemented an increase in the lodging tax rate from 2% to 6%, providing funds for a Tourism office and City tourism-related activities. The lodging tax generated \$405,607 in 2012 (calendar year) with payment to the Tourism office in the amount of \$135,202.

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Budgetary Highlights (Continued)

<u>Lodging Tax Summary</u>	<u>Calendar Year 2012</u>	<u>Calendar Year 2011</u>	<u>Change</u>	<u>2% Tourism</u>
January	\$ 21,781	\$ 23,277	\$ (1,497)	\$ 7,260
February	35,815	33,517	2,298	11,938
March	29,678	46,586	(16,908)	9,893
April	34,490	54,848	(20,359)	11,497
May	33,064	25,292	7,772	11,022
June	39,692	33,877	5,815	13,231
July	38,064	38,021	42	12,688
August	46,057	43,495	2,563	15,352
September	35,488	36,019	(530)	11,829
October	29,461	34,959	(5,498)	9,820
November	32,311	37,182	(4,871)	10,770
December	<u>29,706</u>	<u>22,823</u>	<u>6,884</u>	<u>9,902</u>
Year to Date Total	<u>\$ 405,607</u>	<u>\$ 429,896</u>	<u>\$ (24,289)</u>	<u>\$ 135,202</u>

In terms of projections in future years, the practice is to limit operating expenditures to 95-98% of operating revenues (excluding capital expenditure and capital grants). Any surplus created through growth or budget savings in addition to the City's \$2.8 million operating reserve fund provides for the ability to address capital expenditure needs with excess reserves and budget management.

Appropriations to outside agencies, other than component units of the City are generally budgeted at level funding. The Enterprise City Schools, Enterprise Hospital, and Library Board are considered as component units of the City. The schools receive approximately 30% of a 3 cent sales tax and an additional 7-mill property tax with the City also providing payments for School Warrants issued for the construction of the new schools.

In 2012, the City provided \$4.02 million to agencies providing various city services. The City provides medical insurance to the employees and expenses related to the upkeep of the Library facilities. The City also provides routine maintenance on the Adult Day Care facilities owned by the Enterprise Hospital Board. Consideration for additional funding for the other agencies is given on a case-by-case basis and usually for specific projects.

**City of Enterprise
Enterprise, Alabama
Management's Discussion and Analysis
September 30, 2012**

Budgetary Highlights (Continued)

Enterprise City Schools	\$ 3,459,014
Enterprise City Schools - Construction Funds	300,000
Civil Defense - EMA	91,317
SE Alabama Mental Health	10,000
HRDC	12,000
Shut In Food Program	2,500
Handicap	2,900
Adult Daycare	10,858
Coffee County Arts Alliance	2,500
Army Aviation Museum	2,600
Coffee County Family Services	2,000
Library	<u>126,000</u>
Total Appropriation	<u>\$ 4,021,689</u>

As per our practice, the fiscal year 2012 budget provided for revenue growth not to exceed 3%. Growth was less than 1% for all taxes collected with all revenues, excluding donations, up 2% collectively. Other operating expenditures were projected at approximately 1-1.5% growth and were up 14.4% net of obligations incurred by issuance of the General Obligation Warrants in October 2009, and disbursements of funds held for school construction purposes. This is due to increased capital outlay from grant projects and projects funded with bond proceeds.

Requests for Information

This financial report is designed to provide users with a general overview of financial operations of the City and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as follows between the hours of 7:30 A.M to 4:30 P.M. Monday-Friday (excluding holidays):

Office of the City Clerk/Treasurer
501 South Main Street
P.O. Box 311000
Enterprise, Alabama 36331-1000
Phone 334-347-1211 Extension 2247
E-mail: swhicks@cityofenterprise.net

City of Enterprise
Enterprise, Alabama
Statement of Net Assets
September 30, 2012

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 3,438,920	\$ 953,456	\$ 4,392,376	\$ 8,547,848
Investments	-	-	-	9,402,635
Accounts Receivable	-	594,895	594,895	-
Taxes Receivable	3,646,279	-	3,646,279	-
Other Receivable	290,246	-	290,246	135,491
Due from Other Governments	-	-	-	5,694,060
Prepaid Items	233,149	12,820	245,969	55,312
Internal Balances	(58,433)	58,433	-	-
Inventory	90,532	-	90,532	102,427
Current Restricted Cash	709,632	3,537,512	4,247,144	-
Current Restricted Investments	2,314,170	-	2,314,170	-
Debt Issuance Costs, Net	844,690	634,927	1,479,617	205,248
Unbilled Revenue	-	225,306	225,306	-
Non-Current Restricted Cash and Investments	-	1,461,947	1,461,947	-
Capital Assets, Not Being Depreciated	4,959,785	18,349,181	23,308,966	8,491,139
Capital Assets, Net	51,975,202	19,110,659	71,085,861	121,895,196
TOTAL ASSETS	\$ 68,444,172	\$ 44,939,136	\$ 113,383,308	\$ 154,529,356
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 1,686,777	\$ 1,139,826	\$ 2,826,603	\$ 3,683,959
Customer Deposits	-	51,291	51,291	-
Deferred Revenue	2,471,369	-	2,471,369	4,112,642
Matured Bond Payable	722,736	-	722,736	-
Matured Interest Payable	480,001	-	480,001	-
Other Postemployment Benefit Obligation, Net	3,425,546	284,148	3,709,694	-
Long-Term Liabilities				
Due in One Year	4,079,096	469,207	4,548,303	557,692
Due in More Than One Year	42,397,766	28,886,489	71,284,255	15,743,606
Total Liabilities	\$ 55,263,291	\$ 30,830,961	\$ 86,094,252	\$ 24,097,899
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 38,784,676	\$ 11,669,314	\$ 50,453,990	\$ 113,546,263
Restricted for Inventory	90,532	-	90,532	-
Restricted for Prepaid Items	233,149	-	233,149	-
Restricted for Debt Service	2,525,556	-	2,525,556	326,001
Restricted by Bond Requirements	-	1,461,947	1,461,947	-
Restricted for Capital Projects	402,927	-	402,927	9,955,788
Restricted for Other Purposes	-	-	-	1,091,928
Unrestricted (Deficit)	(28,855,959)	976,914	(27,879,045)	5,511,477
Total Net Assets	\$ 13,180,881	\$ 14,108,175	\$ 27,289,056	\$ 130,431,457
TOTAL LIABILITIES AND NET ASSETS	\$ 68,444,172	\$ 44,939,136	\$ 113,383,308	\$ 154,529,356

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Statement of Activities
For the Year Ended September 30, 2012

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental							
General Government	\$ 3,202,952	\$ 758,552	\$ -	\$ 491,668	\$ (2,002,512)	\$ -	\$ (2,002,512)
Public Safety	7,017,665	435,662	46,313	24,164	(6,506,902)	-	(6,506,902)
Highways and Streets	3,550,239	-	-	11,116	(3,547,149)	-	(3,547,149)
Health and Sanitation	2,496,817	1,287,159	151,817	20,620	(1,037,221)	-	(1,037,221)
Culture and Recreation	2,798,682	351,093	46,072	102,513	(2,294,004)	-	(2,294,004)
Judicial	231,916	226,670	-	-	(5,246)	-	(5,246)
Airport Authority	427,955	410,568	-	2,613,693	2,596,706	-	2,596,706
Engineering	667,713	-	-	-	(667,713)	-	(667,713)
Shop	487,944	-	-	-	(487,944)	-	(487,944)
Education (payments to Board of Education)	3,759,014	-	-	880,000	(3,459,014)	-	(3,459,014)
Economic Development	145,528	1,620	-	-	(143,908)	-	(143,908)
Intergovernmental	347,200	-	-	-	(347,200)	-	(347,200)
Interest and Fiscal Changes	2,032,951	-	-	-	(2,032,951)	-	(2,032,951)
Total Governmental Activities	\$ 27,610,003	\$ 3,451,344	\$ 244,202	\$ 3,565,278	\$ (20,358,084)	\$ -	\$ (20,358,084)
Business-Type							
Water Works Board	\$ 3,465,269	\$ 3,634,623	\$ -	\$ 8,459	\$ -	\$ 140,704	\$ 140,704
Sewer Fund	2,542,784	2,304,857	-	-	-	392,093	392,093
Total Business-Type Activities	\$ 6,008,053	\$ 6,372,480	\$ -	\$ 8,459	\$ -	\$ 572,797	\$ 572,797
Total Primary Government	\$ 33,618,056	\$ 10,654,824	\$ 244,202	\$ 3,573,028	\$ (20,358,084)	\$ 572,797	\$ (19,785,287)
Component Units	\$ 57,983,645	\$ 5,402,596	\$ 37,223,406	\$ 2,008,910	\$ -	\$ -	\$ (13,328,779)
General Revenues							
Taxes							
Sales Tax					\$ 15,063,822	\$ -	\$ 15,063,822
Ad Valorem Tax					2,574,799	-	2,574,799
Gasoline Tax					364,020	-	364,020
Lodging Tax					496,539	-	496,539
Tobacco Tax					14,321	-	14,321
Auto Tag and Motor Vehicle License Tax					101,133	-	101,133
Alcohol Tax					541,132	-	541,132
Cigarette Tax					103,983	-	103,983
Financial Institution Excise Tax					43,009	-	43,009
Business Privilege Tax					52,582	-	52,582
Other Tax					297	-	297
Franchise Fee					1,899,572	-	1,899,572
Fire Protection Fee					291,481	-	291,481
TVA Revenue					115,683	-	115,683
Grants and Contributions Not Restricted to Specific Programs					-	-	-
Gain of Disposition of Capital Assets					-	-	-
Appropriations					-	6,965	6,965
Earnings on Investments					3,556	-	3,556
Insurance Proceeds					96,272	-	96,272
Miscellaneous Revenues					922,402	-	922,402
Transfers					1,273,593	(1,273,593)	-
Total General Revenues and Transfers					\$ 23,346,010	\$ (2,247,056)	\$ 22,108,954
Changes in Net Assets					\$ (2,247,056)	\$ (674,259)	\$ 2,393,607
Net Assets - Beginning					10,362,504	14,745,517	25,112,421
Prior Period Adjustment					(209,549)	32,897	(177,652)
Net Assets - Ending					\$ 10,152,955	\$ 14,818,175	\$ 25,299,666

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Balance Sheet -
Governmental Funds
September 30, 2012

	General	Capital Improvement Fund	Debt Service Fund	Other Governmental Funds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 2,333,467	\$ 239,426	\$ -	\$ 866,027	\$ 3,438,920
Receivables					
Sales Tax	1,156,681	-	-	-	1,156,681
Ad Valorem Tax	2,471,370	-	-	-	2,471,370
Gasoline Tax	-	-	-	18,228	18,228
Other	100,623	151,701	-	37,922	290,246
Due from Other Funds	261	14,297	-	-	14,558
Inventory	90,532	-	-	-	90,532
Restricted Assets					
Cash	95,319	402,927	211,386	-	709,632
Investments	-	-	2,314,170	-	2,314,170
Prepaid Assets	232,395	-	-	754	233,149
TOTAL ASSETS	\$ 6,480,648	\$ 808,351	\$ 2,525,556	\$ 922,931	\$ 10,737,486
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 629,100	\$ 78,568	\$ -	\$ 22,419	\$ 730,087
Accrued Salaries	94,067	-	-	510	94,577
Accrued Expenses	299,781	-	-	909	300,690
Matured Bond Payable	-	-	722,736	-	722,736
Matured Interest Payable	-	-	480,001	-	480,001
Due to Other Funds	62,951	9,780	-	260	72,991
Deferred Revenue	2,471,369	-	-	-	2,471,369
Total Liabilities	\$ 3,557,268	\$ 88,348	\$ 1,202,737	\$ 24,098	\$ 4,872,451
Fund Balance					
Fund Balances					
Nonspendable	\$ 322,927	\$ -	\$ -	\$ 754	\$ 323,681
Restricted	95,319	402,927	1,322,819	-	1,821,065
Assigned	579,422	317,076	-	891,353	1,787,851
Unassigned	1,925,712	-	-	6,726	1,932,438
Total Fund Balance	\$ 2,923,380	\$ 720,003	\$ 1,322,819	\$ 898,833	\$ 5,865,035
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,480,648	\$ 808,351	\$ 2,525,556	\$ 922,931	\$ 10,737,486

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2012

Total fund balances for governmental funds \$ 5,865,035

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,853,768	
Construction in progress		3,106,017	
Buildings and improvements, net of \$5,962,751 accumulated depreciation		12,728,280	
Infrastructure, net of \$42,827,239 accumulated depreciation		33,147,791	
Improvements, other than buildings, net of \$1,018,780 accumulated depreciation		3,060,694	
Equipment, net of \$8,053,721 accumulated depreciation		<u>3,038,437</u>	
Total Capital Assets (See Note 6.)			56,934,987

Debt issuance costs are expenditures of the current period in the governmental funds. The amount paid in an advance refunding of debt equal to the difference between the reacquisition price of the old debt and the net carrying amount of the old debt is treated as an other financing use in the governmental funds. On the statement of net assets these costs are reported as assets and amortized over the term of the obligation. This adjustment includes:

Debt Issuance Costs, Net	\$	844,690	
Original Issue Discount		376,182	
Deferred Amount Paid on Refunding, Net		<u>38,578</u>	
			1,259,450

Premiums on Debt Issued are reported as an other financing source in the governmental funds. In the statement of net assets these amounts are reported as liabilities and amortized over the life of the obligation. (153,063)

Net postemployment benefit obligations applicable to the City's activities is not due and payable in the current period and, accordingly, is not reported as fund liabilities. (3,425,546)

Long-Term debt applicable to the City's governmental activities is not due and payable in the current period and, accordingly, is not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Balances at September 30, 2012 were:

Accrued Interest on Long-Term Debt	\$ (561,423)	
Notes Payable		(1,967,817)	
Bonds Payable		(44,326,038)	
Compensated Absences		(437,223)	
Landfill Costs		<u>(7,481)</u>	
Total Long-Term Liabilities			(47,299,982)

Total Net Assets of Governmental Activities \$ 13,180,881

City of Enterprise
Enterprise, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2012

	General	Capital Improvement Fund	Debt Service Funds	Other Governmental Funds	Totals
REVENUES					
Taxes	\$ 19,002,367	\$ -	\$ -	\$ 613,167	\$ 19,615,534
Licenses and Permits	2,661,961	-	-	-	2,661,961
Intergovernmental	735,048	3,141,077	-	46,072	3,922,197
Charges for Services	1,963,435	-	-	397,833	2,361,268
Fines	198,170	-	-	-	198,170
Interest Income	3,710	-	103	143	3,956
Other Revenue	278,842	-	-	5,448	284,290
Donations	9,500	50,000	-	6,566	66,066
Total Revenues	\$ 24,853,033	\$ 3,191,077	\$ 103	\$ 1,069,229	\$ 29,113,442
EXPENDITURES					
General and Administrative	\$ 1,888,680	\$ 546	\$ -	\$ -	\$ 1,889,226
Fire Department	2,227,078	-	-	15,782	2,242,860
Street Department	1,312,887	-	-	-	1,312,887
Police Department	4,276,856	-	-	17,649	4,294,505
Sanitation Department	1,935,028	-	-	-	1,935,028
Appropriations	4,383,889	-	-	-	4,383,889
Leisure Services	2,082,554	-	-	-	2,082,554
Judicial	228,167	-	-	-	228,167
Non-Departmental	1,153,619	6,474	-	183,971	1,344,064
Capital Outlay	560,978	5,986,653	-	88,708	6,636,339
Engineering	645,565	-	-	-	645,565
City Shop	446,864	-	-	-	446,864
Civic Center	246,693	-	-	-	246,693
Airport Authority	366,364	-	-	-	366,364
Debt Service					
Principal	692,327	-	2,060,000	-	2,752,327
Interest	49,141	-	1,920,414	-	1,969,555
Original Issue Discount	-	-	-	-	-
Debt Issuance Costs	-	-	-	-	-
Total Expenditures	\$ 22,446,690	\$ 5,993,673	\$ 3,980,414	\$ 306,110	\$ 32,726,887
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 2,406,343	\$ (2,802,596)	\$ (3,980,311)	\$ 763,119	\$ (3,613,445)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	\$ 425,190	\$ -	\$ -	\$ -	\$ 425,190
Sale of Capital Assets	21,811	-	-	-	21,811
Operating Transfers In	765,639	1,158,484	4,004,863	8,728	5,937,714
Operating Transfers Out	(4,103,776)	-	-	(460,345)	(4,564,121)
Total Other Financing Sources (Uses)	\$ (2,891,136)	\$ 1,158,484	\$ 4,004,863	\$ (451,617)	\$ 1,820,594
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (484,793)	\$ (1,644,112)	\$ 24,552	\$ 311,502	\$ (1,792,851)
FUND BALANCE - BEGINNING	3,401,613	2,608,164	1,298,267	578,603	7,886,647
Prior Period Adjustment	6,560	(244,049)	-	8,728	(228,761)
FUND BALANCE - ENDING	\$ 2,923,380	\$ 720,003	\$ 1,322,819	\$ 888,833	\$ 5,865,035

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

Net change in *fund balances* -- total governmental funds \$ (1,792,851)

The change in *net assets* reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This adjustment includes:

Capital outlay	\$ 6,636,339	
Depreciation expense	(3,378,303)	
Net book value of disposed assets	<u>(3,519)</u>	3,254,517

Contributions of capital assets are not reported in the governmental fund statements. The capital assets and the related contribution revenue are reported in the government-wide statements. This is the amount of contribution revenue related to capital assets.

171,608

In governmental funds, debt proceeds are considered a source of financing, but in the statement of net assets, the obligations are reported as liabilities and do not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. In governmental funds, payments to refunded debt escrow agents are reported as an other financing use. In the statement of net assets, the portion equal to the net carrying value of debt reduces the liability. The remaining amount equal to the difference in the reacquisition price of the old debt and the net carrying value of the old debt is treated as an asset amortized over the term of the old debt or new debt, whichever is shorter in the statement of net assets. Similarly, debt issuance costs are reported as current expenditures in the governmental funds but are reported as assets and amortized over the term of the obligation in the statement of net assets. Premiums on bonds issued are treated as an other financing source in the governmental funds but are reported as liabilities and amortized over the life of the obligation in the statement of net assets. This adjustment includes:

Debt Proceeds	\$ (425,190)	
Principal Repayments	<u>2,752,327</u>	2,327,137

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These expenses include:

Compensated Absences	\$ (98,051)	
Landfill Post-closure Cost	<u>1,870</u>	(96,181)

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Premiums on debt issued and debt issuance costs are expensed when debt is issued under the modified accrual basis of accounting, rather than deferred and accreted or amortized over the life of the corresponding debt. Under the modified accrual basis of accounting, in an advance refunding of debt, the difference between the reacquisition price of the old debt and the net carrying amount of the old debt is treated as an other financing use, rather than deferred and amortized over the life of the old debt or the new debt, whichever is shorter. This adjustment includes:

Interest	\$ 20,872	
Amortization - Original Issue Discount	(22,036)	
Amortization - Premium on Debt Issued	10,128	
Amortization - Debt Issuance Costs	(54,546)	
Amortization - Amount Paid on Refunding	<u>(9,077)</u>	
		(54,659)

Under the modified accrual basis of accounting used in governmental funds, expenditures for postemployment benefits are recognized when incurred. In the Statement of Activities, however, which is presented on the accrual basis, expenses are reported regardless of whether or not the use of current financial resources is required.

(781,645)

Changes in Net Assets of Governmental Activities

\$ 3,027,926

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Statement of Net Assets -
Proprietary Funds
For the Year Ended September 30, 2012

ASSETS

	Business-Type Activities		
	Water Works Board	Sewer Fund	Totals
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 155,629	\$ 797,827	\$ 953,456
Accounts Receivable, Net	594,895	-	594,895
Due from Other Funds	-	524,660	524,660
Unbilled Revenue	225,306	-	225,306
Prepaid Items	4,010	8,810	12,820
Restricted Cash and Cash Equivalents	-	3,537,512	3,537,512
Total Current Assets	\$ 979,840	\$ 4,868,809	\$ 5,848,649
NON-CURRENT ASSETS			
Restricted Cash and Cash Equivalents	\$ 1,461,947	\$ -	\$ 1,461,947
Debt Issuance Costs, Net	256,233	378,694	634,927
Capital Assets:			
Depreciable Assets, Net	12,197,378	6,913,281	19,110,659
Nondepreciable Assets	5,552,716	12,796,465	18,349,181
Total Non-Current Assets	\$ 19,468,274	\$ 20,088,440	\$ 39,556,714
TOTAL ASSETS	\$ 20,448,114	\$ 24,957,249	\$ 45,405,363

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts Payable	\$ 633,114	\$ 339,221	\$ 972,335
Accrued Expenses	24,997	11,064	36,061
Accrued Interest	131,430	-	131,430
Due to Other Funds	466,227	-	466,227
Bonds, Notes Payable, Net of Original Issue Discount	469,207	-	469,207
Total Current Liabilities	\$ 1,724,975	\$ 350,285	\$ 2,075,260
NON-CURRENT LIABILITIES			
Compensated Absences	\$ 27,658	\$ -	\$ 27,658
Customer Deposits	51,291	-	51,291
Other Postemployment Benefits Obligation	284,148	-	284,148
Bonds, Notes Payable, Net of Original Issue Discount	12,908,539	15,950,292	28,858,831
Total Non-Current Liabilities	\$ 13,271,636	\$ 15,950,292	\$ 29,221,928
Total Liabilities	\$ 14,996,611	\$ 16,300,577	\$ 31,297,188
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 4,372,348	\$ 7,296,966	\$ 11,669,314
Restricted by Bond Requirements	1,461,947	-	1,461,947
Unrestricted	(382,792)	1,359,706	976,914
Total Net Assets	\$ 5,451,503	\$ 8,656,672	\$ 14,108,175
TOTAL LIABILITIES AND NET ASSETS	\$ 20,448,114	\$ 24,957,249	\$ 45,405,363

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Funds
For the Year Ended September 30, 2012

	Business-Type Activities		
	Water Works Board	Sewer Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 3,638,623	\$ 2,934,857	\$ 6,573,480
Miscellaneous	82,792	-	82,792
Total Operating Revenues	\$ 3,721,415	\$ 2,934,857	\$ 6,656,272
OPERATING EXPENSES			
Advertising	\$ 946	\$ 1,552	\$ 2,498
Amortization	33,990	17,984	51,974
Auditing and Legal	-	4,050	4,050
Bank Charges	8,168	814	8,982
Chemicals	39,749	14,616	54,365
Contractual Services	150,559	76,966	227,525
Depreciation	562,763	475,164	1,037,927
Dues and Subscriptions	1,885	260	2,145
Gas, Oil and Tires	57,923	32,779	90,702
Hospital Insurance	128,257	62,768	191,025
Insurance	120,244	64,161	184,405
Maintenance	65,804	3,724	69,528
Miscellaneous	14,713	1,293	16,006
Office Expenses	111,091	1,489	112,580
Other Postemployment Benefits	84,091	-	84,091
Payroll Taxes	51,889	29,918	81,807
Rents	2,656	29,186	31,842
Repairs	155,354	186,824	342,178
Retirement	66,415	26,502	92,917
Salaries	702,328	401,551	1,103,879
Supplies	-	89,849	89,849
Travel	3,400	2,530	5,930
Telephone and Utilities	596,897	286,755	883,652
Toxicity Testing	-	18,089	18,089
Uniforms	4,182	-	4,182
Water Testing	39,761	2,596	42,357
Total Operating Expenses	\$ 3,003,065	\$ 1,831,420	\$ 4,834,485
OPERATING INCOME	\$ 718,350	\$ 1,103,437	\$ 1,821,787
NON-OPERATING REVENUE (EXPENSES)			
Interest Income	\$ 2,081	\$ 4,884	\$ 6,965
Grants	8,450	-	8,450
Donated Property	36,800	-	36,800
Bond Expense	-	(991)	(991)
Interest Expense	(463,304)	(710,353)	(1,173,657)
Total Non-Operating Revenue (Expenses)	\$ (415,973)	\$ (706,460)	\$ (1,122,433)
INCOME BEFORE CONTRIBUTIONS AND OPERATING TRANSFERS	\$ 302,377	\$ 396,977	\$ 699,354
OPERATING TRANSFERS			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	(125,362)	(1,248,231)	(1,373,593)
Total Operating Transfers	\$ (125,362)	\$ (1,248,231)	\$ (1,373,593)
NET INCOME (LOSS)	\$ 177,015	\$ (851,254)	\$ (674,239)
TOTAL NET ASSETS - BEGINNING	5,274,488	9,475,029	14,749,517
PRIOR PERIOD ADJUSTMENT	-	32,897	32,897
TOTAL NET ASSETS - ENDING	\$ 5,451,503	\$ 8,656,672	\$ 14,108,175

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2012

	Business-Type Activities		
	Water Works Board	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 3,901,778	\$ 2,929,792	\$ 6,831,570
Cash Paid to Suppliers	(872,057)	(515,266)	(1,387,323)
Cash Paid to Employees	(981,156)	(520,739)	(1,501,895)
Net Cash Provided (Used) By Operating Activities	\$ 2,048,565	\$ 1,893,787	\$ 3,942,352
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Grants	\$ 8,450	\$ -	\$ 8,450
Operating Transfers Out	(125,362)	(1,248,231)	(1,373,593)
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ (116,912)	\$ (1,248,231)	\$ (1,365,143)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	\$ (554,906)	\$ (522,830)	\$ (1,077,736)
Interest Paid on Debt	(464,452)	(694,471)	(1,158,923)
Bond Expense	-	(991)	(991)
Restricted Cash Used to Fund Capital Asset Purchases	3,971,129	-	3,971,129
Acquisition of Fixed Assets	(4,975,353)	(8,387,770)	(13,363,123)
Net Cash Provided (Used) By Capital and Related Financing Activities	\$ (2,023,582)	\$ (9,606,062)	\$ (11,629,644)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	\$ 2,081	\$ 4,884	\$ 6,965
Net Cash Provided (Used) By Investing Activities	\$ 2,081	\$ 4,884	\$ 6,965
Net Increase (Decrease) In Cash and Cash Equivalents	\$ (89,848)	\$ (8,955,622)	\$ (9,045,470)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>245,477</u>	<u>13,290,961</u>	<u>13,536,438</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 155,629</u>	<u>\$ 4,335,339</u>	<u>\$ 4,490,968</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUND			
Cash and Cash Equivalents in Current Assets	\$ 155,629	\$ 797,827	\$ 953,456
Restricted Cash and Cash Equivalents in Current Assets	-	3,537,512	3,537,512
TOTAL	<u>\$ 155,629</u>	<u>\$ 4,335,339</u>	<u>\$ 4,490,968</u>

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2012

Reconciliation Of Operating Income To Net Cash
Provided By Operating Activities

	Business-Type Activities		
	Water Works Board	Sewer Fund	Totals
OPERATING INCOME	\$ 718,350	\$ 1,103,437	\$ 1,821,787
ADJUSTMENTS			
Depreciation	562,763	475,164	1,037,927
Amortization	33,990	17,984	51,974
Changes in Assets and Liabilities			
(Increase) Decrease in Receivables and Unbilled Revenue	180,363	-	180,363
Increase (Decrease) in Due from Other Funds	(7,281)	(5,144)	(12,425)
Increase (Decrease) in Prepaid Expense	-	(4,448)	(4,448)
Increase (Decrease) in Accounts Payable	507,762	299,992	807,754
Increase (Decrease) in Accrued Liabilities	(11,605)	6,802	(4,803)
Increase (Decrease) in Other Postemployment Benefits Obligation	64,223	-	64,223
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,048,565	\$ 1,893,787	\$ 3,942,352

City of Enterprise
Enterprise, Alabama
Statement of Fiduciary Net Assets -
Agency Funds
September 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 142,624</u>
TOTAL ASSETS	<u><u>\$ 142,624</u></u>
 LIABILITIES	
Due to Other Governments	\$ 14,528
Due to Individuals	124,348
Due to Other Funds	<u> 3,748</u>
TOTAL LIABILITIES	<u><u>\$ 142,624</u></u>

See accompanying notes to financial statements.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies

City of Enterprise, located in Southeast Alabama, is incorporated under provisions of the State of Alabama. The City has a population of approximately 26,500 and operates under a council-mayor form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, recreation, planning and zoning, airport operations, and other general administrative services.

In addition, the City provides water and sewer service to all citizens residing inside the City limits. The City also provides water to a limited area of customers who reside outside of the City limits.

The City's financial statements are prepared in accordance 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 accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City was incorporated in 1896 and is governed by an elected mayor and five-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, legally separate entities for which the government is considered to be financially accountable.

As defined by Governmental Accounting Standards Board (GASB) Statement 14 "The Financial Reporting Entity" component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

The following component units are so intertwined with the City that they are, in substance, the same as the City and, therefore, are blended and reported as if they were part of the City. Each blended component unit has a September 30 year end.

Enterprise Water Works Board - The Enterprise Water Works Board serves all citizens of the government and is governed by a board consisting of the Mayor, Field Superintendent, Water Office Manager, and three other members appointed by the City Council. The Board is reported as a proprietary fund.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City. Each discretely presented component unit has a September 30 year end.

Enterprise City Board of Education - City of Enterprise is responsible for education within the government's jurisdiction. The members of the Enterprise City Board of Education are appointed by the City Council. The City also makes annual appropriations to the Board and appropriates a percentage of its sales tax specifically for the operations of the Board. The Board is presented as a governmental fund type.

Enterprise Public Library - Also presented as a governmental fund is the Enterprise Public Library. The City appoints the governing body and makes annual appropriations to the Enterprise Public Library. The Enterprise Public Library provides services to the geographic area of the City.

Industrial Development Board of City of Enterprise - The Industrial Development Board strives to bring economic development to the City of Enterprise. The governing body of the Board is appointed by the City Council. The Industrial Development Board is presented as a governmental fund type.

Condensed Financial Statements - The following financial statement presents condensed financial statements of each of the three discretely presented component units.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

City of Enterprise
Component Units
Condensed Statement of Net Assets
For the Year Ended September 30, 2012

	Enterprise City Board of Education	Industrial Development Board	Enterprise Public Library	Totals
ASSETS				
Current Assets	\$ 23,774,760	\$ 151,736	\$ 81,125	\$ 24,007,621
Fixed Assets, Net	129,041,001	744,022	601,312	130,386,335
Receivables	<u>-</u>	<u>135,400</u>	<u>-</u>	<u>135,400</u>
TOTAL ASSETS	<u>\$ 152,815,761</u>	<u>\$ 1,031,158</u>	<u>\$ 682,437</u>	<u>\$ 154,529,356</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Current Liabilities	\$ 4,234,708	\$ -	\$ 6,943	\$ 4,241,651
Deferred Revenue	4,112,642	-	-	4,112,642
Long-Term Debt, Net of Current Maturities	<u>15,743,606</u>	<u>-</u>	<u>-</u>	<u>15,743,606</u>
Total Liabilities	<u>\$ 24,090,956</u>	<u>\$ -</u>	<u>\$ 6,943</u>	<u>\$ 24,097,899</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 112,944,951	\$ -	\$ 601,312	\$ 113,546,263
Restricted For				
Capital Projects	9,955,788	-	-	9,955,788
Debt Service	326,001	-	-	326,001
Other Purposes	1,034,378	-	57,550	1,091,928
Unrestricted	<u>4,463,687</u>	<u>1,031,158</u>	<u>16,632</u>	<u>5,511,477</u>
Total Net Assets	<u>\$ 128,724,805</u>	<u>\$ 1,031,158</u>	<u>\$ 675,494</u>	<u>\$ 130,431,457</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 152,815,761</u>	<u>\$ 1,031,158</u>	<u>\$ 682,437</u>	<u>\$ 154,529,356</u>

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

City of Enterprise
Component Units
Condensed Statement of Activities
For the Year Ended September 30, 2012

	Enterprise City Board of Education	Industrial Development Board	Enterprise Public Library	Totals
EXPENSES	\$ 57,706,074	\$ 2,100	\$ 275,511	\$ 57,983,685
PROGRAM REVENUES				
Charges for Services	5,383,596	1,300	17,700	5,402,596
Operating Grants and Contributions	37,223,406	-	-	37,223,406
Capital Grants and Contributions	<u>2,028,910</u>	<u>-</u>	<u>-</u>	<u>2,028,910</u>
Net Program Revenues (Expenses)	\$ (13,070,162)	\$ (800)	\$ (257,811)	\$ (13,328,773)
GENERAL REVENUES				
Ad Valorem Tax	\$ 4,338,942	\$ -	\$ -	\$ 4,338,942
Sales Tax	6,488,601	-	-	6,488,601
Other Tax	34,450	-	-	34,450
Grants and Contributions Not Restricted to Specific Programs	1,365,562	-	-	1,365,562
Earnings on Investments	18,490	283	301	19,074
Miscellaneous Revenues	1,385,027	-	50,488	1,435,515
Gain on Disposition of Capital Assets	141,827	-	-	141,827
Appropriations	<u>-</u>	<u>-</u>	<u>170,349</u>	<u>170,349</u>
Total General Revenues	\$ <u>13,772,899</u>	\$ <u>283</u>	\$ <u>221,138</u>	\$ <u>13,994,320</u>
CHANGES IN NET ASSETS	\$ 702,737	\$ (517)	\$ (36,673)	\$ 665,547
NET ASSETS - BEGINNING	<u>128,022,068</u>	<u>1,031,675</u>	<u>712,167</u>	<u>129,765,910</u>
NET ASSETS - ENDING	\$ <u>128,724,805</u>	\$ <u>1,031,158</u>	\$ <u>675,494</u>	\$ <u>130,431,457</u>

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices as follows:

Enterprise City Board of Education
P.O. Box 311790
Enterprise, Alabama 36331

Enterprise Public Library
101 E. Grubbs Street
Enterprise, Alabama 36330

Industrial Development Board of City of Enterprise
c/o Jonathan Tullos
Economic Development Corporation
102 Commerce Drive
Enterprise, Alabama 36330

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation (Continued)

Government-Wide Financial Statements - In the Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants and contributions.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation (Continued)

Fund Financial Statements - Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented using the current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement of focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The following fund types are used by the City:

Governmental Funds

Governmental funds are those through which most governments typically are financed. The following is a description of the governmental funds of the City:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds

The City's Fiduciary Fund (which has been narrowed and refined in scope) is presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments and individuals) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, changes in net assets and cash flows. Operating revenues include charges for services. Operating

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary Funds (Continued)

expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise fund and business-type activities. The accounting principles generally accepted in the United States of America applicable are those similar to business in the private sector. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first. The following is a description of the proprietary funds of the City:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Other Governmental Funds and Enterprise Funds are aggregated by category and are summarized into a single column.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The City reports the following governmental funds as major funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major special revenue funds:

The Capital Improvement Fund accounts for all capital projects.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following proprietary funds as major funds:

The Water Works Board enterprise fund accounts for all activities of the City's water utility.

The Sewer enterprise fund accounts for all activities of the City's sewer utility.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Basis of Accounting, Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are reported for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds' statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Government-Wide Financial Statements and Fiduciary Fund: In the statement of net assets and statement of activities, all proprietary funds, and fiduciary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Real and personal property taxes are recognized in the period for which levied, provided the City has an enforceable legal claim to the resources. Grants, shared revenues, and contributions are recognized when all eligibility requirements, imposed by the provider have been met.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Basis of Accounting, Measurement Focus (Continued)

Governmental Fund Financial Statements: The fund financial statements of the General and Special Revenue Funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenues. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures are recorded when the fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are reported only when payment is due. Property taxes, sales taxes, other taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

C. Assets, Liabilities and Net Assets

Deposits and Investments

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

Investments are deposits or other investments with maturity dates greater than three months of the date acquired by the government. Investments are stated at fair value.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets (Continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

In Alabama, City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the non-exchange transactions provision of GASB Statement No. 33, taxes levied in fiscal year 2012 for the 2013 budget year have been recorded as a receivable and deferred revenue.

Federal and other financial assistance due to the City as reimbursement for expenditures made as of September 30 are accrued and reported as revenue in the year the expenditures are made.

Property Tax Calendar

The Coffee County Commission levies property taxes for all jurisdictions including the municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County 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 County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets (Continued)

Property Tax Calendar (Continued)

In accordance with the non-exchange transactions provision of GASB Statement No. 33, taxes levied in fiscal year 2012 in which legal claim for use does not attach until the 2013 fiscal year are recorded as a receivable and a deferred revenue.

Accounts Receivable – Proprietary Fund

Provision for uncollectible charges is charged to revenues in the amount sufficient to maintain the allowance at a level considered adequate to cover current losses. The Enterprise Water Works Board grants credit to customers who use its services, substantially all of whom are local residences or businesses. There were no charges written off as uncollectible during the year ended September 30, 2012. Bad debt expense, related to recording the allowance for uncollectible charges, totaled \$130,655 and is presented as a component of net water sales.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies held for consumption. Reported inventories are equally offset by a nonspendable entity which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond September 30, 2012, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditures/expense in the year in which services are consumed.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets (Continued)

Restricted Assets

Restricted cash and investments for governmental activities consists of funds restricted for capital projects, debt service and disbursement to the City's Board of Education.

Restricted cash for business-type activities consists of investments required to be set aside for future debt service requirements as well as cash accumulated to construct improvements to capital assets. Additionally, restricted cash includes funds set aside for repayment of customer deposits.

Capital Assets

Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 for equipment, \$25,000 for buildings and \$25,000 for City owned infrastructure is met.

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Automobiles and Other Vehicles	5 - 15 years
Buildings	20 - 40 years
Equipment	5 - 20 years
Furniture and Fixtures	5 years
Improvements	7 - 30 years
Infrastructure	25 - 50 years

To the extent the City's capitalization threshold of \$5,000 for equipment and \$25,000 for buildings is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful lives:

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets (Continued)

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Furniture and Equipment	3 - 10 years
Wells, Tanks and Plants	25 - 50 years

All fixed assets that are constructed or purchased are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Capitalization of Interest

In conformity with accounting principles generally accepted in the United States of America, the Water Works Board capitalizes interest cost, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During the year ended September 30, 2012, total interest incurred was \$563,414, of which \$463,304 was charged to expense and \$100,110 was capitalized. Cumulative capitalized interest included in construction in progress at September 30, 2012 totaled approximately \$528,000. At the completion of these projects, capitalized interest will be added to the cost of the projects and depreciated over the estimated useful life of the asset.

Deferred Revenue

Deferred revenues arise in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them. In subsequent

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets (Continued)

Deferred Revenue (Continued)

periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. Deferred revenues in the governmental funds amounted to \$2,471,369 at September 30, 2012. This amount represents ad valorem revenues for which the City did not have legal claim.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financials statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued and premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Expenditures for debt principal, interest, and related costs are reported in the fiscal year payment is made. The balance sheet does not reflect a liability for long-term debt.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets (Continued)

Compensated Absences

The City's employees earn 80 hours of annual leave after the first year of employment has been completed. After the tenth year of service each full-time employee accrues 120 hours of annual leave per year. Upon termination of employment, an employee receives payment of accumulated vacation hours up to certain limits at current wage rates.

Each full-time City employee accrues sick leave at the rate of 8 hours per month. Sick leave may be accumulated up to a maximum of 480 hours. Upon separation from service, all sick leave is cancelled and is not transferable to annual leave, except that full-time employees, in good standing, will upon retirement under the Alabama Retirement System, for the length of service or disability, be paid for accrued sick leave at the time of retirement, not to exceed 480 hours.

Vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Net Assets and Fund Balances

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

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Instead, that portion of the debt is included in the same net assets component as the unspent proceeds.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets (Continued)

Net Assets and Fund Balances (Continued)

Restricted – This component of net assets consists of constraints placed on net assets through external restrictions imposed by creditors (e.g., debt covenants), grantors, contributors, or laws, or regulations of other governments. This component would also include constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. Generally, these net assets represent those financial resources that are available to the City to meet any future obligations that might arise.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the Fund financial statements, fund balance consists of Nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balances are amounts restricted to specific purposes. Committed fund balances are amounts that can only be used for specific purposes as pursuant to official action by City Council prior to the end of the reporting period. Assigned fund balances are amounts the City intends to use for a specific purpose but is neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

As of September 30, 2012, fund balance components other than unassigned fund balances consisted of the following:

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets (Continued)

Net Assets and Fund Balances (Continued)

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 322,927	\$ 95,319	\$ -	\$ 579,422	\$ 1,925,712
Special Revenue Funds	754	402,927	-	1,208,429	6,726
Debt Service Fund	-	1,322,819	-	-	-
Total	<u>\$ 323,681</u>	<u>\$ 1,821,065</u>	<u>\$ -</u>	<u>\$1,787,851</u>	<u>\$ 1,932,438</u>

When restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

Cash Flow Information

For the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Use of Estimates

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 certain assets and liabilities, the disclosures 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.

Advertising

City of Enterprise expenses all advertising costs during the period in which they are incurred. Total advertising costs for the City and the Water Works Board for the year ended September 30, 2012, were \$57,304 and \$946, respectively.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 2 – Stewardship, Compliance and Accountability

Budgets

Each year formal budgets are legally adopted and amended as required by the City Council for the General Fund and Special Revenue Funds. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the City Council.

Budgeted revenue amounts represent the original budget modified by the City Council as a result of authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriation during the year. Formal budgetary integration is employed as a management control device during the year. Budgets are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Excess of Expenditures Over Revenues

For the year ended September 30, 2012, expenditures exceeded appropriations in the General Fund and Capital Improvement special revenue fund by \$484,793 and \$1,644,112, respectively. These overexpenditures were covered by funds on hand at the beginning of the year and transfers from other funds.

For the year ended September 30, 2012, expenditures exceeded appropriations in the Motor Vehicle Tax, the Asset Forfeiture and the Senior Citizens Center special revenue funds by \$37,662, \$12,501 and \$17,393, respectively. These overexpenditures were covered by funds on hand at the beginning of the year.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 3 - Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposits at year-end were entirely covered by federal depository 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. 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 Depository 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. The City has no formal investment policy addressing credit and interest rate risk.

Note 4 - Investments

The City has the following investments not subject to credit risk categorization:

Federated US Treasury Cash Reserve Funds	\$ 957,890
Federated US Treasury Obligation Funds	<u>1,356,280</u>
Total Investments	<u>\$ 2,314,170</u>

These mutual funds invest exclusively in US Treasury money market securities and its market value is equal to cost. For this reason, the City does not have any credit or interest rate risk.

The Enterprise Water Works Board's Restricted Series 2011 Warrant Fund, in the amount of \$421,432, is not subject to credit risk categorization. This fund invests exclusively in U.S. Treasury Obligations, and its market value is equal to cost.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 5 - Interfund Transactions

A summary of interfund receivables and payables at September 30, 2012, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 261	\$ 62,951
Capital Projects Fund	14,297	9,780
Non-major Special Revenue Funds	-	260
Water Works Board	28,068	494,296
Sewer Fund	<u>524,661</u>	<u>-</u>
Total All Funds	<u>\$ 567,287</u>	<u>\$ 567,287</u>

The following interfund transfers are reflected in the fund financial statements at September 30, 2012:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds		
General Fund	\$ 765,639	\$ 4,103,776
Capital Improvement Fund	1,158,484	-
Debt Service Fund	<u>4,004,863</u>	<u>-</u>
Total Major Governmental Funds	<u>\$ 5,928,986</u>	<u>\$ 4,103,776</u>
Non-Major Governmental Funds		
Special Revenue Funds	<u>\$ 8,728</u>	<u>\$ 460,345</u>
Proprietary Funds		
Water Works Board	\$ -	\$ 125,362
Sewer Fund	<u>-</u>	<u>1,248,231</u>
Total Major Proprietary Funds	<u>\$ -</u>	<u>\$ 1,373,593</u>
Total All Funds	<u>\$ 5,937,714</u>	<u>\$ 5,937,714</u>

The interfund transfers are generally made for normal operations of the funds.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 6 - Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2012:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Removals</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities					
Capital Assets, Not Being Depreciated					
Land	\$ 1,758,133	\$ 95,635	\$ -	\$ -	\$ 1,853,768
Construction in Progress	<u>3,450,503</u>	<u>5,384,156</u>	<u>2,626,798</u>	<u>(3,101,844)</u>	<u>3,106,017</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 5,208,636</u>	<u>\$ 5,479,791</u>	<u>\$ 2,626,798</u>	<u>\$ (3,101,844)</u>	<u>\$ 4,959,785</u>
Capital Assets, Being Depreciated					
Buildings	\$ 16,857,548	\$ 253,029	\$ 63,524	\$ 1,643,978	\$ 18,691,031
Infrastructure	71,590,561	271,584	95,699	4,208,584	75,975,030
Improvements, Other than Buildings	3,886,408	2,921,358	-	(2,728,292)	4,079,474
Equipment	<u>10,643,624</u>	<u>508,984</u>	<u>188,672</u>	<u>128,222</u>	<u>11,092,158</u>
Total Capital Assets, Being Depreciated	<u>\$ 102,978,141</u>	<u>\$ 3,954,955</u>	<u>\$ 347,895</u>	<u>\$ 3,252,492</u>	<u>\$ 109,837,693</u>
Less: Accumulated Depreciation					
Buildings	\$ 5,585,216	\$ 408,106	\$ -	\$ (30,571)	\$ 5,962,751
Infrastructure	40,626,345	2,227,562	-	(26,668)	42,827,239
Improvements, Other than Buildings	910,637	132,486	-	(24,343)	1,018,780
Equipment	<u>7,574,530</u>	<u>610,149</u>	<u>185,152</u>	<u>54,194</u>	<u>8,053,721</u>
Total Accumulated Depreciation	<u>\$ 54,696,728</u>	<u>\$ 3,378,303</u>	<u>\$ 185,152</u>	<u>\$ (27,388)</u>	<u>\$ 57,862,491</u>
Net Fixed Assets Being Depreciated	<u>\$ 48,281,413</u>	<u>\$ 576,652</u>	<u>\$ 162,743</u>	<u>\$ 3,279,880</u>	<u>\$ 51,975,202</u>
Totals	<u>\$ 53,490,049</u>	<u>\$ 6,056,443</u>	<u>\$ 2,789,541</u>	<u>\$ 178,036</u>	<u>\$ 56,934,987</u>

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 6 - Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Removals</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-Type Activities					
Water Works Board					
Capital Assets, Not Being Depreciated					
Land	\$ 114,526	\$ -	\$ -	\$ -	\$ 114,526
Construction in Progress	<u>833,387</u>	<u>4,604,803</u>	<u>-</u>	<u>-</u>	<u>5,438,190</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 947,913</u>	<u>\$ 4,604,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,552,716</u>
Capital Assets, Being Depreciated					
Buildings	\$ 47,494	\$ -	\$ -	\$ -	\$ 47,494
Wells, Tanks and Plants	20,694,994	36,800	-	-	20,731,794
Equipment	<u>2,050,663</u>	<u>333,750</u>	<u>-</u>	<u>-</u>	<u>2,384,413</u>
Total Capital Assets, Being Depreciated	<u>\$ 22,793,151</u>	<u>\$ 370,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,163,701</u>
Less: Accumulated Depreciation					
Buildings	\$ 27,653	\$ 809	\$ -	\$ -	\$ 28,462
Wells, Tanks and Plants	9,040,083	432,391	-	-	9,472,474
Equipment	<u>1,335,824</u>	<u>129,563</u>	<u>-</u>	<u>-</u>	<u>1,465,387</u>
Total Accumulated Depreciation	<u>\$ 10,403,560</u>	<u>\$ 562,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,966,323</u>
Net Fixed Assets Being Depreciated	<u>\$ 12,389,591</u>	<u>\$ (192,213)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,197,378</u>
Totals	<u>\$ 13,337,504</u>	<u>\$ 4,412,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,750,094</u>

At September 30, 2012, the Board had several uncompleted construction contracts in progress, all of which were related to the construction of a new elevated water tank and other water system improvements. The remaining commitment on these construction projects, which are currently expected to be completed in fiscal year 2013, totaled approximately \$459,000.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 6 - Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Removals</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-Type Activities					
Sewer Fund					
Capital Assets, Not Being Depreciated					
Land	\$ 265,930	\$ -	\$ -	\$ -	\$ 265,930
Construction in Progress	<u>4,242,187</u>	<u>8,288,348</u>	<u>-</u>	<u>-</u>	<u>12,530,535</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 4,508,117</u>	<u>\$ 8,288,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,796,465</u>
Capital Assets, Being Depreciated					
Buildings	\$ 627,265	\$ -	\$ -	\$ -	\$ 627,265
Wells, Tanks and Plants	12,027,176	-	-	16,500	12,043,676
Improvements, Other than Buildings	676,169	-	-	-	676,169
Equipment	<u>879,847</u>	<u>99,422</u>	<u>8,700</u>	<u>-</u>	<u>970,569</u>
Total Capital Assets, Being Depreciated	<u>\$ 14,210,457</u>	<u>\$ 99,422</u>	<u>\$ 8,700</u>	<u>\$ 16,500</u>	<u>\$ 14,317,679</u>
Less: Accumulated Depreciation					
Buildings	\$ 19,641	\$ 4,895	\$ -	\$ -	\$ 24,536
Improvements, Other than Buildings	6,212,487	375,802	-	(13,326)	6,574,963
Wells, Tanks and Plants	137,488	27,047	-	-	164,535
Equipment	<u>580,354</u>	<u>67,419</u>	<u>8,700</u>	<u>1,291</u>	<u>640,364</u>
Total Accumulated Depreciation	<u>\$ 6,949,970</u>	<u>\$ 475,163</u>	<u>\$ 8,700</u>	<u>\$ (12,035)</u>	<u>\$ 7,404,398</u>
Net Fixed Assets Being Depreciated	<u>\$ 7,260,487</u>	<u>\$ (375,741)</u>	<u>\$ -</u>	<u>\$ 28,535</u>	<u>\$ 6,913,281</u>
Totals	<u>\$ 11,768,604</u>	<u>\$ 7,912,607</u>	<u>\$ -</u>	<u>\$ 28,535</u>	<u>\$ 19,709,746</u>

Depreciation Expense was charged to functions/programs of the primary government as follows:

Governmental Activities

Administration	\$ 80,315
Engineering	22,148
City Shop	21,080
Airport	61,591

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 6 - Capital Assets (Continued)

Governmental Activities (Continued)

Police	96,435
Fire	99,462
Judicial	3,751
E-911	30,245
Street	2,321,806
Sanitation	178,385
Parks/Recreation	198,834
Civic Center	253,735
Economic Development/ Incubator	<u>10,516</u>
Total	<u>\$ 3,378,303</u>

Business-Type Activities

Water Works Board	<u>\$ 562,763</u>
Sewer Fund	<u>\$ 475,164</u>

Note 7 - Employee Retirement Plan

Plan Description

The City contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 7 – Employee Retirement Plan (Continued)

Plan Description (Continued)

highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6.

Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the City authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' 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.

Annual Pension Cost

For the year ended September 30, 2012, the City's annual pension cost of \$555,681 was equal to its required and actual contribution. The Enterprise Water Works Board's annual pension cost was \$66,415. The required contributions were determined as part of the September 30, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumption includes (a) 8% investment rate of

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 7 - Employee Retirement Plan (Continued)

Annual Pension Cost (Continued)

return, (b) projected salary increases ranging from 3.75% to 7.25% per year, and (c) no cost of living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of Retirement System of Alabama assets was determined using the five year smoothed market method. The amortization method is the level percent open method. The amount of member contributions made for the year ended September 30, 2012, for the City and the Water Works Board was \$425,165 and \$32,158, respectively. The trend information from the Retirement System of Alabama for the City and Water Works Board is as follows:

City

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
9/30/2009	\$ 514,493	100%	\$ -
9/30/2010	506,777	100%	-
9/30/2011	563,322	100%	-

Water Works Board

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
9/30/2009	\$ 62,601	100%	\$ -
9/30/2010	61,917	100%	-
9/30/2011	76,777	100%	-

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 7 - Employee Retirement Plan (Continued)

Annual Pension Cost (Continued)

City						
Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UALL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b) (1)	(b-a)	(a/b)	(c)	((b-a)/c)
9/30/2011(3)	\$ 16,471,449	\$ 22,668,630	\$ 6,197,181	72.7%	\$ 8,351,947	74.2%
9/30/2011(2,3)	16,471,449	22,751,334	6,279,885	72.4%	8,351,947	75.2%

1. Reflects liability for cost-of-living benefit increases granted on or after October 1, 1978.
2. Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
3. Reflects changes in actuarial assumptions.

*Market Value of Assets as of September 30, 2011: \$14,148,965

Water Works Board

Water Works Board						
Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UALL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b) (1)	(b-a)	(a/b)	(c)	((b-a)/c)
9/30/2011(3)	\$ 1,307,147	\$ 2,201,427	\$ 894,280	59.4%	\$ 655,492	136.4%
9/30/2011(2,3)	1,307,147	2,206,503	899,356	59.2%	655,492	137.2%

1. Reflects liability for cost-of-living benefit increases granted on or after October 1, 1978.
2. Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
3. Reflects changes in actuarial assumptions.

*Market Value of Assets as of September 30, 2011: \$1,101,955

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 8 - Postemployment Benefits

Benefit Provisions

In addition to the pension benefits described in Note 7, pursuant to Act 86-541, Regular Session 1986, employees retiring under the State Retirement System of Alabama on or after January 1, 1987, may continue coverage under the City's group health insurance plan in force at the time of retirement. The current plan is a single-employer defined benefit plan. Benefits are provided through Local Government Health Insurance Programs ("LGHIP") administered by the Alabama State Employees Insurance Board. The City's policy is that the retirees pay an annually determined dollar contribution for medical and dental coverage. The amount varies based on coverage tier and Medicare status of the retiree and spouse. Currently, the retiree pays \$162 per month for individual pre-Medicare coverage and \$92 per month for individual Medicare coverage. Eligibility for coverage will continue as long as the City continues the group health insurance plan and will continue after age 65 with the medical coverage offered as a supplement to Medicare benefits. Expenses for postemployment health care benefits are recognized on a pay-as-you-go basis.

The City also provides group life insurance for employees who retire from active work. The amount of life insurance provided is \$10,000 until age 65. At age 65, the benefits decrease gradually as follows: 35% at age 65, 60% at age 70 and 75% at age 75. Expenses for postemployment life insurance are funded on a pay-as-you-go basis.

Funding Policy

During the year ended September 30, 2012, the City paid \$246,054 for postemployment benefits. The Water Works Board paid \$84,091 for postemployment benefits during this same period. Currently thirty-nine retirees from the City and four retirees from the Water Works Board receive postemployment health care benefits. Forty-eight retirees of the City and six retirees of the Water Works Board currently receive postemployment life insurance benefits. The City and Board contributed \$245,178 and \$19,796, respectively, in premiums for retirees' health insurance with retirees contributing \$79,132 and \$12,942, respectively. The City and Board contributed \$876 and \$72, respectively, in premiums for retirees' life insurance.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 8 - Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's and Board's projected annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's projected net OPEB obligation:

	City	Water Works Board
Annual Required Contribution	\$ 1,077,615	\$ 86,789
Interest on Net OPEB Obligation	105,756	-
Adjustment to Annual Required Contribution	<u>(155,672)</u>	<u>(2,698)</u>
Annual OPEB Cost	\$ 1,027,699	\$ 84,091
Contributions Made and Expected Net Retiree Claims Payments	<u>(246,054)</u>	<u>(19,868)</u>
Increase in Net OPEB Obligation	\$ 781,645	\$ 64,223
Net OPEB Obligation - Beginning of Year	<u>2,643,901</u>	<u>219,925</u>
Net OPEB Obligation - End of Year	<u>\$ 3,425,546</u>	<u>\$ 284,148</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB obligation for 2012 and the preceding two years were as follows:

City

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 1,067,472	14.62%	\$ 1,807,883
9/30/2011	\$ 1,077,615	19.62%	\$ 2,643,901
9/30/2012	\$ 1,027,699	23.94%	\$ 3,425,546

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 8 - Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Water Works Board

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2010	\$ 101,296	23.05%	\$ 161,437
9/30/2011	\$ 84,091	30.45%	\$ 219,925
9/30/2012	\$ 84,091	23.63%	\$ 284,148

Funded Status and Funding Progress

During the year ended September 30, 2009, the City of Enterprise implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement requires the Board to calculate and recognize a net other postemployment benefit obligation (NOPEBO) at September 30, 2009. The pronouncement was implemented prospectively.

The funded status of the plan as of the September 30, 2011 actuarial valuation date was as follows:

	(A) Actuarial Value of Assets	(B) Actuarially Accrued Liability (AAL) Projected Unit Credit	(B-A) Over/(Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(B-A)/C] Over/(Under) Funded AAL as Percentage of Covered Payroll
City	\$ -	\$ 9,910,978	\$ 9,910,978	0.0%	\$ 8,749,846	113.27%
Water Works Board	\$ -	\$ 837,854	\$ 837,854	0.0%	\$ 692,470	120.99%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 8 - Postemployment Benefits (Continued)

Funded Status and Funding Progress (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and the actuarial value of assets.

The data presented in the schedule of funding progress and schedule of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for the plan as of the latest valuation date is as follows:

	<u>City</u>	<u>Water Works Board</u>
Valuation Date	9/30/11	9/30/11
Actuarial Cost Method	Projected Unit Cost	Projected Unit Cost
Amortization Method	Level	Level
Amortization Period	30 Years	30 Years
Asset Valuation Method	Market Value of Assets	Market Value of Assets
<u>Actuarial Assumptions:</u>		
Investment Rate of Return*	4.00%	4.00%
Medical Cost Trend Rate	5.00% Level	5.00% Level
Year of Ultimate Trend Rate	2012	2012
*Includes Inflation at	3.00%	3.00%

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 9 - Long-Term Debt

Changes in the long-term liabilities during the fiscal year ended September 30, 2012, are summarized below:

Governmental Activities

<u>General Obligation</u>	<u>Interest Rate</u>	<u>Balance 10/01/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/12</u>	<u>Due Within One Year</u>
General Obligation Bonds						
Bonds - 2002	3.90-4.60%	\$ 4,720,000	\$ -	\$ 575,000	\$ 4,145,000	\$ 865,000
Bonds - 2004	2.00-5.00%	9,775,000	-	250,000	9,525,000	-
Bonds - 2009	3.00-5.00%	28,835,000	-	1,145,000	27,690,000	1,175,000
Bonds - 2009 - Capital Project Portion	2.50-4.75%	3,056,038	-	90,000	2,966,038	92,264
Notes Payable The Citizens Bank	4.31%	1,938,704	425,190	615,327	1,748,567	1,748,567
Regions Bank	6.50%	<u>296,250</u>	<u>-</u>	<u>77,000</u>	<u>219,250</u>	<u>219,250</u>
Total Bonds and Notes Payable		<u>\$ 48,620,992</u>	<u>\$ 425,190</u>	<u>\$ 2,752,327</u>	<u>\$ 46,293,855</u>	<u>\$ 4,100,081</u>
Adjustments for Deferred Amounts						
On Refunding - 2004 Bonds		\$ (47,655)	\$ -	\$ (9,077)	\$ (38,578)	\$ (9,077)
Original Issue Discount - 2009 Bonds		(336,253)	-	(19,306)	(316,947)	(19,306)
Bond Premium - 2009 Bonds		121,197	-	6,959	114,238	6,959
Bond Premium - 2004 Bonds		41,994	-	3,169	38,825	3,169
Original Issue Discount - 2009 City Bonds		<u>(61,965)</u>	<u>-</u>	<u>(2,730)</u>	<u>(59,235)</u>	<u>(2,730)</u>
Total Adjustments for Deferred Amounts		<u>\$ (282,682)</u>	<u>\$ -</u>	<u>\$ (20,985)</u>	<u>\$ (261,697)</u>	<u>\$ (20,985)</u>

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 9 - Long-Term Debt (Continued)

Governmental Activities (Continued)

<u>General Obligation</u>	<u>Interest Rate</u>	<u>Balance 10/01/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/12</u>	<u>Due Within One Year</u>
Total Bonds and Notes Payable Net of Deferred Amounts		\$ 48,338,310	\$ 425,190	\$ 2,731,342	\$ 46,032,158	\$ 4,079,096
Landfill Post-Closure Compensated Absences	N/A	9,351	-	1,870	7,481	-
Other Post- Employment Benefits	N/A	339,172	98,051	-	437,223	-
	N/A	2,643,901	781,645	-	3,425,546	-
Total		\$ 51,330,734	\$ 1,304,886	\$ 2,733,212	\$ 49,902,408	\$ 4,079,096

General Obligation Bonds

2002 General Obligation Bonds - Principal payments are due annually on October 1 and interest is payable semi-annually at 3.90% to 4.60%. Payments are scheduled as follows:

<u>Maturity Date</u>	<u>Bonds Payable</u>	<u>Interest Rate</u>	<u>Interest Payable</u>		<u>Annual Debt Requirement</u>
			<u>October 1</u>	<u>April 1</u>	
10-01-12	\$ 865,000	4.35%	\$ 92,879	\$ 74,065	\$ 1,031,944
10-01-13	890,000	4.45%	74,065	54,263	1,018,328
10-01-14	930,000	4.50%	54,265	33,338	1,017,603
10-01-15	970,000	4.55%	33,337	11,270	1,014,607
10-01-16	490,000	4.60%	11,270	-	501,270
Totals	\$ 4,145,000		\$ 265,816	\$ 172,936	\$ 4,583,752

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 9 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

2004 General Obligation Bonds - Principal payments were due on October 1, 2005, October 1, 2006, October 1, 2011 and are due annually thereafter on October 1 beginning October 1, 2016. Interest is payable semi-annually at 2.00% to 5.00%. Payments are scheduled as follows:

Maturity Date	Bonds Payable	Interest Rate	Interest Payable		Annual Debt Requirement
			October 1	April 1	
10-01-12	\$ -	3.20%	\$ 211,239	\$ 211,239	\$ 422,478
10-01-13	-	3.20%	211,239	211,238	422,477
10-01-14	-	3.20%	211,238	211,239	422,477
10-01-15	-	3.20%	211,239	211,239	422,478
10-01-16	445,000	3.75%	211,239	202,895	859,134
10-01-17	970,000	3.80%	202,895	184,465	1,357,360
10-01-18	1,005,000	4.00%	184,465	164,365	1,353,830
10-01-19	1,055,000	5.00%	164,365	137,990	1,357,355
10-01-20	1,105,000	4.10%	137,990	115,337	1,358,327
10-01-21	1,150,000	4.25%	115,338	90,900	1,356,238
10-01-22	1,205,000	5.00%	90,900	60,775	1,356,675
10-01-23	1,265,000	5.00%	60,775	29,150	1,354,925
10-01-24	1,325,000	4.40%	29,150	-	1,354,150
Totals	\$ 9,525,000		\$ 2,042,072	\$ 1,830,832	\$ 13,397,904

The net premium on the 2004 General Obligation Bonds was \$63,387 and is amortized using the straight-line method over the life of the bonds. Unamortized premium related to bonds payable as of September 30, 2012 was \$38,825.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 9 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

Unamortized debt issuance costs on the 2004 General Obligation Bonds was \$178,097 as of September 30, 2012. Debt issuance costs are amortized using the straight-line method over the life of the bonds.

Unamortized deferred amount paid on refunding related to the 2004 General Obligation Bonds was \$38,578 as of September 30, 2012. The deferred amount paid on refunding related to these bonds is amortized using the straight-line method over the life of the bonds.

2009 General Obligation School Bonds - During the year ended September 30, 2009 the City issued Series 2009 General Obligation School Bonds for the purpose of constructing a new high school. The City passed a ½ cent sales tax increase during the year ended September 30, 2009 and a referendum was passed to allocate ad valorem taxes beginning in the fiscal year ended September 30, 2010 through September 30, 2016 in the amount of \$550,000. These measures were taken to partially fund the required annual principal and interest bond payments. In addition, the Enterprise City School Board will contribute \$550,000 annually to the City of Enterprise beginning in 2016 and for the remainder of the bond issue to assist in funding the required annual principal and interest bond payments. Principal payments were due annually beginning on February 1, 2010. Interest is payable semi-annually at 2.375% to 5.00%.

Payments are scheduled as follows:

Maturity Date	Bonds Payable	Interest Rate	Interest Payable		Annual Debt Requirement
			August 1	February 1	
2-01-13	\$ 1,175,000	2.375%	\$ 577,553	\$ 563,599	\$ 2,316,152
2-01-14	1,205,000	3.10%	563,599	544,922	2,313,521
2-01-15	1,250,000	3.75%	544,922	521,484	2,316,406
2-01-16	1,300,000	4.20%	521,484	495,484	2,316,968

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 9 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

Maturity Date	Bonds Payable	Interest Rate	Interest Payable		Annual Debt Requirement
			August 1	February 1	
2-01-17	1,350,000	4.00%	495,484	468,484	2,313,968
2-01-18	1,405,000	3.75%	468,484	442,141	2,315,625
2-01-19	1,460,000	4.00%	442,141	412,941	2,315,082
2-01-20	1,520,000	4.00%	412,941	382,541	2,315,482
2-01-21	1,580,000	4.00%	382,541	350,941	2,313,482
2-01-22	1,645,000	4.125%	350,941	317,013	2,312,954
2-01-23	1,720,000	4.25%	317,013	280,463	2,317,476
2-01-24	1,790,000	4.25%	280,463	242,425	2,312,888
2-01-25	1,870,000	4.50%	242,425	200,350	2,312,775
2-01-26	1,960,000	4.50%	200,350	156,250	2,316,600
2-01-27	2,050,000	4.75%	156,250	107,563	2,313,813
2-01-28	2,150,000	4.75%	107,563	56,500	2,314,063
2-01-29	2,260,000	5.00%	56,500	-	2,316,500
Totals	<u>\$ 27,690,000</u>		<u>\$ 6,120,654</u>	<u>\$ 5,543,101</u>	<u>\$ 39,353,755</u>

Debt issuance costs related to the 2009 General Obligation Bonds were \$730,375 and are amortized using the straight-line method over the life of the bonds. Unamortized debt issuance costs on the 2009 General Obligation Bonds were \$599,517 as of September 30, 2012.

The net premium on the 2009 General Obligation Bonds was \$139,173 and is amortized using the straight-line method over the life of the bonds. Unamortized premium related to bonds payable as of September 30, 2012 was \$114,238.

The original issue discount on the 2009 General Obligation Bonds was \$386,128 and is amortized using the straight-line method over the life of the bonds. Unamortized original issue discount related to bonds payable as of September 30, 2012 was \$316,947.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 9 - Long-Term Debt (Continued)

2009 General Obligation Bonds - In October 2009, the City issued Series 2009 General Obligation Warrants in the amount of \$27,770,000. The purpose of the new bond issuance was for capital improvements. The proceeds of the bond issuance, as well as all costs and discounts were split between the City Capital Project Fund, City Sewer Fund and the Enterprise Water Works Board. The City and the Enterprise Water Works Board entered into a funding agreement in relation to the Water Works' portion, whereby the Water Works will transfer a fixed amount to the City's Debt Service Fund to cover a portion of the debt service requirement. The Sewer Fund will cover the remaining required debt service. Debt service payments made by the Sewer Fund will cover the remaining required debt service. Debt service payments made by the Sewer Fund and Water Works on behalf of the Capital Project Fund will be treated as a transfer of funds.

The allocation of the Series 2009 General Obligation Warrants was as follows:

	GO Warrants	Original Issue Discount	Warrant Issuance Cost
2009 Water Works Warrants	\$ 6,811,509	\$ 146,086	\$ 165,423
2009 Sewer Warrants	17,814,717	382,071	432,646
2009 City Warrants	<u>3,143,774</u>	<u>67,425</u>	<u>76,349</u>
Totals	<u>\$ 27,770,000</u>	<u>\$ 595,582</u>	<u>\$ 674,418</u>

2009 City Warrants - Principal payments are due annually on October 1 and interest is due semi-annually on October 1 and April 1. Interest rates vary from 2.5% to 4.75%. Payments are scheduled as follows:

Maturity Date	Bonds Payable	Interest Rate	Interest Payable		Annual Debt Requirement
			October 1	April 1	
10-01-12	\$ 92,264	2.50%	\$ 61,277	\$ 60,124	\$ 213,665
10-01-13	94,528	2.50%	60,124	58,942	213,594
10-01-14	97,358	2.50%	58,942	57,725	214,025
10-01-15	99,623	3.00%	57,725	56,231	213,579

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 9 - Long-Term Debt (Continued)

Maturity Date	Bonds Payable	Interest Rate	Interest Payable		Annual Debt Requirement
			October 1	April 1	
10-01-16	102,453	3.25%	56,231	54,566	213,250
10-01-17	106,415	3.50%	54,566	52,703	213,684
10-01-18	110,377	3.90%	52,703	50,551	213,631
10-01-19	114,906	4.05%	50,551	48,224	213,681
10-01-20	119,434	4.00%	48,224	45,836	213,494
10-01-21	125,094	4.25%	45,836	43,177	214,107
10-01-22	130,189	4.25%	43,177	40,411	213,777
10-01-23	135,849	4.25%	40,411	37,524	213,784
10-01-24	141,509	4.25%	37,524	34,517	213,550
10-01-25	148,302	4.50%	34,517	31,180	213,999
10-01-26	154,528	4.50%	31,180	27,703	213,411
10-01-27	161,887	4.50%	27,703	24,061	213,651
10-01-28	169,245	4.50%	24,061	20,253	213,559
10-01-29	177,170	4.50%	20,253	16,267	213,690
10-01-30	185,660	4.75%	16,267	11,857	213,784
10-01-31	194,151	4.75%	11,857	7,246	213,254
10-01-32	148,868	4.75%	7,246	3,710	159,824
10-01-33	156,228	4.75%	3,710	-	159,938
Totals	<u>\$ 2,966,038</u>		<u>\$ 844,085</u>	<u>\$ 782,808</u>	<u>\$ 4,592,931</u>

Debt issuance costs related to the 2009 City Warrants were \$76,349 and are amortized using the straight-line method over the life of the warrants. Unamortized debt issuance costs on these warrants were \$67,076 as of September 30, 2012.

The original issue discount on the 2009 City Warrants was \$67,425 and is amortized using the straight-line method over the life of the warrants. The unamortized original issue discount on these warrants as of September 30, 2012 was \$59,235.

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 9 - Long-Term Debt (Continued)

The annual debt requirements to retire bonds payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,132,264	\$ 1,851,974	\$ 3,984,238
2014	2,189,528	1,778,392	3,967,920
2015	2,277,358	1,693,151	3,970,509
2016	2,369,623	1,598,009	3,967,632
2017	2,387,453	1,500,169	3,887,622
2018-2022	13,471,226	5,953,104	19,424,330
2023-2027	13,895,377	2,812,445	16,707,822
2028-2032	5,298,113	400,386	5,698,499
2033-2034	305,096	14,667	319,763
Totals	<u>\$ 44,326,038</u>	<u>\$ 17,602,297</u>	<u>\$ 61,928,335</u>

Notes Payable

The Citizens Bank - Uninsured Line of Credit of \$3 million used to finance police cars and equipment. Interest is due quarterly at 1.82% and principal is due at maturity on September 27, 2013. As of September 30, 2012, there was \$1,251,434 available for use. \$ 1,748,567

Regions Bank - Loan for construction of airport hangers. Interest is due quarterly at 6.50% and principal is due annually through April 10, 2013. 219,250

Total Notes Payable \$ 1,967,817

The annual debt requirements to retire notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,967,817	\$ 39,564	\$ 2,007,381
Totals	<u>\$ 1,967,817</u>	<u>\$ 39,564</u>	<u>\$ 2,007,381</u>

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 9 - Long-Term Debt (Continued)

Business-Type Activities

Sewer Fund

<u>Debt</u>	<u>Interest Rate</u>	<u>Balance 10/01/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/12</u>	<u>Due Within One Year</u>
2009 General Obligation Bonds - Sewer Portion	2.50-4.75%	\$ 16,807,547	\$ -	\$ 522,830	\$ 16,284,717	\$ -
Original Issue Discount	N/A	(350,307)	-	(15,882)	(334,425)	(15,882)
Totals		<u>\$ 16,457,240</u>	<u>\$ -</u>	<u>\$ 506,948</u>	<u>\$ 15,950,292</u>	<u>\$ (15,882)</u>

The annual requirements to maturity to retire the sewer fund long-term debt as of September 30, 2012, are as follows:

<u>Maturity Date</u>	<u>Bonds Payable</u>	<u>Interest Rate</u>	<u>Interest Payable</u>		<u>Annual Debt Requirement</u>
			<u>October 1</u>	<u>April 1</u>	
10-01-12	\$ -	2.50%	\$ -	\$ 340,700	\$ 340,700
10-01-13	535,660	2.50%	340,700	334,004	1,210,364
10-01-14	551,698	2.50%	334,004	327,108	1,212,810
10-01-15	564,528	3.00%	327,108	318,640	1,210,276
10-01-16	580,566	3.25%	318,640	309,206	1,208,412
10-01-17	603,019	3.50%	309,206	298,653	1,210,878
10-01-18	625,472	3.90%	298,653	286,456	1,210,581
10-01-19	651,132	4.05%	286,456	273,271	1,210,859
10-01-20	676,792	4.00%	273,271	259,735	1,209,798
10-01-21	708,868	4.25%	259,735	244,672	1,213,275
10-01-22	737,736	4.25%	244,672	228,995	1,211,403
10-01-23	769,811	4.25%	228,995	212,636	1,211,442
10-01-24	801,887	4.25%	212,636	195,596	1,210,119
10-01-25	840,377	4.50%	195,596	176,688	1,212,661
10-01-26	875,660	4.50%	176,688	156,985	1,209,333
10-01-27	917,358	4.50%	156,985	136,345	1,210,688
10-01-28	959,057	4.50%	136,345	114,766	1,210,168
10-01-29	1,003,962	4.50%	114,766	92,177	1,210,905
10-01-30	1,052,075	4.75%	92,177	67,190	1,211,442

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 9 - Long-Term Debt (Continued)

Business-Type Activities (Continued)

Sewer Fund (Continued)

Maturity Date	Bonds Payable	Interest Rate	Interest Payable		Annual Debt Requirement
			October 1	April 1	
10-01-31	1,100,189	4.75%	67,190	41,061	1,208,440
10-01-32	843,585	4.75%	41,061	21,025	905,671
10-01-33	885,285	4.75%	21,025	-	906,310
Totals	<u>\$ 16,284,717</u>		<u>\$ 4,435,909</u>	<u>\$ 4,435,909</u>	<u>\$ 25,156,535</u>

Debt issuance costs related to the 2009 General Obligation Bonds - Sewer Portion was \$432,646 and is amortized using the straight-line method over the life of the bonds. Unamortized debt issuance costs were \$378,694 as of September 30, 2012.

The original issue discount on the 2009 General Obligation Bonds - Sewer Portion was \$382,071 and is amortized using the straight-line method over the life of the bonds. Unamortized original issue discount was \$334,425 as of September 30, 2012.

Enterprise Water Works Board

The following is a summary of changes in long-term debt during the fiscal year:

Debt	Interest Rate	Balance 10/01/11	Additions	Reductions	Balance 09/30/12	Due Within One Year
2009 General Obligation Bonds-Water Portion	2.50-4.75%	\$ 6,426,415	\$ -	\$ 199,906	\$ 6,226,509	\$ 204,811
2011 General Obligation Bonds-Water	1.50-4.40%	<u>8,010,000</u>	<u>-</u>	<u>355,000</u>	<u>7,655,000</u>	<u>290,000</u>
Total Notes Payable and Bonds		<u>\$ 14,436,415</u>	<u>\$ -</u>	<u>\$ 554,906</u>	<u>\$ 13,881,509</u>	<u>\$ 494,811</u>

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 9 - Long-Term Debt (Continued)

Enterprise Water Works Board (Continued)

<u>Debt</u>	<u>Interest Rate</u>	<u>Balance 10/01/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/12</u>	<u>Due Within One Year</u>
Adjustments for Deferred Amounts:						
Original Issue						
Discount - 2009						
Bonds	N/A	\$ (136,956)	\$ -	\$ 13,771	\$ (123,185)	\$ (6,087)
Bond Premium						
2011 Bonds	N/A	12,426	-	(606)	11,820	606
On Refunding						
2011 Bonds	N/A	(412,521)	-	20,123	(392,398)	(20,123)
Total Adjustment for Deferred Amounts		\$ (537,051)	\$ -	\$ 33,288	\$ (503,763)	\$ (25,604)
Total Notes Payable and Bonds Net of Deferred Amounts		\$ 13,899,364	\$ -	\$ 521,618	\$ 13,377,746	\$ 469,207
Compensated Absences	N/A	\$ 25,907	\$ 1,751	\$ -	\$ 27,658	\$ -
Totals		\$ 13,925,271	\$ 1,751	\$ 521,618	\$ 13,405,404	\$ 469,207

Unamortized original issue discount related to Bonds Payable as of September 30, 2012 was \$123,185. Unamortized bond premium and unamortized deferred amount on refunding related to Bonds Payable were \$11,820 and \$392,398, respectively, as of September 30, 2012.

On July 1, 2011, City of Enterprise issued General Obligation Warrants Series 2011 in the amount of \$8,010,000. The purpose of the bond issuance was to provide funds to refund the outstanding Water Revenue Bonds, Series 2001 of the Enterprise Water Works Board and to pay the costs of issuing the Series 2011 Warrants. On July 1, 2011, the Enterprise Water Works Board and City of Enterprise entered into a funding agreement in relation to the Series 2011 Warrants.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 9 - Long-Term Debt (Continued)

Enterprise Water Works Board (Continued)

The proceeds of the Series 2011 issue provided resources (to be invested in direct obligations of the United States of America) that were placed in an escrow account for the purpose of future debt service payments of the Series 2001 Water Revenue Bonds. The funds in escrow were to pay the principal of and interest on the refunded bonds until and on October 1, 2011 and to pay the redemption price on October 1, 2011, on those of the refunded bonds that had stated maturities in 2012 and thereafter. As a result, the refunded bonds are considered defeased and the liability has been removed from the Board's statement of net assets.

The refunding was undertaken to reduce future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$412,521 which is the deferred amount on refunding. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The transaction also resulted in an economic gain of \$576,413 and a reduction of \$1,747,912 in future debt service payments.

Annual requirements to maturity to retire Enterprise Water Works Board long-term debt as of September 30, 2012 are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2013	\$ 494,811	\$ 517,936	\$ 1,012,747
2014	505,943	506,889	1,012,832
2015	515,849	495,064	1,010,913
2016	531,981	482,894	1,014,875
2017	540,566	469,672	1,010,238
2018-2022	2,975,000	2,082,772	5,057,772
2023-2027	3,612,831	1,442,042	5,054,873
2028-2032	4,366,037	577,690	4,943,727
2033-2034	<u>338,491</u>	<u>8,039</u>	<u>346,530</u>
Total	\$ <u>13,881,509</u>	\$ <u>6,582,998</u>	\$ <u>20,464,507</u>

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 10 – Utility Revenues Pledged

In funding agreements dated October 1, 2009 and July 1, 2011 between the City of Enterprise and Enterprise Water Works Board, in relation to the Series 2009 and Series 2011 General Obligation Warrants of the City of Enterprise, respectively, the Board has pledged the revenues to be derived from the operation of the Water System remaining after the payment of operating expenses and Board debt service, but solely to the extent of the funding agreement obligations. These pledges of the net sytem revenues are subject and subordinate to any pledge of net system revenues for the benefit of any Board debt service with respect to debt obligations outstanding on the date of delivery of the funding agreements and with the consent of the City of Enterprise, debt obligations of the Board issued or incurred after the date of the funding agreements.

Note 11 – Post – Closure Landfill Costs

State and federal laws and regulations require that City of Enterprise perform certain post-closure maintenance and monitoring functions at the City solid waste landfill site for twenty years after closure. The estimated post-closure expenditure was \$7,481 as of September 30, 2012, which is based on four years of post-closure care remaining. The actual cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 12 – Concentration of Credit Risk

Financial instruments that potentially subject the City to credit risk consist primarily of water, garbage, and sewer receivables.

Note 13 – Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies, effectively transferring any risk of loss.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 14 - Commitments and Contingent Liabilities

Litigation

The following are descriptions of pending or threatened litigation against City of Enterprise at September 30, 2012:

The City is a party to a number of various types of lawsuits, many of which normally recur in governmental operations. The ultimate outcome of the actions is not determinable, however, City officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

Grants

The City participates in a number of federally assisted grant programs. These payments are subject to program compliance audits by the grantors or their representatives and the audits of these programs include the year ended September 30, 2012.

Construction Commitments

In addition to liabilities enumerated in the balance sheet at September 30, 2012, the City has contractual commitments on uncompleted construction contracts of approximately \$5,134,000.

Note 15 - Related Organizations

The following related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments to their governing boards. Audited financial statements are available from the respective organizations.

Enterprise Nursing Home - Provides nursing home services to citizens within the community. The citizens who serve on the Nursing Home Board are appointed by the City Council. The City has no significant influence over the Nursing Home's operations. The Nursing Home reports independently.

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 15 - Related Organizations (Continued)

Enterprise Housing Authority - Administers federal funding and/or other financing for improvement of housing conditions in the City. The citizens who serve on the Housing Authority Board are appointed by the City Council. The City has no significant influence over the management, budget, or policies of Enterprise Housing Authority. The Authority reports independently.

Note 16 - Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASBS No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public assets (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The City does not have any SCAs and therefore the adoption of GASBS No. 60 will not have any impact on the City's financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 16 - Recently Issued Accounting Pronouncements (Continued)

Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASBS No. 62 will not have any impact on the City's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Management is currently evaluating the impact of the adoption of this statement.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. GASBS No. 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement is effective for periods beginning after June 15, 2011. GASBS No. 64 did not have any impact on the City's financial statements.

Note 17 - Prior Period Adjustment

The City has determined that certain transactions were reported incorrectly in a prior year.

Government-Wide Financial Statements

Governmental Activities

Prior period adjustments affected Governmental Activities as follows:

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 17 - Prior Period Adjustment (Continued)

Government-Wide Financial Statements (Continued)

Governmental Activities (Continued)

Capital assets were understated in the prior period. This understatement understated Net Assets as follows:	\$ 18,812
Receivables accrued in prior periods were not reversed in the subsequent periods. This error overstated excess of revenues and other financing sources over (under) expenditures and other financing (uses) of a prior period and overstated Net Assets as follows:	(110,735)
Prepaid insurance was not recorded in the prior year. This error understated Net Assets as follows:	96,893
Fuel inventory was understated in the prior year. This error understated Net Assets as follows:	11,566
Capital outlay was overstated in the prior year. These omissions understated Net Assets as follows:	17,564
Grant receivables were not reversed properly in the prior year. This error overstated excess of revenues and other financing sources over (under) expenditures and other financing (uses) of a prior period and overstated Capital Improvement Fund Fund Balance as follows:	<u>(244,049)</u>
Net Effect on Governmental Activities Net Assets:	<u>\$ (209,949)</u>

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 17 - Prior Period Adjustment (Continued)

Business-Type Activities

Prior period adjustments affected Business-Type Activities as follows:

Prepaid insurance was not recorded in the prior year. This error understated excess of revenues and other financing sources over (under) expenditures and other financing (uses) of a prior period and understated Sewer Fund Net Assets as follows: \$ 4,361

Fixed assets were understated in a prior period. This understated excess of revenues and other financing sources over (under) and other financing (uses) and understated Sewer Fund Net Assets as follows: 28,536

Net Effect on Business-Type Activities: \$ 32,897

Governmental Funds

Prior period adjustments affected General Fund Fund Balance as noted below:

Receivables accrued in prior periods were not reversed in the subsequent periods. This error overstated excess of revenues and other financing sources over (under) expenditures and other financing (uses) of a prior period and overstated General Fund Fund Balance as follows: \$ (110,735)

Prepaid insurance was not recorded in the prior year. This error understated excess of revenues and other financing sources over (under) expenditures and other financing (uses) of a prior period and understated General Fund Fund Balance as follows: 96,893

City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012

Note 17 - Prior Period Adjustment (Continued)

Governmental Funds (Continued)

Fuel inventory was understated in the prior year. This error understated excess of revenues and other financing sources over (under) expenditures and other financing (uses) and understated General Fund Fund Balance as follows: 11,566

Capital outlay was overstated in the prior year. These omissions understated excess of revenues and other financing sources over (under) and other financing (uses) revenue of a prior period and understated General Fund Fund Balance as follows: 8,836

Net Effect on General Fund Fund Balance and Income \$ 6,560

Prior period adjustments affected Capital Improvement Fund Fund Balance as noted below:

Grant receivables were not reversed properly in the prior year. This error overstated excess of revenues and other financing sources over (under) expenditures and other financing (uses) of a prior period and overstated Capital Improvement Fund Fund Balance as follows: \$ (244,049)

Net Effect on Capital Improvement Fund Balance and Income \$ (244,049)

Prior period adjustments affected Other Governmental Funds Fund Balance as noted below:

Capital outlay was understated in the prior year in the Senior Citizens Center Fund. This error caused an understatement of excess of revenues and other financing sources over (under) expenditures and other financing (uses) of a prior period and understated Senior Citizens Center Fund Balance as follows: \$ 8,728

Net Effect on Other Governmental Funds Fund Balance and Income \$ 8,728

**City of Enterprise
Enterprise, Alabama
Notes to Financial Statements
September 30, 2012**

Note 17 - Prior Period Adjustment (Continued)

Proprietary Funds

Prior period adjustments affected Sewer Fund Net Assets as noted below:

Prepaid insurance was not recorded in the prior year. This error understated excess of revenues and other financing sources over (under) expenditures and other financing (uses) of a prior period and understated Sewer Fund Net Assets as follows:

\$ 4,361

Fixed assets were understated in a prior period. This understated excess of revenues and other financing sources over (under) and other financing (uses) and understated Sewer Fund Net Assets as follows:

28,536

Net Effect on Sewer Funds Net Assets and Income:

\$ 32,897

Note 18 - Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the fiscal year end through April 18, 2013, the date the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

City of Enterprise
Enterprise, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Governmental Funds
For the Year Ended September 30, 2012

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$ 18,697,348	\$ 18,697,648	\$ 19,615,534	\$ 917,886
Licenses and Permits	2,784,171	3,034,171	2,661,961	(372,210)
Intergovernmental	4,043,751	4,343,751	3,922,197	(421,554)
Charges for Services	2,458,775	2,458,775	2,361,268	(97,507)
Fines	149,345	149,410	198,170	48,760
Interest Income	9,198	9,198	3,956	(5,242)
Other Revenue	257,044	292,044	284,290	(7,754)
Donations	81,850	81,850	66,066	(15,784)
Total Revenues	\$ 28,481,482	\$ 29,066,847	\$ 29,113,442	\$ 46,595
EXPENDITURES				
General and Administrative	\$ 1,653,877	\$ 1,660,175	\$ 1,889,226	\$ (229,051)
Fire Department	2,212,831	2,219,835	2,242,860	(23,025)
Street Department	1,247,400	1,264,999	1,312,887	(47,888)
Police Department	4,309,129	4,324,420	4,294,505	29,915
Sanitation Department	1,924,528	1,924,751	1,935,028	(10,277)
Appropriation	3,748,488	4,215,210	4,383,889	(168,679)
Leisure Services	1,958,013	2,055,802	2,032,554	23,248
Judicial	257,160	257,459	228,167	29,292
Non-Departmental	1,692,561	1,754,096	1,344,064	410,032
Capital Outlay	7,971,663	9,883,575	6,636,339	3,247,236
Engineering	674,965	685,583	645,565	40,018
City Shop	442,168	444,770	446,864	(2,094)
Civic Center	239,306	239,329	246,693	(7,364)
Airport Authority	409,670	413,194	366,364	46,830
Debt Service				
Principal	3,461,919	3,461,919	2,752,327	709,592
Interest	2,899,309	2,899,309	1,969,555	929,754
Total Expenditures	\$ 35,102,987	\$ 37,704,426	\$ 32,726,887	\$ 4,977,539
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (6,621,505)	\$ (8,637,579)	\$ (3,613,445)	\$ 5,024,134
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	\$ 1,700,280	\$ 1,700,280	\$ 425,190	\$ (1,275,090)
Sale of Capital Assets	100,000	100,000	21,811	(78,189)
Operating Transfers In	6,519,783	7,678,267	5,937,714	(1,740,553)
Operating Transfers Out	(4,329,925)	(4,768,782)	(4,564,121)	204,661
Total Other Financing Sources (Uses)	\$ 3,990,138	\$ 4,709,765	\$ 1,820,594	\$ (2,889,171)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (2,631,367)	\$ (3,927,814)	\$ (1,792,851)	\$ 2,134,963
FUND BALANCE - BEGINNING			7,886,647	
Prior Period Adjustment			(228,761)	
FUND BALANCE - ENDING			\$ 5,865,035	

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Supplementary Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through Alabama Department of Education			
Summer Food Service Program for Children	10.559	636001248	\$ 151,817
Total U.S. Department of Agriculture			\$ 151,817
U.S. Department of Energy			
Passed through Alabama Department of Economic and Community Affairs			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	1ARRA EECBG 53	\$ 241,935
Total U.S. Department of Energy			\$ 241,935
U.S. Department of Health and Human Services			
Passed through Southern Alabama Regional Council on Aging			
Special Program for the Aging Title III, Part B-Grants for Supportive Services and Senior Citizens	93.044	---	\$ 7,920
Special Program for the Aging Title III, Part C-Nutrition Services	93.045	---	3,240
Total U.S. Department of Health and Human Services			\$ 11,160
U.S. Department of the Interior			
Passed through Alabama Department of Economic and Community Affairs			
Outdoor Recreation, Acquisition, Development and Planning	15.916	10 LW 937	\$ 50,000
Total U.S. Department of the Interior			\$ 50,000

See accompanying notes to Schedule of Expenditures of Federal Awards.

City of Enterprise
Enterprise, Alabama
Supplementary Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice			
Passed through Pike County Commission			
Edward Bryne Memorial Justice Assistance Grant Program	16.738	---	\$ 21,987
No Pass-through Organization			
Edward Bryne Memorial Justice Assistance Grant Program	16.738	---	22,950
Bullet Proof Vest Partnership Program	16.607	---	<u>3,218</u>
Total U.S. Department of Justice			<u>\$ 48,155</u>
U.S. Department of Transportation			
Passed through Alabama Department of Transportation			
Highway Planning and Construction	20.205	SRTS-SR11(914)	\$ 11,116
Airport Improvement Program	20.106	3-01-0027-017-2011	<u>2,546,091</u>
Total U.S. Department of Transportation			<u>\$ 2,557,207</u>
Total Federal Expenditures			<u>\$ 3,060,274</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**City of Enterprise
Enterprise, Alabama
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012**

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Enterprise, Alabama under programs of the federal government for the year ended September 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Enterprise, Alabama, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Enterprise, Alabama.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Note C - Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
16.738	Edward Bryne Memorial Justice Assistance Grant Program	\$ 4,417

City of Enterprise
Enterprise, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued	Unqualified
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Internal Control Over Financial Reporting

Material Weakness Identified?	No
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Significant Deficiencies Identified	
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Not Considered to be Material Weaknesses?	None
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Noncompliance Material to Financial

Statements Noted?	No
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Federal Awards

Internal Control Over Major Programs

Material Weakness Identified?	No
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Significant Deficiencies Identified Not	
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Considered to be Material Weaknesses?	None
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Type of Auditors' Report Issued on Compliance

For Major Programs	Unqualified
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Any Audit Findings Disclosed that are

Required to be Reported in Accordance	
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with Circular A-133, Section 510(a)?	No
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See accompanying notes to financial statements.

**City of Enterprise
Enterprise, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012**

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
81.128	ARRA-Energy Efficiency and Conservation Block Grant Program
20.106	Airport Improvement Program

Dollar Threshold Used to Distinguish Between Type A and Type B	\$ 300,000
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Auditees Qualified as Low-Risk Auditee	No
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Section II - Financial Statement Findings

No Matters Reported

Section III - Federal Award Findings and Questioned Costs

No Matters Reported

See accompanying notes to financial statements.

**City of Enterprise
Enterprise, Alabama
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2012**

Summary of Prior Audit Findings

No matters reported in the prior year.

City of Enterprise
Enterprise, Alabama
Schedule of Funding Progress for the Employee Retirement Plan
For the Year Ended September 30, 2012

City of Enterprise

Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b) (1)	(b-a)	(a/b)	(c)	((b-a)/c)
9/30/2006(2)	\$14,752,034	\$16,294,741	\$ 1,542,707	90.5%	\$ 6,888,043	22.4%
9/30/2007	15,750,529	17,315,850	1,565,321	91.0%	7,661,945	20.4%
9/30/2008	16,205,265	18,536,281	2,331,016	87.4%	8,045,951	29.0%
9/30/2009	16,403,711	20,277,757	3,874,046	80.9%	8,009,827	48.4%
9/30/2010(3)	16,443,192	21,851,293	5,408,101	75.3%	8,256,292	65.5%
9/30/2010(3,4)	16,443,192	21,952,334	5,509,142	74.9%	8,256,292	66.7%
9/30/2011(5)	16,471,449	22,668,630	6,197,181	72.7%	8,351,947	74.2%
9/30/2011(4,5)	16,471,449	22,751,334	6,279,885	72.4%	8,351,947	75.2%

1. Reflects liability for cost-of-living benefit increases granted on or after October 1, 1978.
2. Reflects changes in actuarial assumptions.
3. Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
4. Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
5. Reflects changes in actuarial assumptions.

*Market Value of Assets as of September 30, 2011: \$14,148,965

Enterprise Water Works Board

Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b) (1)	(b-a)	(a/b)	(c)	((b-a)/c)
9/30/2006(2)	\$1,544,415	\$1,877,577	\$ 333,162	82.3%	\$ 551,937	60.4%
9/30/2007	1,519,769	1,914,728	394,959	79.4%	602,805	65.5%
9/30/2008	1,484,075	2,002,746	518,671	74.1%	605,449	85.7%
9/30/2009	1,428,540	2,107,392	678,852	67.8%	575,175	118.0%
9/30/2010(3)	1,359,809	2,162,362	802,553	62.9%	663,976	120.9%
9/30/2010(3,4)	1,359,809	2,168,568	808,759	62.7%	663,976	121.8%
9/30/2011(5)	1,307,147	2,201,427	894,280	59.4%	655,492	136.4%
9/30/2011(4,5)	1,307,147	2,206,503	899,356	59.2%	655,492	137.2%

1. Reflects liability for cost-of-living benefit increases granted on or after October 1, 1978.
2. Reflects changes in actuarial assumptions.
3. Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
4. Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
5. Reflects changes in actuarial assumptions.

*Market Value of Assets as of September 30, 2011: \$1,101,955

**City of Enterprise
Enterprise, Alabama
Required Supplementary Information
For the Year Ended September 30, 2012**

Schedule of Funding Progress

City

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarially Accrued Liability (AAL) Projected Unit Credit	(B-A) Over/(Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(B-A)/C] Over (Under) Funded AAL as a Percentage of Covered Payroll
10/1/09	\$ -	\$ N/A	\$ N/A	N/A	\$ N/A	N/A
10/1/10	-	9,910,978	9,910,978	0.0%	8,749,846	113.27%
10/1/11	-	N/A	N/A	N/A	N/A	N/A

Water Works Board

Actuarial Valuation Date	(A) Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	(B-A) Over/(Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
10/1/09	\$ -	\$ N/A	\$ N/A	N/A	\$ N/A	N/A
10/1/10	-	837,854	837,854	0.0%	692,470	120.99%
10/1/11	-	N/A	N/A	N/A	N/A	N/A

City of Enterprise
Enterprise, Alabama
Combining Balance Sheet -
Other Governmental Funds
September 30, 2012

Special Revenue Funds										
	Fire Department Tobacco Tax	Fire Protection	\$.07 State Gasoline Tax	\$.04 & \$.05 State Gasoline Tax	Motor Vehicle Tax	Asset Forfeiture	Emergency Services 911	Senior Citizens Center	Totals	
ASSETS										
Cash	\$ 32,301	\$ 291,343	\$ 17,985	\$ 318,055	\$ 1,134	\$ 9,840	\$ 186,141	\$ 9,228	\$ 866,027	
Receivables	-	-	10,238	7,990	9,292	-	28,630	-	56,150	
Prepaid Assets	-	-	-	-	-	-	754	-	754	
TOTAL ASSETS	\$ 32,301	\$ 291,343	\$ 28,223	\$ 326,045	\$ 10,426	\$ 9,840	\$ 215,525	\$ 9,228	\$ 922,931	
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts Payable	\$ 1,699	-	-	-	-	\$ 45	\$ 18,194	\$ 2,481	\$ 22,419	
Accrued Salaries	-	-	-	-	-	-	510	-	510	
Accrued Expenses	-	-	-	-	-	-	909	-	909	
Due to Other Funds	-	-	-	-	-	-	239	21	260	
TOTAL LIABILITIES	\$ 1,699	-	-	-	-	\$ 45	\$ 19,852	\$ 2,502	\$ 24,098	
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	754	-	754	
Assigned	30,602	291,343	28,223	326,045	10,426	9,795	194,919	-	891,353	
Unassigned	-	-	-	-	-	-	-	6,726	6,726	
TOTAL FUND BALANCES	\$ 30,602	\$ 291,343	\$ 28,223	\$ 326,045	\$ 10,426	\$ 9,795	\$ 195,673	\$ 6,726	\$ 898,833	
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,301	\$ 291,343	\$ 28,223	\$ 326,045	\$ 10,426	\$ 9,840	\$ 215,525	\$ 9,228	\$ 922,931	

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Other Governmental Funds
For the Year Ended September 30, 2012

Special Revenue Funds										
	Fire Department Tobacco Tax	Fire Protection	\$.07 State Gasoline Tax	\$.04 & \$.05 State Gasoline Tax	Motor Vehicle Tax	Asset Forfeiture	Emergency Services 911	Senior Citizens Center	Totals	
REVENUES										
Taxes	\$ 18,321	\$ 291,481	\$ 113,598	\$ 88,634	\$ 101,133	\$ -	\$ -	\$ -	\$ 613,167	\$ -
Intergovernmental	-	-	-	-	-	-	-	46,072	46,072	-
Interest Income	2	111	-	-	30	-	-	-	143	-
Miscellaneous	-	-	-	-	-	5,148	285	15	5,448	-
Charges for Services	-	-	-	-	-	-	397,833	-	397,833	-
Donations	-	-	-	-	-	-	-	6,566	6,566	-
Total Revenues	\$ 18,323	\$ 291,592	\$ 113,598	\$ 88,634	\$ 101,163	\$ 5,148	\$ 398,118	\$ 52,653	\$ 1,069,229	\$ -
EXPENDITURES										
Current										
Non-Departmental	\$ -	\$ -	\$ -	\$ -	\$ 325	\$ -	\$ 162,240	\$ 21,406	\$ 183,971	\$ -
Capital Outlay	-	-	-	45,068	-	-	-	43,640	88,708	-
Fire Department	15,533	249	-	-	-	-	-	-	15,782	-
Police Department	-	-	-	-	-	17,649	-	-	17,649	-
Total Expenditures	\$ 15,533	\$ 249	\$ -	\$ 45,068	\$ 325	\$ 17,649	\$ 162,240	\$ 65,046	\$ 306,110	\$ -
EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	\$ 2,790	\$ 291,343	\$ 113,598	\$ 43,566	\$ 100,838	\$ (12,501)	\$ 235,878	\$ (12,393)	\$ 763,119	\$ -
OTHER FINANCING SOURCES (USES)										
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,728	\$ 8,728	\$ -
Operating Transfers Out	-	-	(104,996)	-	(138,500)	-	(203,121)	(13,728)	(460,345)	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (104,996)	\$ -	\$ (138,500)	\$ -	\$ (203,121)	\$ (5,000)	\$ (451,617)	\$ -
EXCESS OF REVENUES AND OTHER SOURCES (UNDER) OVER EXPENDITURES AND OTHER FINANCING (USES)	\$ 2,790	\$ 291,343	\$ 8,602	\$ 43,566	\$ (37,662)	\$ (12,501)	\$ 32,757	\$ (17,393)	\$ 311,502	\$ -
FUND BALANCE - BEGINNING	27,812	-	19,621	282,479	48,088	22,296	162,916	15,391	578,603	-
Prior Period Adjustment	-	-	-	-	-	-	-	8,728	8,728	-
FUND BALANCE - ENDING	\$ 30,602	\$ 291,343	\$ 28,223	\$ 326,045	\$ 10,426	\$ 9,795	\$ 195,873	\$ 6,726	\$ 898,833	\$ -

See accompanying notes to financial statements.

Schedules

City of Enterprise
Enterprise, Alabama
Schedule of Combined Revenues - All Governmental Fund Types
For the Year Ended September 30, 2012

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
Accident Report	\$ 1,864	\$ -	\$ -	\$ 1,864
Ad Valorem Tax	2,574,799	-	-	2,574,799
Airport Authority	410,568	-	-	410,568
ABC Tax	541,132	-	-	541,132
Asset Forfeiture	-	5,148	-	5,148
Building Permits	40,862	-	-	40,862
Business Privilege Tax	52,582	-	-	52,582
Cigarette Tax	103,983	-	-	103,983
Civic Center	26,920	-	-	26,920
Donations	9,500	50,000	-	59,500
E-911 Revenue	-	398,118	-	398,118
Fair Trial Tax	25,399	-	-	25,399
Fire Protection Fee	-	291,481	-	291,481
Financial Institution Excise Tax	43,009	-	-	43,009
Finger Print Income	237	-	-	237
.04 and .05 Cent Gas Tax	-	88,634	-	88,634
Fire Tobacco Tax	-	18,321	-	18,321
Franchise Fees	1,880,972	-	-	1,880,972
Garbage	1,036,133	-	-	1,036,133
Grant Revenue - Intergovernmental	244,918	2,962,216	-	3,207,134
Grant Revenue - Other	25,000	-	-	25,000
Government Entities Revenue	352,513	-	-	352,513
Housing Authority	21,934	-	-	21,934
Incubator Income	1,620	-	-	1,620
Insurance Proceeds	96,272	-	-	96,272
Interest Income	3,710	143	103	3,956
Landfill	242,680	-	-	242,680
Lodging Tax	438,553	-	-	438,553
Miscellaneous	40,456	-	-	40,456
Mobile Home Registration Fee	297	-	-	297
Motor Vehicle Tax	-	101,133	-	101,133
Municipal Court Fund	6,068	-	-	6,068
.01 Cent Gas Tax	161,788	-	-	161,788
Petroleum Inspection Fees	-	16,154	-	16,154
Police Drug Dog	1	-	-	1
Police Fines	195,203	-	-	195,203
Police Security Income	13,528	-	-	13,528
Privilege License	717,130	-	-	717,130
Recreation Department	317,592	-	-	317,592
Recycling Income	8,346	-	-	8,346
Sales Tax	15,083,822	-	-	15,083,822
Security Alarm Fees	10,560	-	-	10,560
.07 Cent Gasoline Tax	-	97,444	-	97,444
Senior Citizens Center	-	6,581	-	6,581
State Trust Fund	-	224,933	-	224,933
Sundry Receipts	7,399	-	-	7,399
TVA Revenue	115,683	-	-	115,683
Total Revenues	\$ 24,853,033	\$ 4,260,306	\$ 103	\$ 29,113,442

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Schedule of Combined Departmental Expenditures -
All Governmental Fund Types
For the Year Ended September 30, 2012

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
GENERAL AND ADMINISTRATIVE				
Advertising	\$ 36,587	\$ -	\$ -	\$ 36,587
Collection Expense	128,738	-	-	128,738
Computer Maintenance	159,878	-	-	159,878
Contract Services	125,059	-	-	125,059
Dues and Subscriptions	22,706	-	-	22,706
Employment Services	8,015	-	-	8,015
Gas and Oil	5,984	-	-	5,984
Hospital Insurance	130,727	-	-	130,727
Insurance	209,354	-	-	209,354
Miscellaneous Expense	16,808	546	-	17,354
Office Expense and Supplies	49,434	-	-	49,434
Officers Expense	12,000	-	-	12,000
Payroll Taxes	55,615	-	-	55,615
Professional Fees	58,784	-	-	58,784
Rents	9,066	-	-	9,066
Repairs and Maintenance	38,839	-	-	38,839
Retirement	40,629	-	-	40,629
Salaries	742,803	-	-	742,803
School Expense	1,315	-	-	1,315
Telephone Expense	21,255	-	-	21,255
Travel Expense	15,084	-	-	15,084
Total General and Administrative	\$ 1,888,680	\$ 546	\$ -	\$ 1,889,226
FIRE DEPARTMENT				
Building and Grounds	\$ 7,773	\$ -	\$ -	\$ 7,773
Communications Maintenance	149	-	-	149
Concessions	4,555	-	-	4,555
Dues and Subscriptions	4,143	-	-	4,143
Education	8,951	-	-	8,951
Gas and Oil	33,230	-	-	33,230
Hospital Insurance	304,986	-	-	304,986
Insurance	49,981	-	-	49,981
Miscellaneous	3,840	249	-	4,089
Office Supplies	6,878	-	-	6,878
Payroll Taxes	109,039	-	-	109,039
Rents	695	-	-	695
Repairs	55,966	-	-	55,966
Retirement	100,322	-	-	100,322
Salaries	1,497,898	-	-	1,497,898
Supplies	4,792	15,533	-	20,325
Telephone	8,703	-	-	8,703
Travel	1,052	-	-	1,052
Uniforms	9,772	-	-	9,772
Utilities	14,353	-	-	14,353
Total Fire Department	\$ 2,227,078	\$ 15,782	\$ -	\$ 2,242,860

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Schedule of Combined Departmental Expenditures -
All Governmental Fund Types
For the Year Ended September 30, 2012

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
JUDICIAL				
Computer Maintenance	\$ 3,000	\$ -	\$ -	\$ 3,000
Contract Services	27,005	-	-	27,005
Dues and Publications	679	-	-	679
Fees	1,080	-	-	1,080
Hospital Insurance	13,840	-	-	13,840
Indigent Defense Expense	28,052	-	-	28,052
Insurance	658	-	-	658
Office Supplies	5,314	-	-	5,314
Payroll Taxes	9,224	-	-	9,224
Rents	2,544	-	-	2,544
Retirement	5,333	-	-	5,333
Salaries	123,436	-	-	123,436
Telephone	5,565	-	-	5,565
Travel	2,437	-	-	2,437
Total Judicial	\$ 228,167	\$ -	\$ -	\$ 228,167
AIRPORT AUTHORITY				
Aviation Expo Expense	\$ 3,360	\$ -	\$ -	\$ 3,360
Aviation Fuel	250,586	-	-	250,586
Buildings and Grounds	5,541	-	-	5,541
Dues and Publications	1,318	-	-	1,318
Gas and Oil	1,884	-	-	1,884
Hospital Insurance	9,262	-	-	9,262
Insurance	6,596	-	-	6,596
Miscellaneous	4,976	-	-	4,976
Office Expense and Supplies	1,919	-	-	1,919
Payroll Taxes	3,056	-	-	3,056
Rent	3,925	-	-	3,925
Repairs	6,951	-	-	6,951
Retirement	2,802	-	-	2,802
Salaries	39,905	-	-	39,905
Telephone	5,805	-	-	5,805
Utilities	18,478	-	-	18,478
Total Airport Authority	\$ 366,364	\$ -	\$ -	\$ 366,364

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Schedule of Combined Departmental Expenditures -
All Governmental Fund Types
For the Year Ended September 30, 2012

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
STREET DEPARTMENT				
Advertising	\$ 2,648	\$ -	\$ -	\$ 2,648
Buildings and Grounds	3,844	-	-	3,844
Contract Services	2,473	-	-	2,473
Dues and Publications	714	-	-	714
Gas and Oil	97,307	-	-	97,307
Hospital Insurance	145,550	-	-	145,550
Insurance	34,513	-	-	34,513
Miscellaneous	362	-	-	362
Office Supplies	4,374	-	-	4,374
Payroll Taxes	46,084	-	-	46,084
Rents	1,961	-	-	1,961
Repairs	159,549	-	-	159,549
Retirement	42,720	-	-	42,720
Salaries	626,741	-	-	626,741
Supplies	104,032	-	-	104,032
Telephone	22,754	-	-	22,754
Travel	662	-	-	662
Utilities	16,599	-	-	16,599
Total Street Department	\$ 1,312,887	\$ -	\$ -	\$ 1,312,887
CIVIC CENTER				
Advertising	\$ 1,610	\$ -	\$ -	\$ 1,610
Building and Grounds	10,416	-	-	10,416
Contract Services	4,965	-	-	4,965
Hospital Insurance	18,471	-	-	18,471
Insurance	1,951	-	-	1,951
Miscellaneous	1,203	-	-	1,203
Office Supplies	1,192	-	-	1,192
Payroll Taxes	6,902	-	-	6,902
Rent	2,807	-	-	2,807
Repairs	1,464	-	-	1,464
Retirement	6,306	-	-	6,306
Salaries	94,022	-	-	94,022
Supplies	1,669	-	-	1,669
Telephone	25,324	-	-	25,324
Travel	1,270	-	-	1,270
Utilities	67,121	-	-	67,121
Total Civic Center	\$ 246,693	\$ -	\$ -	\$ 246,693

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Schedule of Combined Departmental Expenditures -
All Governmental Fund Types
For the Year Ended September 30, 2012

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
LEISURE SERVICES				
Advertising	\$ 3,642	\$ -	\$ -	\$ 3,642
All-Star Program	30,392	-	-	30,392
Athletic Supplies	67,736	-	-	67,736
Buildings and Grounds	132,330	-	-	132,330
Concessions	74,802	-	-	74,802
Contract Services	14,440	-	-	14,440
Dues and Subscriptions	5,610	-	-	5,610
Employment	4,852	-	-	4,852
Gas and Oil	40,749	-	-	40,749
Hospital Insurance	149,251	-	-	149,251
Insurance	26,242	-	-	26,242
Miscellaneous	97	-	-	97
Office Supplies	7,360	-	-	7,360
Officials	56,147	-	-	56,147
Payroll Taxes	71,278	-	-	71,278
Rent	6,882	-	-	6,882
Repairs	26,305	-	-	26,305
Retirement	50,519	-	-	50,519
Salaries	964,336	-	-	964,336
Special Programs	27,056	-	-	27,056
Supplies	29,284	-	-	29,284
Telephone	39,098	-	-	39,098
Tournament Expense	35,082	-	-	35,082
Travel	3,256	-	-	3,256
Utilities	165,808	-	-	165,808
Total Leisure Services	\$ 2,032,554	\$ -	\$ -	\$ 2,032,554

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Schedule of Combined Departmental Expenditures -
All Governmental Fund Types
For the Year Ended September 30, 2012

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
ENGINEERING				
Advertising	\$ 3,813	\$ -	\$ -	\$ 3,813
Beautification	28,836	-	-	28,836
Building and Grounds	17,272	-	-	17,272
Contract Services	84,682	-	-	84,682
Dues and Subscriptions	1,074	-	-	1,074
Gas and Oil	12,675	-	-	12,675
Insurance	55,050	-	-	55,050
Miscellaneous	7,843	-	-	7,843
Office Supplies	8,778	-	-	8,778
Payroll Taxes	25,661	-	-	25,661
Permits	5,000	-	-	5,000
Rents	2,847	-	-	2,847
Repairs	5,667	-	-	5,667
Retirement	23,680	-	-	23,680
Salaries	343,045	-	-	343,045
School	185	-	-	185
Signs and Maintenance	4,108	-	-	4,108
Telephone	8,589	-	-	8,589
Travel	1,107	-	-	1,107
Utilities	5,653	-	-	5,653
Total Engineering	\$ 645,565	\$ -	\$ -	\$ 645,565
NON-DEPARTMENTAL				
Alcoholic Beverage Expense	\$ 1,578	\$ -	\$ -	\$ 1,578
Bond Expense	8,768	-	-	8,768
Cigarette Stamps	12,161	-	-	12,161
City Hall Utilities	96,276	-	-	96,276
Coffee County Landfill	231,737	-	-	231,737
Drug and Alcohol Abuse	10,306	-	-	10,306
E-911 Expenditures	-	162,240	-	162,240
Economic Development	132,693	-	-	132,693
Election Expense	14,756	-	-	14,756
Engineering/Review	69,306	-	-	69,306
Farmers Market	7,639	-	-	7,639
Incubator Building Expense	42,319	-	-	42,319
Insurance	208,487	-	-	208,487
Miscellaneous	500	325	-	825
Senior Citizens Center	-	21,406	-	21,406
Street Lights	290,951	-	-	290,951
Traffic Lights	26,142	6,474	-	32,616
Total Non-Departmental	\$ 1,153,619	\$ 190,445	\$ -	\$ 1,344,064

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Schedule of Combined Departmental Expenditures -
All Governmental Fund Types
For the Year Ended September 30, 2012

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
POLICE DEPARTMENT				
Advertising	\$ 1,154	\$ -	\$ -	\$ 1,154
Animal Control	24,540	-	-	24,540
Asset Forfeiture	-	17,649	-	17,649
Building and Grounds	3,419	-	-	3,419
BVP Program	4,407	-	-	4,407
Computer Maintenance	768	-	-	768
Computer Supplies	10,182	-	-	10,182
Dues and Subscriptions	8,590	-	-	8,590
Education	14,050	-	-	14,050
Employment	2,606	-	-	2,606
Gas and Oil	186,335	-	-	186,335
Hospital Insurance	495,786	-	-	495,786
Insurance	71,408	-	-	71,408
K-9 Drug Dog	6,433	-	-	6,433
Miscellaneous	4,081	-	-	4,081
Office Supplies	19,820	-	-	19,820
Payroll Taxes	198,289	-	-	198,289
Prisoner Expense	94,580	-	-	94,580
Rents	8,023	-	-	8,023
Repairs	135,029	-	-	135,029
Retirement	173,956	-	-	173,956
Salaries	2,701,934	-	-	2,701,934
Subgrantee Expense	4,417	-	-	4,417
Supplies	22,177	-	-	22,177
Telephone and Utilities	39,365	-	-	39,365
Travel	13,322	-	-	13,322
Uniforms	32,185	-	-	32,185
Total Police Department	\$ 4,276,856	\$ 17,649	\$ -	\$ 4,294,505
SANITATION DEPARTMENT				
Advertising	\$ 4,917	\$ -	\$ -	\$ 4,917
Building and Grounds	2,221	-	-	2,221
Contract Services	36,000	-	-	36,000
Gas and Oil	201,710	-	-	201,710
Hospital Insurance	231,520	-	-	231,520
Insurance	64,812	-	-	64,812
Miscellaneous	822	-	-	822
Miscellaneous Supplies	73,825	-	-	73,825
Mosquito Control	35,860	-	-	35,860
Office Supplies	4,807	-	-	4,807
Payroll Taxes	64,930	-	-	64,930
Recycling Supplies	22,963	-	-	22,963
Repairs	213,978	-	-	213,978
Retirement	62,318	-	-	62,318
Salaries	887,315	-	-	887,315
Telephone	10,788	-	-	10,788
Travel	326	-	-	326
Utilities	15,916	-	-	15,916
Total Sanitation Department	\$ 1,935,028	\$ -	\$ -	\$ 1,935,028

See accompanying notes to financial statements.

City of Enterprise
Enterprise, Alabama
Schedule of Combined Departmental Expenditures -
All Governmental Fund Types
For the Year Ended September 30, 2012

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
CITY SHOP				
Advertising	\$ 1,381	\$ -	\$ -	\$ 1,381
Building Maintenance	13,748	-	-	13,748
Dues and Subscriptions	1,500	-	-	1,500
Gas and Oil	5,255	-	-	5,255
Hospital Insurance	51,814	-	-	51,814
Insurance	9,774	-	-	9,774
Miscellaneous	406	-	-	406
Office Supplies	8,720	-	-	8,720
Payroll Taxes	20,204	-	-	20,204
Rent	1,208	-	-	1,208
Repairs	12,824	-	-	12,824
Retirement	17,940	-	-	17,940
Salaries	275,897	-	-	275,897
Supplies	6,154	-	-	6,154
Travel	253	-	-	253
Telephone	6,818	-	-	6,818
Utilities	12,968	-	-	12,968
Total City Shop	\$ 446,864	\$ -	\$ -	\$ 446,864
APPROPRIATIONS				
Adult Daycare	\$ 10,858	\$ -	\$ -	\$ 10,858
Army Aviation Museum Foundation	2,600	-	-	2,600
Chamber of Commerce	175,542	-	-	175,542
City Schools	3,459,014	-	-	3,459,014
City Schools Construction	300,000	-	-	300,000
Civil Defense	91,317	-	-	91,317
Coffee County Family Services Center	2,000	-	-	2,000
Coffee County Senior Games	300	-	-	300
Coffee County Arts Alliance	2,500	-	-	2,500
H.R.D.C.	12,000	-	-	12,000
Handicapped Program	2,900	-	-	2,900
Library	126,000	-	-	126,000
Library - Health Insurance, Maintenance, Other	31,183	-	-	31,183
Nutrition Center	1,638	-	-	1,638
Shut-in Food Program	2,500	-	-	2,500
Southeast Alabama Mental Health	10,000	-	-	10,000
Summer Food Program	153,537	-	-	153,537
Total Appropriations	\$ 4,383,889	\$ -	\$ -	\$ 4,383,889
CAPITAL OUTLAY	\$ 560,978	\$ 6,075,361	\$ -	\$ 6,636,339
DEBT SERVICE				
Principal	\$ 692,327	\$ -	\$ 2,060,000	\$ 2,752,327
Interest	49,141	-	1,920,414	1,969,555
Total Debt Service	\$ 741,468	\$ -	\$ 3,980,414	\$ 4,721,882
TOTAL EXPENDITURES	\$ 22,446,690	\$ 6,299,783	\$ 3,980,414	\$ 32,726,887

See accompanying notes to financial statements.



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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

Honorable Mayor and
Members of the City Council
City of Enterprise
Enterprise, Alabama

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Enterprise, Alabama, as of and for the year ended September 30, 2012, which collectively comprise the City of Enterprise, Alabama's basic financial statements and have issued our report thereon dated April 18, 2013. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of Enterprise Water Works Board, as described in our report on City of Enterprise, Alabama's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of City of Enterprise, Alabama, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Enterprise, Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Enterprise, Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Enterprise, Alabama's internal control over financial reporting.

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Honorable Mayor and
Members of the City Council
City of Enterprise

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.

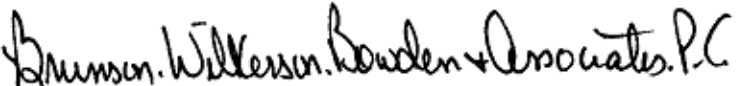
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

April 18, 2013


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



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

Honorable Mayor and
Members of the City Council
City of Enterprise
Enterprise, Alabama

Compliance

We have audited City of Enterprise, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Enterprise, Alabama's major federal programs for the year ended September 30, 2012. City of Enterprise, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Enterprise, Alabama's management. Our responsibility is to express an opinion on City of Enterprise, Alabama's compliance based on our audit.

City of Enterprise, Alabama's basic financial statements include the operations of the Enterprise Water Works Board and the Enterprise City Board of Education, which received \$8,450 and \$6,694,316, respectively in federal awards which are not included in the schedule during the year ended September 30, 2012. Our audit, described below, did not include the operations of Enterprise Water Works Board because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133. Our audit, described below, did not include the operations of Enterprise City Board of Education because the component unit reported in their separately issued financial statements the results of their audit performed in accordance with OMB Circular A-133.

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Honorable Mayor and
Members of the City Council
City of Enterprise

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 City of Enterprise, Alabama'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. Our audit does not provide a legal determination of City of Enterprise, Alabama's compliance with those requirements.

In our opinion, City of Enterprise, Alabama, complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of City of Enterprise, Alabama, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Enterprise, Alabama's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 City of Enterprise, Alabama's internal control over compliance.

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

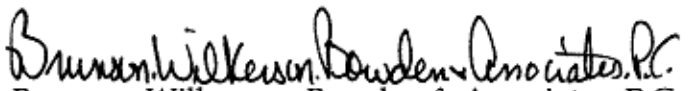
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Honorable Mayor and
Members of the City Council
City of Enterprise

control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

April 18, 2013


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