

City of Enterprise

Financial Statements

For The Year Ended September 30, 2006

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September 30, 2006**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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, each major fund, the aggregate remaining fund information, and the fiduciary fund type of the City of Enterprise, Alabama, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Enterprise's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the blended or discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and discretely presented component units is based solely 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information and the fiduciary fund type of the City of Enterprise, Alabama, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, 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 June 25, 2007 on our consideration of the City of Enterprise'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

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over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.

The management's discussion and analysis information on pages 3 - 31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Enterprise, Alabama's basic financial statements. The combining nonmajor fund financial statements and the schedules of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

Certified Public Accountants

June 25, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006.

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, 2006. This is the fourth year for reporting in accordance with GASB Statement 34. Prior year data generally is included for comparative analysis of government-wide data.

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.

Financial Highlights

The City's governmental activities net assets at September 30, 2006, were \$11,158,108. This represents an increase of \$2,307,867 from September 30, 2005.

Revenues from governmental activities at September 30, 2006, were \$25,076,868. This is \$2,652,466 more than revenues from Governmental Activities at September 30, 2005. Expenditures related to Governmental Activities were \$22,829,001 at September 30, 2006 and \$20,917,572 at September 30, 2005 with a change of \$1,911,429.

At September 30, 2006, the City's governmental funds reported a combined ending fund balance of \$11,620,386, a decrease of \$1,391,811 in comparison with the prior year. Of this amount, \$6,580,396 remains in the various fund types of the City as unreserved, up from September 30, 2005 by \$702,035. Funds reserved for capital improvements were reduced by \$2,302,950.

The General Fund reported a fund balance of \$5,372,020 at September 30, 2006. That is 29% of total general fund expenditures or 31% of its operating expenditures of \$17,322,085 (expenditures less capital outlay). The correlating fund balance at September 31, 2005, was \$4,546,021 representing an increase in the general fund balance of \$825,999. The City's goal is to maintain \$2.8 million in operating fund balance or 15%-20% of the City's operating expenditures.

The City's total long-term liabilities increased \$446,206 from the previous year. The City implemented an equipment financing program with Citizens Bank and financed equipment purchases for various departments in the amount of \$1,286,356.

The City's net capital assets for governmental activities increased \$3,677,361.

In the City's business type activities comprised of the Enterprise Water Works Board, operating revenues exceeded operating expenditures and transfers \$77,825 including depreciation expense of \$621,105.

General fund revenues exceeded general fund expenditures \$504,900.

Sales taxes, which comprise 60% of the City's operating revenues, increased \$802,389 or 7%.

A subsequent event occurred on March 1, 2007 when a tornado struck the City of Enterprise resulting in significant damage to residential sections, Enterprise High School, and Hillcrest Elementary School. See economic factors and fiscal year 2007 on page 28 for a detailed discussion of the economic impact of this event.

Overview of the 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.

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 guarantor for certain financial obligations of the Industrial Development Board. 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 primary government itself. The government-wide financial statements begin on page 32.

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 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 13 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 and capital improvement fund, which are considered to be major funds. Data from the other 11 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. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds – The City maintains two types of proprietary funds: enterprise funds and internal service fund. 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. Internal service funds are an accounting device used to accumulate and allocate costs among various city departments. The City reports its activities to the Public Building Authority of the City of Enterprise, as an internal service fund to account for rents from the occupants of the Enterprise Municipal Government Building and to service the debt of the building. The internal service fund is presented, in total, in the fund financial statements but may be reviewed in the combining statements elsewhere in the report.

Enterprise Funds - At September 30, 2006, the total net assets for Water Works Board amounted to \$4,660,897 as compared to \$4,583,072 as of September 30, 2005. Net asset changes are a result of operations, other non-operating revenues and expenses and capital contributions. Transfers to the General Fund 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.

Internal Service Fund - An Internal Service Fund is designed to recover the internal costs of general services provided to other fund groups. At September 30, 2006, Net Assets in the Internal Service Fund are \$206,953 as compared to \$185,263 at September 30, 2005. Payments are made monthly to the Public Building Authority to pay for rent of office space in City Hall by the City and Water Works Board that, in turn, amortizes the debt on the building at \$42,000 per year. These payments will cease when the City takes ownership of the building when the debt is satisfied in fiscal year 2008. Cash held in the Public Building Authority is due the City at such time.

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 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 are presented on pages 48 to 67 of the report.

Other Information

Combining and individual statements and schedules referred to earlier, which present more detailed views of non-major funds used in governmental and Enterprise activities can be found beginning on page 68.

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 are \$15,819,005 for fiscal year 2006, as compared to \$13,433,313 in fiscal year 2005, an increase of \$2,385,692. Governmental Activities produced an increase in net assets of \$2,307,867 while Business Activities resulted in a \$77,825 increase in Net Assets. This is calculated and shown as follows:

Statement of Net Assets

	Governmental Activities		
	2006	2005	Changes
Assets			
Current and other assets, net of internal balances	\$ 18,259,007	\$ 17,334,889	\$ 924,118
Capital assets, net	20,339,982	16,662,621	3,677,361
Total assets	\$ 38,598,989	\$ 33,997,510	\$ 4,601,479
Liabilities			
Long-term liabilities, outstanding	\$ 20,847,899	\$ 20,270,561	\$ 577,338
Other liabilities	6,592,982	4,876,708	1,716,274
Total liabilities	27,440,881	25,147,269	2,293,612

Net Assets

Invested in capital assets, net of related			
Debt	18,453,626	15,934,702	2,518,924
Restricted	5,206,385	7,351,828	(2,145,443)
Unrestricted	(12,501,903)	(14,436,289)	1,934,386
Total net assets	11,158,108	8,850,241	2,307,867
Total liabilities and net assets	\$ 38,598,989	\$ 33,997,510	\$ 4,601,479

	Business-Type Activities		
	2006	2005	Changes
Assets			
Current and other assets, net of			
internal balances	\$ 2,599,757	\$ 2,373,340	\$ 226,417
Capital assets, net	12,734,003	13,206,437	(472,434)
Total assets	\$ 15,333,760	\$ 15,579,777	\$ (246,017)
Liabilities			
Long-term liabilities, outstanding	\$ 9,537,614	\$ 9,868,585	\$ (330,971)
Other liabilities	1,135,249	1,128,120	7,129
Total liabilities	10,672,863	10,996,705	(323,842)
Net Assets			
Invested in capital assets, net of related			
Debt	12,313,765	12,656,894	(343,129)
Restricted	1,092,314	1,063,823	28,491
Unrestricted	(8,745,182)	(9,137,645)	392,463
Total net assets	4,660,897	4,583,072	77,825
Total liabilities and net assets	\$ 15,333,760	\$ 15,579,777	\$ (246,017)

The largest portion of net assets is investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. Net capital assets net of related debt increased for governmental activities by \$2,518,924 as the results of capital investment into various projects and equipment discussed later in this report and decreased \$343,129 for Business Activities due, primarily, to related depreciation expense. 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. An additional portion of net assets is restricted, or has restrictions 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, 2006, reported positive balances in both governmental and business-type activities net assets.

Governmental Activities

As noted previously, the City's net assets increased \$2,385,692 during fiscal year 2006. Governmental activities reflected an increase in net assets of \$2,307,867. Revenues and sources for FY 2006 from governmental activities exceeded FY 05 revenue and other financing sources by \$2,652,466. The City had strong economic growth in '06 which is best reflected by an \$802,389 or 7% increase in sales tax revenue.

Capital grants and contributions increased \$455,871. \$1,101,026 was received from the State of Alabama Industrial Access Authority for improvements to the infrastructure on Salem Road in the Yancey Parker Industrial Park. Additionally, the City received Community Development Block Grant Funds in the amount of \$321,147 for sewer infrastructure improvements in the Salem Road area. The City also received \$1,286,356 in financing proceeds for equipment purchases.

Expenditures related to governmental activities increased from FY 05 in the amount of \$1,911,429 as the result of expenditures tied to the capital grants & contributions.

	Governmental Activities		
	2006	2005	Changes
Revenues			
Program revenues			
Charges for services	\$ 5,040,761	\$ 4,259,774	\$ 780,987
Operating grants and contributions	195,671	88,745	106,926
Capital grants and contributions	1,558,855	1,102,984	455,871
General revenues			
Property tax	2,749,735	2,570,401	179,334
Sales tax	12,301,774	11,499,385	802,389
Gasoline tax	369,435	361,794	7,641
Franchise tax	1,070,613	1,101,496	(30,883)
Other taxes	1,022,744	940,914	81,830
Other	767,280	498,829	268,451
Total revenues	25,076,868	22,424,322	2,652,546
Expenses			
General government	1,361,121	583,829	777,292
Public safety	5,160,265	5,061,452	98,813
Highways and streets	976,378	1,114,880	(138,502)
Health and sanitation	2,650,971	2,530,446	120,525
Culture and recreation	1,646,533	1,648,458	(1,925)
Judicial	229,599	189,746	39,853
Airport Authority	429,280	343,083	86,197
Engineering	418,082	282,599	135,483
Shop	370,180	323,136	47,044
Intergovernmental	8,670,572	8,036,644	633,928
Interest and fiscal charges	916,020	803,299	112,721
Total expenses	22,829,001	20,917,572	1,911,429

Increase in net assets before transfers	2,247,867	1,506,750	741,117
Transfers in (out)	60,000	100,718	(40,718)
Increase in net assets	2,307,867	1,607,468	700,399
Net assets – beginning	8,850,241	7,242,773	1,607,468
Net assets – ending	\$ 11,158,108	\$ 8,850,241	\$ 2,307,867

Business-Type Activities

Business Activities of the Enterprise Water Works Board reported transfers in the amount of \$60,000 to offset debt service in the City's general obligation warrants related to funds expended on behalf of the Water Board in 1995 and subsequently refunded in the 2000 general obligation warrants. No transfers were made for management oversight, risk management, financial, data processing, and franchising fees. Repairs increased by \$262,237 from the previous year which included water service extension costs resulting from the city's growth. Fees from water extensions offset the additional extension costs. Non-cash expense (depreciation) was reported in the amount of \$621,105.

Revenues increased \$573,221 as the result of the growth in the system from increased water sales as well as extension fees. The acquisition of rural systems combined with the housing growth in the city continues to improve the revenue streams annually. It should be noted that the net assets increased \$77,825.

	Business-Type Activities		
	2006	2005	Changes
Revenues			
Program revenues			
Charges for services	\$ 3,164,501	\$ 2,500,414	\$ 664,087
Other	76,346	167,212	(90,866)
Total revenues	3,240,847	2,667,626	573,221
Expenses			
Interest on long-term debt	448,990	447,857	1,133
Enterprise Water Works Board	2,654,032	2,310,035	343,997
Total expenses	3,103,022	2,757,892	345,130
Increase in net assets before transfers	137,825	(90,266)	228,091
Transfers in (out)	(60,000)	(100,718)	40,718
Increase in net assets	77,825	(190,984)	268,809
Net assets – beginning	4,583,072	4,774,056	(190,984)
Net assets – ending	\$ 4,660,897	\$ 4,583,072	\$ 77,825

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, unreserved fund balance is a particular useful measure of net resources available. As of September 30, 2006, governmental funds had an ending fund balance of \$11,620,386. Included in this balance is \$6,580,396 of unreserved undesignated fund balance available for spending for governmental activities. The City's goal is to maintain \$2.8 million in undesignated fund balance. The Governmental Fund Balance also includes \$3,852,949 in the Capital Improvement Fund which was allocated for various Capital Projects in fiscal years 2005-2008. These funds were proceeds from a FY 2005 General Obligation Warrant issue in December 2004. The Debt Service Fund reserved \$1,140,189 for contractual requirements related to general obligation bonds. Liabilities reported in governmental funds of \$6,591,077 are short-term obligations. Governmental Funds activities resulted in a net reduction of \$1,391,811 in the total fund balances resulting primarily from a change in Reserve for Capital Improvements of \$2,302,950.

	General	Capital Improvement Funds	Other Governmental Funds	Total		Change
				2006	2005	
Assets						
Cash	\$ 5,115,180	\$ 3,734,214	\$ 1,589,114	\$10,438,508	\$11,443,224	\$ (1,004,716)
Receivable-net	4,710,453	970,245	738,821	6,419,519	4,286,980	2,132,539
Inventory	46,852	-	-	46,852	46,775	77
Investments-- restricted	-	-	1,140,189	1,140,189	931,162	209,027
Prepaid assets	166,395	-	-	166,395	166,395	-
Total assets	\$10,038,880	\$ 4,704,459	\$ 3,468,124	\$18,211,463	\$16,874,536	\$ 1,336,927
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 753,800	\$ 851,510	\$ 235,383	\$ 1,840,693	\$ 893,344	\$ 947,349
Accrued expenses	482,408	-	835,299	1,317,707	446,510	871,197
Due to Industrial Development Board	-	-	-	-	200,000	(200,000)
Deferred revenue	3,430,652	-	2,025	3,432,677	2,322,485	1,110,192
Total liabilities	4,666,860	851,510	1,072,707	6,591,077	3,862,339	2,728,738
Fund balances						
Reserved for debt service	-	-	1,140,189	1,140,189	931,162	209,027

	General	Capital Improvement Funds	Other Governmental Funds	Total		Change
				2006	2005	
Reserved for inventory	46,852	-	-	46,852	46,775	77
Reserved for capital improvements	-	3,852,949	-	3,852,949	6,155,899	(2,302,950)
Unreserved	5,325,168	-	-	5,325,168	4,499,246	825,922
Unreserved – Other governmental	-	-	1,255,228	1,255,228	1,379,115	(123,887)
Total fund balances	5,372,020	3,852,949	2,395,417	11,620,386	13,012,197	(1,391,711)
Total liabilities and fund balances	\$10,038,880	\$ 4,704,459	\$ 3,468,124	\$18,211,463	\$16,874,536	\$ (1,336,927)

The General Fund comprises 55% of the City's governmental funds assets with the Capital Improvements Fund comprising 26% of the governmental assets including the proceeds from the December 2004 General Obligation Warrants for current and future capital improvements. Other funds include E-911, Tobacco Tax, Asset Forfeiture, various gas tax funds, Municipal Court, Senior Citizens Center, and the Sewer Fund.

The Sewer Fund was established in FY 2005 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 is as follows:

Beginning January 1, 2005: \$ 5.25
Beginning January 1, 2006: \$ 7.00
Beginning January 1, 2007: \$ 8.75
Beginning January 1, 2008: \$10.50

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

Beginning January 1, 2005: \$.08 per 200 gallons water used minimum \$ 5.25
Beginning January 1, 2006: \$.106 per 200 gallons water used minimum \$ 7.00
Beginning January 1, 2007: \$.134 per 200 gallons water used minimum \$ 8.75
Beginning January 1, 2008: \$.16 per 200 gallons water used minimum \$ 10.50

Revenues projected from the implementation of these rates are as follows:

Sewer Fund	FY 07	FY 08	FY 09	FY 10/Future
Environmental fees	\$ 858,514	\$ 1,072,312	\$ 1,298,062	\$ 1,354,500

At September 30, 2006, unreserved fund balance in General Fund was \$5,325,168. The General Fund balance includes funds made available by economic growth fueled by a 7% growth in revenues, primarily sales taxes, property taxes and budget management. 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 are budgeted at a 3.25%, health insurance is budgeted at a 10% increase, and worker's compensation is budgeted at a 20% increase. The City assumes that all positions are filled in the budgeting process. The City's target General Fund unreserved balance is \$2.8 million. Funds made available after operating expenditures and in excess of the target unreserved balance are available for capital expenditures.

Other than operating and personnel related expenditures, the General Fund departmental expenditures include expenditures for vehicle and equipment purchases funded by financing proceeds from Citizens Bank the related debt service. The City established a \$3 million line of credit (unsecured) for the purpose of upgrading equipment and vehicles in the various City Departments. Interest payments are made quarterly with principal payments made annual on a 3 to 7 year amortization depending on the vehicle or equipment financed. The net result of General fund operations is an increase in the General Fund unreserved fund balance is \$825,922.

Expenditures from the Capital Improvement Fund are funded primarily by the proceeds from general obligation warrants issued in December 2004 in the amount of \$6.6 million. Approximately \$3.3 million was expended from these funds for various projects to include industrial access improvements on Salem Road at Yancey Parker Industrial Park, upgrades to the Northeast Lagoon, new sewer improvements in the Salem Road area, a Wetlands Bridge at the Enterprise Recreational Complex, and the construction of a new youth sports complex at Thornton Field.

	General	Capital Improvement Funds	Other Governmental Funds	Governmental Funds		
				2006	2005	Change
Revenues						
Taxes	\$14,587,726	\$ -	\$ 1,931,788	\$ 16,519,514	\$15,372,494	\$ 1,147,020
Licenses and permits	1,817,075	-	-	1,817,075	1,949,541	(132,466)
Intergovernmental	275,456	1,548,513	50,488	1,874,457	709,350	1,165,107
Charges for services	1,901,393	-	2,007,767	3,909,160	3,126,827	782,333
Fines	156,983	-	-	156,983	193,403	(36,420)
Interest income	169,038	137,967	26,414	333,419	231,891	101,528
Miscellaneous	125,971	203,793	92,991	422,755	831,372	(408,617)
Total revenues	19,033,642	1,890,273	4,109,448	25,033,363	22,414,878	2,618,485
Expenditures						
General and administrative	1,361,007	114	-	1,361,121	1,353,248	7,873
Fire department	1,745,044		23,532	1,768,576	1,637,991	130,585
Street department	954,904	21,446	28	976,378	915,324	61,054
Police department	3,366,470		25,219	3,391,689	3,245,255	146,434
Sanitation department	1,710,491	-	-	1,710,491	1,500,443	210,048

		Capital Improvement Funds	Other Governmental Funds	Governmental Funds		
	General			2006	2005	Change
Appropriations	3,632,235	-	1,649,754	5,281,989	5,130,292	151,697
Leisure services	1,524,696	-	-	1,524,696	1,354,297	170,399
Judicial	229,599	-	-	229,599	189,746	39,853
Non- departmental	1,225,749	83,133	145,248	1,454,130	1,329,500	124,630
Capital outlay/ other	1,206,657	3,963,060	1,039,347	6,209,064	1,846,146	4,362,918
Disposal plant	3	-	654,178	654,181	607,511	46,670
Sewer	184	-	286,115	286,299	257,086	29,213
Engineering	418,082	-	-	418,082	282,599	135,483
City shop	370,180	-	-	370,180	323,136	47,044
Civic center	121,837	-	-	121,837	115,980	5,857
Airport	429,280	-	-	429,280	343,083	86,197
Debt service issuance costs	-	-	-	-	292,730	(292,730)
Principal	127,918	-	540,000	667,918	985,597	(317,679)
Interest	104,406	-	811,614	916,020	642,831	273,189
Total expenditures	18,528,742	4,067,753	5,175,035	27,771,530	22,352,795	5,418,735
Excess of revenues over (under) expenditures	504,900	(2,177,480)	(1,065,587)	(2,738,167)	62,083	(2,800,250)
Other financing sources (uses)						
Operating transfers in	575,371	160,365	1,540,628	2,276,364	9,969,421	(7,693,057)
Operating transfers out	(1,540,628)	(285,835)	(389,901)	(2,216,364)	(9,868,703)	7,652,339
Debt proceeds (net)	1,286,356	-	-	1,286,356	6,796,262	(5,509,906)
Total other financing sources (uses)	321,099	(125,470)	1,150,727	1,346,356	6,896,980	(5,550,624)
Excess revenue & other financing sources (uses)	825,999	(2,302,950)	85,140	(1,391,811)	6,959,063	(8,350,874)
Fund balance – beginning	4,546,021	6,155,899	2,310,277	13,012,197	6,053,134	6,959,063
Fund balance – ending	\$5,372,020	\$ 3,852,949	\$ 2,395,417	\$11,620,386	\$13,012,197	\$(1,391,811)

The net result of total governmental operations is a decrease in the ending fund balance by \$1,391,811 leaving \$11,620,386 available for governmental operations. \$3,852,949 is reserved for Capital Projects. \$5,325,168 less the \$2.8 million reserve target will be set aside for future capital projects and operations. \$1,140,189 is designated for long-term debt service payment in the

current year. The balance of the Governmental Fund reserves is in restricted funds used specifically as dictated by law. Generally, these restricted funds have no bearing on the General Fund and Capital Improvement operations of the City.

As previously stated, governmental fund balances provide information on near term inflows, outflows, and balances of expendable resources. Long-term liabilities, including notes payable and accrued interest, are not due and payable in the current period and are therefore not reported in the governmental funds. Changes in balances at September 30, 2006:

	Fiscal Year 2006	Fiscal Year 2005	Change
Changes in long-term liabilities			
Landfill costs	\$ 18,701	\$ 20,571	\$ (1,870)
Notes payable	1,886,356	718,141	1,168,215
Compensated absences	296,842	291,072	5,770
Capital leases*	-	9,777	(9,777)
Bonds payable	18,646,000	19,231,000	(585,000)
Total long-term liabilities	\$ 20,847,899	\$ 20,270,561	\$ 577,338

As previously discussed, the City financed \$1,286,356 of new equipment and vehicles. The unsecured line of credit is \$3 million at Citizens Bank at a rate of 3.28%. The line expires in September 2007 and will be submitted to local banks for renewal to secure the best rate for continuation of this program. All purchases utilizing this line of credit are approved by the City Council.

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 funds detailing Water Works Board operations, and the Internal Service Fund detailing operations of the Public Building Authority.

Enterprise Funds – At September 30, 2006, Water Works Board operations reported net assets of \$4,660,897. Net assets of the Water Works Board increased by \$77,825 from fiscal year 2005. Cash provided by operating activities is as follows:

Water Works Board	2006
Cash flows from operating activities	\$ 1,007,551
Cash flows from non-capital financing activities	(52,788)
Principal and interest on debt	(761,012)
Acquisition of fixed assets	(148,671)
Interest income	47,318
Net cash provided	\$ 92,398

Fixed Asset acquisitions for the Enterprise Water Works Board included the purchase of a water line from the Coffee County Water Authority; rehabilitation of well #2 on North Main Street; and trucks and equipment. Depreciation expense of \$621,105 resulted in a net decrease of \$472,434 in the net capital assets of the Water Board.

	Water Works Board		
	2006	2005	Change
Capital assets			
Land	\$ 99,356	\$ 99,356	\$ -
Construction in progress	31,608	-	31,608
Buildings and equipment	19,898,638	19,781,575	117,063
Less accumulated depreciation	(7,295,599)	(6,674,494)	(621,105)
Total capital assets	\$ 12,734,003	\$ 13,206,437	\$ (472,434)

Internal Service Fund – Internal Service Funds are designed to recover the internal costs of governmental services provided to the other fund groups. The internal service fund for the City details the operations of the Enterprise Public Building Authority. Net assets for the Public Building Authority increased by \$21,690 with net cash provided by operating activities generated for the City's General Fund and Water Works Fund as rental payments to service the debt on the Enterprise Municipal Government Building (City Hall). Included in the cash balance of \$99,193 is \$52,572 restricted for debt service should the City default on its obligation. The funds will be transferred to the General Fund in 2008 when the debt is satisfied.

	Internal Service Fund		
	2006	2005	Change
Assets			
Cash	\$ 46,621	\$ 54,764	\$ (8,143)
Receivables	351	234	117
Restricted cash	52,572	51,597	975
Net capital assets	262,314	279,423	(17,109)
Total assets	\$ 361,858	\$ 386,018	\$ (24,160)
Liabilities			
Accrued interest	\$ 1,905	\$ 2,755	\$ (850)
Bonds (current)	47,000	45,000	2,000
Due to other funds	52,000	52,000	-
Bonds (long-term)	54,000	101,000	(47,000)
Total liabilities	154,905	200,755	(45,850)
Net assets			
Invested in capital assets, net	154,030	133,422	20,608
Unrestricted	52,923	51,841	1,082
Total net assets	206,953	185,263	21,690
Total liabilities and net assets	\$ 361,858	\$ 386,018	\$ (24,160)

Capital Assets and Debt Administration

Capital Assets – The investment in capital assets for governmental and business-type activities as of September 30, 2006, is \$33,073,985 (net of depreciation). This includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure (acquired in fiscal year 2006 and previous years) and construction in progress, net of depreciation. The accounting for governmental activity capital assets in the Statement of Net Asset and depreciation in the Statement of Activities is a new reporting requirement under GASB Statement 34. In previous years, governmental activity general fixed assets were recorded at cost or fair market value at the time of acquisition in the general fixed asset account group.

Capital Assets	2006	2005	Change
Capital assets-governmental activities			
Land	\$ 1,960,793	\$ 1,960,793	\$ -
Construction in progress	2,152,989	222,831	1,930,158
Buildings and equipment	25,757,027	23,079,654	2,677,373
Less Accumulated Depreciation	(9,530,827)	(8,600,657)	(930,170)
Total capital assets – governmental	\$ 20,339,982	\$ 16,662,621	\$ 3,677,361
Capital assets – business activities			
Land	\$ 99,356	\$ 99,356	\$ -
Construction in progress	31,608	-	31,608
Buildings and equipment	19,898,638	19,781,575	117,063
Less accumulated depreciation	(7,295,599)	(6,674,494)	(621,105)
Total capital assets – business type	\$ 12,734,003	\$ 13,206,437	\$ (472,434)

Capital Asset expenditures for governmental activities include industrial access improvements on Salem Road at Yancey Parker Industrial Park, upgrades to the Northeast Lagoon, new sewer improvements in the Salem Road area, a Wetlands Bridge at the Enterprise Recreational Complex, and the construction of a new youth sports complex at Thornton Field.

Capital Projects	2006
Police impound yard	\$ 44,782
Northside Fire Station	181,280
Industrial access project – Salem Road	1,557,504
Sewer improvements-Salem Road area	481,412
Wetlands bridge project	151,754
Youth sports complex/Thornton Field	385,155
Multi-purpose/senior center	19,213
Northeast sewer lagoon	622,601
Sewer extension project-bypass	58,344
Miscellaneous Projects	56,704
Total	\$ 3,588,749

Capital Equipment	2006
Admin server	\$ 17,990
Generators-City Hall	72,842
Shop equipment	15,313
Police vehicles/equipment	616,363
Court system equipment	28,010
Street dump trucks	55,850
Sanitation limb loader/equipment	113,956
Sanitation automated garbage truck	307,135
Sewer dump truck/body	55,910
Disposal plant equipment	70,489
Parks and recreation equipment	82,489
Parks and recreation vehicles	34,505
Total	\$ 1,470,852

The change in the Capital Assets for Business Activities Fixed is related to acquisitions for the Enterprise Water Works Board to include the purchase of a water line from the Coffee County Water Authority; rehabilitation of well #2 on North Main Street; and trucks and equipment. Depreciation expense of \$621,105 resulted in a net decrease of \$472,434 in the net capital assets of the Water Board.

Additional information about capital assets can be found in Note 5 of the financial statements on pages 55 through 58.

Long-Term Debt - 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 \$20,847,899. Of this amount \$18,646,000 in general obligation warrants backed by the full faith and credit of the City, \$1,886,356 in notes payable, provision for compensated absences in the amount of \$296,842, and a provision for landfill closure in the amount of \$18,701. This is an increase from fiscal year 2005 of \$577,338 resulting primarily from implementation of the equipment financing program.

	2006	2005	Change
Changes in long-term liabilities			
Landfill costs	\$ 18,701	\$ 20,571	\$ (1,870)
Notes payable	1,886,356	718,141	1,168,215
Compensated absences	296,842	291,072	5,770
Capital leases*	-	9,777	(9,777)
Bonds payable	18,646,000	19,231,000	(585,000)
Total long-term liabilities	\$ 20,847,899	\$ 20,270,561	\$ 577,338

The City is also implemented the equipment financing program with a line of credit from Citizens Bank of \$3 million in September 2005 (FY05) and began implementation of the program in FY 06. A listing of the equipment purchased is as follows:

Capital Equipment	2006
Admin server	\$ 17,990
Shop equipment	14,513
Police vehicles/equipment	596,338
Street dump trucks	55,851
Sanitation trash truck	78,346
Sanitation automated garbage truck	307,135
Sewer dump truck	55,910
Parks and recreation equipment	37,364
Parks and recreation vehicles	34,505
Water Works Board	88,404
Total	\$ 1,286,356

The following expenditures are projected for FY 07 utilizing the line of credit. Principal payments will be made in FY 07 maintaining the line of credit at \$3 million.

Projected FY 07 Equipment Financing	
Engineering bucket truck	\$ 84,996
Street-vehicles	62,823
Street-equipment	268,866
Sanitation vehicles	59,594
Sanitation-trash loader/knuckleboom	93,000
Sanitation-garbage truck	170,000
Sanitation-street sweeper	180,000
Sanitation-recycle truck	20,999
Sanitation-transfer truck	78,977
Sewer-line cleaning truck	250,000
Sewer-video system	39,000
Sewer-vehicle	9,000
Disposal vehicle	13,307
Parks-quad cab truck	21,793
Parks- PU truck	26,614
Parks-F250 PU w/dump body	40,914
Police vehicles equipment	62,434
Judicial-court system improvements	75,000
Fire truck	333,493
Admin technology upgrades	187,291
Total projected equipment financing FY 07	\$2,078,101

Revenue bonds issued by the Water Works Board in December 2001 for improvements to the system have an outstanding balance of \$9,285,000. The purchase of the Macedonia-Bridlewood System in FY 04 was financed with a note from Covington Rural Systems, Inc. in the amount of \$646,521. The current balance of this note is \$420,239.

Outstanding Debt

	2006	2005	Increase (Decrease)
General obligation bonds	\$ 18,545,000	\$ 19,085,000	\$ (540,000)
Revenue bonds – governmental	101,000	146,000	(45,000)
Revenue bonds – business type	9,285,000	9,475,000	(190,000)
Compensated absences	296,842	291,072	5,770
Landfill post closure	18,701	20,571	(1,870)
Notes payable-business	420,239	549,543	(129,304)
Notes payable-governmental	1,886,356	727,918	1,158,438
Total	\$ 30,553,138	\$ 30,295,104	\$ 258,034

The following is a list of projects and capital expenditures disbursed from bond proceeds since December 2004 and a projection of the disbursement of the remaining proceeds. The proceeds include projected interest earnings of \$298,955.

2004 Bond Proceeds \$6.6 Million

Comprehensive plan/building study/misc	\$ 225,646	Long term plan for growth
Downtown project	114,012	Downtown improvements
Power generator	88,504	Emergency power sources
Outdoor warning sirens	13,200	Airport area/Oak Ridge
Traffic lights	21,446	Post office
Fire Department building improvements	164,000	Northside fire station
Technology upgrade	6,834	Court system
Industrial access project – Salem Road	1,523,130	Yancey Parker Industrial Park
Police impound yard	44,613	Enhanced security/storage
Disposal plant and equipment upgrades	883,509	Northeast lagoon/College Street
Multi-purpose/senior center	34,043	Preliminary design
Youth sports complex	380,038	New facilities
Wetlands bridge	151,754	New Bridge-recreational park
Electrical service improvements	50,034	Donaldson Park
Purchase ESMAC property	190,156	Parks and recreation facilities
Hope Gymnasium improvements/other	52,728	New gym floor/park signs
Boll Weevil Circle 4-lane project	400,000	Engineering
Sewer infrastructure	237,764	Salem Road/bypass
Total 2004 bond proceeds expended thru 09/30/06	\$ 4,581,411	

Projected Uses 2004 Bond Proceeds-FY 07

Comprehensive plan/building study/misc	\$ 28,500	Long term plan for growth
Traffic light	98,264	Highway 127/Dauphin Street
Multipurpose center	100,000	Preliminary design/site prep
Parks – various improvements	100,000	Daisy Gibson Park/replace poles
Youth sports complex	190,000	New facilities
Police impound yard	17,778	Enhanced security/storage
		Northeast Lagoon/Southeast
Disposal plant and equipment upgrades	1,018,891	Lagoon
Sewer infrastructure	508,438	Salem Road area
Incubator expansion project	125,810	Expansion to incubator building
Farmers Market	115,908	Purchase property
Airport terminal improvements	25,000	Long-term plan for growth
<hr/>		
2007 projected expenditures of 2004 bond proceeds	2,328,589	Projected balance - project
<hr/>		
Total uses 2004 bond proceeds	\$ 6,910,000	Includes earned interest

General Fund Budgetary Highlights

Budget to actual statements and schedules are provided in the financial statements for the General Fund. Budget columns are provided for both the original budget adopted as well as the final budget. A column for actual expenditures and a column for differences between final budget and actual expenditures follow these columns. For the purposes of this analysis, the following summary only includes funds utilized for general fund, capital outlay, and senior citizen operations as laid out in the city's books and applicable Council minutes. Other special revenue funds are not considered and non-cash expense (depreciation) is not considered.

General Fund Budget	2006	2005	Variance
<hr/>			
Revenues			
General and other sources	\$ 22,926,715	\$ 21,066,312	\$ 1,860,403
Fund balance budgeted-general	4,484,501	6,572,445	(2,087,944)
Charges for services	1,184,200	1,167,955	16,245
Operating grants	941,390	275,795	665,595
Senior citizens center	64,220	68,076	(3,856)
Capital projects	2,596,605	2,050,638	545,967
<hr/>			
Total revenues and other sources	32,197,631	31,201,221	996,410
<hr/>			
Expenditures			
General and administrative	6,556,850	6,414,139	142,711
Engineering department	766,360	659,549	106,811
Fleet maintenance department	448,604	384,092	64,512
Airport	454,282	516,365	(62,083)

Police department	4,078,818	3,990,819	87,999
Judicial	232,620	228,802	3,818
Fire department	1,856,866	1,755,495	101,371
Civil defense	38,600	38,614	(14)
Street department	1,702,218	1,011,856	690,362
Sanitation department	2,275,322	2,361,445	(86,123)
Parks/recreation	2,035,459	1,606,487	428,972
Civic center	124,387	126,879	(2,492)
Economic development	148,082	171,728	(23,646)
Debt service	1,228,076	1,546,198	(318,122)
Appropriations	1,306,526	848,973	457,553
Senior citizens	64,220	66,871	(2,651)
Capital projects	8,880,341	3,928,562	4,951,779
Total expenditures	32,197,631	25,656,874	6,540,757

Excess revenue over expenditures			
including transfers and other sources	\$	- \$	5,544,347 \$
			5,544,347

The following 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.

FY 2006	Budget Amendments	Total	Reason
Revenue	Sales tax	\$ 354,501	Additional revenue
	Sales tax-schools	141,304	Additional revenue
	Airport fuel	70,814	Additional revenue
	Fund balance	151,738	Encumbrance
	Fund balance	(759,920)	Move to capital fund
	Fund balance	244,574	Unbudgeted expense
Total revenue/sources		203,011	
Expenditures			
General	School sales tax	141,304	Due to additional revenue
Admin	Registration fees	725	Encumbrance
	Engineering services/review	(91,640)	Comprehensive plan
	Building/grounds	183	Encumbrance
	Admin advertising	85	Encumbrance
	Office supplies	38	Encumbrance
Engineering	Building/grounds	-	Encumbrance
	Traffic lights	(21,446)	Traffic light-Post Office
	City beautification	51,970	Christmas/flags

	Sign maintenance	1,293	Encumbrance
	Building assets	(53,000)	Generators/City Hall
	Memorial	1,650	Wall of Freedom
	Note payments	50,855	Reimburse generators
Shop	Miscellaneous tools/supplies	58	Encumbrance
Airport	Rents	33	Encumbrance
	Aviation fuel	44,622	Increased fuel costs
	Jet fuel	26,192	Increased fuel costs
Police	Registration fees	495	Encumbrance
	Advertising	99	Encumbrance
	New hire testing	100	Encumbrance
	K-9 drug dog	29	Encumbrance
	Building assets	(50,000)	Impound yard
	Vehicle assets	77,700	In-car cameras
Judicial	Info technology outlay	22,176	Court system upgrades
	Info technology outlay	(6,834)	Court system upgrades
Fire	Building/grounds	5	Encumbrance
	Building/grounds	17,105	Fire station
	Salaries	31,923	Auburn study
Fire	Payroll taxes	2,540	Auburn study
	Retirement	3,380	Auburn study
	Hospital insurance	13,751	Additional expense
	Workman's comp	3,415	Additional expense
	Gasoline	6,300	Additional expense
	Vehicle repairs	4	Encumbrance
	Building assets	(162,000)	Northside fire station
	Safety program	875	Encumbrance
Street	Building/grounds	506	Encumbrance
	Safety equipment	109	Encumbrance
	Vehicle repairs	855	Encumbrance
	Equipment maintenance/ repairs	12	Encumbrance
	Equipment assets	55,910	Encumbrance
	Pumping station		
Disposal	maintenance/repairs	100	Encumbrance
	Communication		
Sanitation	maintenance	44	Encumbrance
	Gasoline	31,982	Additional expense
	Supplies	12	Encumbrance
	Vehicle repairs	3,404	Encumbrance
	Vehicle repairs	24,718	Additional expense
	Equipment assets	78,346	Encumbrance
	Equipment assets	55,203	Dump trucks
	Miscellaneous parts and repairs	12	Encumbrance
	Machine/equipment rollout containers	15,610	New collection system
Sewer	Equipment assets	950	Encumbrance
Culture and Recreation	Library elevator repairs	2,376	Encumbrance
	Budget amendments	Total	Reason

Parks/ Recreation	Special programs	12	Encumbrance
	Computer maintenance	243	Encumbrance
	Building/grounds	1,754	Encumbrance
	Concessions	19	Encumbrance
	Advertising	350	Encumbrance
	Office supplies	470	Encumbrance
	Building assets	(325,000)	Thornton Field phase 2
	Other furniture/equipment	497	Encumbrance
	Infrastructure	(50,000)	Electrical wiring upgrade
Economic Development	Janitorial supplies	85	Encumbrance
Debt service	Transfer to debt service fund	190,447	Change in payment to bond fund
Capital projects fund- sources	Rotary Project	3,793	Rotary project
	Other sources-fund balance	883,101	Capital funds available
Capital project fund-uses	Engineering services/review	91,640	Comprehensive plan
	Bank service charges	105	Account activity
	Traffic lights	21,446	Traffic light-post office
	Equipment assets	72,842	Generator/City Hall
	Building assets	50,000	Impound yard
	Information technology outlay	6,834	Court system upgrades
	Building assets	181,280	Northside fire station
	Equipment assets	3,793	Rotary project
	Construction in progress	392,200	Thornton Field phase 2
	Infrastructure	16,754	Wetlands project over
	Infrastructure	50,000	Electrical wire replace

General fund revenues fell below budgeted amounts by \$1,377,617. Intergovernmental revenues not received that were budgeted include:

84 utility relocation reimbursement	\$	132,709
Street paving fund 4/5cent		200,000
FAA grant		537,700
LWCF grant-wetlands		78,385
Senior citizens grant		250,000
USDA grant-incubator		300,000
Total grant funds budgeted-not received	\$	1,498,794

These revenues have been carried into the FY 2007 budget as these grants have been awarded. This shortfall had no detrimental effect to the budget in that no expenditures, that were also budgeted to correspond with these grants, were made in FY 2006.

General Fund operating expenditures were under projections by \$6,921,964 primarily as the result of the aforementioned grant projects and other capital expenditures not made during FY 2006. Depreciation expense (\$930,170) is not budgeted as it is not a cash expense.

While budgets are necessary for efficient financial management, a comparison of prior year activity to the current year in the General Fund is helpful in developing budgets and assessing budget performance.

General Fund	2006	2005	Changes
Revenues			
Taxes	\$ 14,140,968	\$ 13,546,667	\$ 594,301
Licenses and permits	2,288,752	1,949,541	339,211
Intergovernmental	239,891	495,533	(255,642)
Charges for services	1,485,663	1,705,705	(220,042)
Fines	157,450	193,403	(35,953)
Interest income	169,038	93,128	75,910
Miscellaneous	551,880	581,307	(29,427)
Total revenues	\$ 19,033,642	\$ 18,565,284	\$ 468,358
Expenditures			
General and administrative	\$ 1,361,007	\$ 1,353,207	\$ 7,800
Fire department	1,745,044	1,618,595	126,449
Street department	954,904	913,324	41,580
Police department	3,366,470	3,234,519	131,951
Sanitation department	1,710,491	1,500,443	210,048
Appropriations	3,632,235	3,588,086	44,149
Leisure services	1,524,696	1,346,694	178,002
Judicial	229,599	189,746	39,853
Non-departmental	1,225,749	1,123,477	102,272
Capital outlay/other	1,206,657	824,310	382,347
Engineering	418,082	282,599	135,483
City shop	370,180	323,136	47,044
Civic center	121,837	115,980	5,857
Airport	429,280	343,083	86,197
Sewer/disposal	187	-	187
Debt service			
Principal	172,170	155,597	16,573
Interest	60,154	47,734	12,420
Total expenditures	18,528,742	16,960,530	1,568,212
Excess of revenues over (under) expenditures	\$ 504,900	\$ 1,604,754	\$ (1,099,854)

In a comparison of general fund operations, general fund revenues and other sources in for fiscal year 2006 revenues and other sources were more than sources fiscal year 2005 by \$468,358 due,

primarily, to increases in intergovernmental revenues consisting primarily of grants, sales taxes, and licenses (including franchising fees).

A 4% growth in tax revenues and 17% growth in license & permit fees provide the basis for the City's ability to continue to fund routine operating expenses. As shown above, the excess revenue over expenditures is an accurate picture of the City's operating budget. This surplus 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. Consideration for additional funding is given on a case-by-case basis and usually for specific projects. A listing of these agencies is as follows:

Civil Defense-EMA	\$	32,600
Soil Conservation		5,000
Choctawhatchee Pea River		750
SEAI Mental Health		10,000
Senior Aides		1,600
HRDC		12,000
Summer Food		91,966
Shut In Food Program		2,500
Handicap		2,550
Adult Day Care		13,050
Nut Ctr/Senior Citizens		200
Nutrition		3,600
Coffee Co Senior Games		300
Coffee Co Arts Alliance		2,500
Army Aviation Museum		2,500
Coffee Co Family Ser		2,000
Library		147,000
Welcome Center		500
SEATS		2,000
<hr/>		
Total appropriation	\$	332,616

As per our practice, the FY 06 budget provided for revenue growth not to exceed 3%. Growth was approximately 7% for sales taxes. Other operating expenditures were projected at approximately 2% growth. Grant funds and other sources were projected, but some projects were not initiated. A carry-over balance of \$2,672,848 million was projected as well as capital reserve funds of approximately \$4,414,943.

FY 2007-FY 2011 projections include the continued implementation of a new 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 departments based on pay levels and tenure subject to satisfactory annual evaluations. The plan provides for a projected 10% increase in health insurance costs. Other benefits are budgeted as they relate to salary expenditures.

A provision for approximately \$4.3 million in financing sources for leases has been projected through FY 10. 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 & Property Taxes were projected from 0-4%
- Sales Tax and Property Tax revenues were budgeted at a 3% growth rate per year.
- Transfers from Water Works Board are projected at 3% of gross water sales in addition to a \$60,000 payment on a city bond issue that expires December 10, 2010. Transfers are made on availability of funds as determined by the Water Board. Funds were not transferred in FY 06.
- Transfers from 911 are based upon 75% 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 a 10% increase per year.
- Routine operating expenditures are projected to increase 1 ½% -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.

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.

General/Capital Funds	9/30/07 Projected	9/30/08 Projected	9/30/09 Projected	9/30/10 Projected	9/30/11 Projected
Operating revenue	\$ 22,614,726	\$ 23,284,126	\$ 23,970,737	\$ 24,666,765	\$ 25,403,824
Other sources	5,468,874	2,685,415	1,528,907	588,908	113,906
Fund balance -- beginning	9,928,683	10,419,223	5,050,077	5,556,168	4,713,133
Total sources	38,012,283	36,388,764	30,549,721	30,811,841	30,230,863
Operating expense	(21,292,251)	(22,228,314)	(22,899,707)	(23,644,862)	(24,435,943)
Capital expense	(6,300,809)	(9,110,373)	(2,093,846)	(2,453,846)	(478,846)
Total uses	(27,593,060)	(31,338,687)	(24,993,553)	(26,098,708)	(24,914,789)
Fund balance - ending	\$ 10,419,223	\$ 5,050,077	\$ 5,556,168	\$ 4,713,133	\$ 5,316,074

Expenditures for capital equipment will be addressed in the equipment financing program. It is expected that the initial phase of the program will be implemented in FY 07. 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 truck) will be amortized and replaced every 7 years. A direct goal of this program is to reduce annual equipment and vehicle maintenance costs. An analysis will be ongoing and provided in future reports. Vehicles and equipment scheduled for FY 07 include:

Engineering vehicles	\$ 19,154
Engineering 45' bucket truck	65,841
Airport jet fuel truck	15,000
Airport lawn mower	9,578
Police vehicles	62,434
Fire engine	333,493
Street – vehicles	32,857
Street – equipment	301,723
Sanitation – vehicles	48,415
Sanitation – equipment	362,976
Parks – vehicles	89,321
Parks – equipment	65,832

Total	\$ 1,406,624
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Capital Project expenditures projected for FY 07 –FY 11 are as follows:

Comprehensive plan/City Hall study	\$ 18,424
Purchase Oates property	30,300
GPS monuments	75,000
Traffic signal Hwy 27/Dauphin Street	98,264
Airport improvements	352,276
Impound yard	17,117
Fire station improvements	9,400
Recycle center expansion	50,000
Library improvements	41,989
Purchase farmers market property	163,846
Thornton Field/parking lot	205,746
Gymnasium (storm damage)	136,000
Recreation center (storm damage/improvements)	85,000
Daisy Gibson Park	31,264
Incubator expansion	659,444
Multi-purpose center	75,000

Total FY 07 projects	\$ 2,049,070
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Capital Project FY08 – FY11

Airport improvements	\$ 478,484
Public works building improvements	510,000
Library improvements	57,500
Paving project	1,500,000
Multi-purpose center	4,500,000

Total FY 08 – 11 projected	\$ 7,045,984
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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. In previous years the Sewer & Disposal departments were considered as a part of the General Fund operations. A summary of the 5 year projections is as follows:

Sewer/Disposal Fund	9/30/07 Projected	9/30/08 Projected	9/30/09 Projected	9/30/10 Projected	9/30/11 Projected
Operating revenue	\$ 2,123,521	\$ 2,412,640	\$ 2,709,437	\$ 2,846,313	\$ 2,934,496
Other sources	541,709	-	-	-	-
Fund balance - beginning	687,474	(508,986)	562,051	2,099,442	3,741,770
Total sources	3,352,704	1,903,654	3,271,488	4,945,755	6,676,266
Operating expense	(1,100,610)	(1,141,603)	(1,172,046)	(1,203,985)	(1,237,530)
Capital expense	(2,761,080)	(200,000)	-	-	-
Total uses	(3,861,690)	(1,341,603)	(1,172,046)	(1,203,985)	(1,237,530)
Fund balance – ending	\$ (508,986)	\$ 562,051	\$ 2,099,442	\$ 3,741,770	\$ 5,438,736

The Sewer Departmental operations, combined with general fund and other capital reserves will provide over \$2.7 million in the first phase of infrastructure improvements to address EPA compliance issues in FY 2007 with capital in subsequent years to be allocated for sewer extension projects primarily on the Enterprise By-Pass and further upgrades to the disposal system lagoons, treatment plants and equipment. As rates are phased in over the 4-year period, 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. The goal in implementation of the plan is to generate \$10 million for capital improvements to the sewer and disposal systems. Revenues and operations are on track to achieve established goals.

Sewer/disposal fund balance 9/30/11 projected	\$ 5,438,736
Additional fund balance available FY 12-13 (estimated)	3,554,749
Capital expenditures FY 06 – FY 08	2,961,080
Capital investment and funds available for investment through FY 13 (net of operating expenses)	\$ 11,954,565

Economic Factors and Fiscal Year 2007 Budget Rates

The most significant impact in FY 07 is the tornado that struck the City on March 1, 2007. The storm caused destruction or damage to over 1200 homes and destroyed Enterprise High School and Hillcrest Elementary School. While the Enterprise City School Board is a component unit of the City, it stands as a separate entity in terms of its insurance and funding sources. No significant long term negative impact is projected on the City's budget due to insurance coverage and funding from the Federal Emergency Management Agency (FEMA) and Alabama Emergency Management Agency (AEMA).

The City sustained over \$600,000 of property damage. The City's property is insured at full replacement costs for buildings, while automobiles have a \$500 deductible. Debris removal and disposal operations will be reimbursed by FEMA at 75% and AEMA at 10%. Credit will be allocated for documented volunteer contributions.

A summary of the projected financial activity is as follows:

	Estimated Cost	FEMA/AEMA Reimburse	Insurance Reimburse	Volunteer Credit/In- Kind	City
Debris clearance	\$ 1,183,273	\$ 1,005,782	\$ -	\$ 139,361	\$ 38,130
Protective measures	435,721	383,573	-	-	52,148
Building and contents	462,452	67,310	383,264	-	11,878
Public Utility	61,000	-	61,000	-	-
Recreation	88,665	-	88,665	-	-
Total uses	\$ 2,231,111	\$ 1,456,665	\$ 532,929	\$ 139,361	\$ 102,156
To date	\$ 1,683,696	\$ 1,038,141	\$ 313,534	\$ -	\$ 332,021

The City will also receive funding from the National Resource Conservation Service (NRCS) to assist with the removal of debris from the storm drainage system areas directly affected by the tornado. The estimated cost of the project is \$439,264. NRCS will provide \$329,448 in funding. The City will provide in-kind services and cash in the amount of \$109,816. The cash outlay is projected to be \$20,533. The City also received \$160,000 from the Governor's Relief fund to provide for unmet needs. These funds have been applied to the debris removal operations.

Economic Condition - Located in Southeast Alabama, the City of Enterprise continues to have an economy that shows no sign of slowdown. 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. Fort Rucker became an army installation in 1955, 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.

New business start-ups continue to fuel the local economy. The Enterprise Chamber of Commerce sponsored 36 new ribbon cuttings for new business openings in 2006 resulting in 392 new jobs. In 2005 and 2006, a total of 88 new ribbon cutting ceremonies were conducted providing 799 jobs.

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 rate of growth in the last decade was 5.2%. Preliminary data Base upon preliminary 2004 Census data, the growth in population has increased

by 1,055 from 21,176 to 22,231 or 5% since 2000. From 1990 to 2000 the population increased by 1,053. For population growth the census is the best information available and is the only official number that can be used. Real estate source place the number at about 29,000.

A November 2002 analysis by the Center for Governmental Services at Auburn University outlined the diversity of the Enterprise economy depicting a makeup of 20% retail, 20% agriculture, 20% manufacturing, 20% services, and 20% government as being a safeguard against a sudden employment decline in any given sector.

Sales tax revenues produce 60% of City's General Fund operating revenues which puts the City in a delicate position related to economic cycles. As noted in the summary of sales tax revenues presented below, the City is in a steadily improving economic environment. Even with the favorable trends, projected sales tax revenues are budgeted at no more than a 3% increase. With the \$2.8 million operating reserve, this should compensate for any downturns in the economy during the course of a budget cycle.

	2003	2004	2005	2006
October	\$ 696,432.49	\$ 749,292.44	\$ 871,870.98	\$ 968,433.90
November	727,727.54	775,465.40	821,639.95	930,589.79
December	717,662.81	800,172.02	887,190.59	954,187.36
January	873,580.28	1,019,127.91	1,168,486.33	1,168,516.73
February	669,837.54	748,616.03	840,152.52	979,511.96
March	713,272.55	800,997.32	919,195.92	924,823.83
April	782,295.44	897,465.62	1,007,162.26	1,098,179.22
May	743,680.53	859,415.14	29,820.15	1,016,779.13
June	822,767.16	854,439.57	972,516.98	1,045,780.17
July	779,383.78	909,126.06	988,331.17	1,060,152.85
August	781,704.29	880,023.96	974,316.43	986,468.93
September	803,964.33	817,040.63	938,597.82	1,168,350.42
Totals	\$ 9,112,308.74	\$ 10,111,182.10	\$ 10,419,281.10	\$ 12,301,774.29

AlaTax collects and remits all sales taxes for the City. For the current fiscal year, collections exceed last year's collections by \$324,000 over the same period last year (June 06-June 07).

Projections for FY 2007 and year-to-date data through June 2007 are presented below. The forecast indicates that a 3% increase is projected over the previous year amounts while YTD figures have us on that track at 4%. The budget variance is +5%. As previously noted, budgets are based on 3% growth. Approximately 30% of sales tax revenues are appropriated to the Enterprise City Schools.

	Annual Collections	YTD 06/07	% Collected
FY 07 sales tax revenue - projected	\$ 12,564,631	\$ 9,415,317	75%
FY 07 sales tax revenue - budget	11,966,315	9,415,317	79%
Change - projected	\$ 598,316	\$ -	-

% change	5%	-	-
FY 07 sales tax revenue	\$12,147,363	\$ 9,091,275	75%
Change 06-07 projected	417,268	324,042	-
% change	3%	4%	-

Other factors that influenced the preparation of the City's budget for fiscal year 2006 included:

- The unemployment rate for the City is less than 4%.
- Assessments for property have progressively increased over the years currently at 7%.
- Commercial development as well as residential development has steadily increased in recent years with residential building permits increasing significantly over the previous year. 337 new residential units and 13 new commercial units were constructed in 2005. Since 2001, 1574 new residential units and 109 new commercial units have been constructed.

During the current fiscal year, unreserved fund balance in the general fund has been utilized to address the tornado costs as well as other projects and is being monitored to consider funding additional expenditures that were not budgeted at the beginning of the year. 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.

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 241
E-mail: swhicks@cityofenterprise.net

BASIC FINANCIAL STATEMENTS

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City of Enterprise
Statement of Net Assets
September 30, 2006

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 10,485,129	\$ 530,741	\$ 11,015,870	\$ 7,971,441
Investments	-	-	-	7,517,528
Accounts receivable	864,657	585,896	1,450,553	102,150
Taxes receivable	4,405,426	-	4,405,426	-
Other receivable	1,097,787	14,373	1,112,160	121,738
Prepaid expenses	166,395	3,802	170,197	58,749
Due from other governments	-	-	-	4,552,662
Inventory	46,852	-	46,852	79,918
Current restricted cash	554,397	-	554,397	-
Current restricted investments	638,364	-	638,364	-
Debt issuance costs, net	-	246,400	246,400	-
Unbilled revenue	-	126,231	126,231	-
Non-current restricted cash	-	1,092,314	1,092,314	-
Capital assets, net of depreciation	20,339,982	12,734,003	33,073,985	37,264,222
Total assets	38,598,989	15,333,760	53,932,749	57,668,408
Liabilities				
Accounts payable and accrued liabilities	3,160,305	1,083,913	4,244,218	3,320,761
Customer deposits	-	51,336	51,336	-
Deferred revenue	3,432,677	-	3,432,677	2,647,189
Bond premiums, net	-	-	-	116,168
Long-term liabilities				
Due within one year	2,111,856	317,035	2,428,891	1,085,000
Due in more than one year	18,736,043	9,220,579	27,956,622	9,415,000
Total liabilities	27,440,881	10,672,863	38,113,744	16,584,118
Net Assets				
Invested in capital assets, net of related debt	1,403,626	3,028,765	4,432,391	26,517,147
Restricted for inventory	46,852	-	46,852	-
Restricted for prepaid items	166,395	-	166,395	-
Restricted for debt service	1,140,189	-	1,140,189	-
Restricted by bond requirements	-	1,092,314	1,092,314	-
Restricted for capital projects	3,852,949	-	3,852,949	9,439,235
Restricted for other purposes	-	-	-	943,433
Unrestricted (deficit)	4,548,097	539,818	5,087,915	4,184,475
Total net assets	\$ 11,158,108	\$ 4,660,897	\$ 15,819,005	\$ 41,084,290

See accompanying notes.

City of Enterprise
Statement of Activities
For the Year Ended September 30, 2006

Functions/Programs	Expenses	Program	
		Fees, Fines, and Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General government	\$ 1,361,121	\$ 746,462	\$ 135,872
Public safety	5,160,265	230,561	50,320
Streets and roads	976,378	-	-
Health and sanitation	2,650,971	2,900,349	-
Culture and recreation	1,646,533	244,808	-
Judicial	229,599	-	-
Airport authority	429,280	439,045	-
Engineering	418,082	-	-
Shop	370,180	-	-
Intergovernmental	8,670,572	479,536	9,479
Interest and fiscal charges	916,020	-	-
Total governmental activities	22,829,001	5,040,761	195,671
Business-type Activities:			
Water works	3,103,022	3,164,501	-
Total primary government	\$ 25,932,023	\$ 8,205,262	\$ 195,671
Component units	\$ 43,781,506	\$ 3,277,262	\$ 29,594,783

General Revenues

Taxes:
Sales tax
Ad Valorem tax
Gasoline tax
Lodging tax
Tobacco tax
Auto tag and motor vehicle license tax
Alcohol tax
Cigarette tax
Financial institution excise tax
Business privilege tax
Other tax
Franchise tax
TVA revenue
Grants and contributions not restricted to specific programs
Appropriations
Investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net assets
Prior period adjustment
Net Assets - beginning
Net Assets - ending

See accompanying notes.

Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		Total	Component Units
	Governmental Activities	Business-type Activities		
\$ -	\$ (478,787)	\$ -	\$ (478,787)	\$ -
-	(4,879,384)	-	(4,879,384)	-
1,101,026	124,648	-	124,648	-
321,147	570,525	-	570,525	-
-	(1,401,725)	-	(1,401,725)	-
-	(229,599)	-	(229,599)	-
-	9,765	-	9,765	-
-	(418,082)	-	(418,082)	-
-	(370,180)	-	(370,180)	-
136,682	(8,044,875)	-	(8,044,875)	-
-	(916,020)	-	(916,020)	-
1,558,855	(16,033,714)	-	(16,033,714)	-
-	-	61,479	61,479	-
\$ 1,558,855	(16,033,714)	61,479	(15,972,235)	-
\$ 1,415,760				(9,493,701)
	12,301,774	-	12,301,774	6,185,654
	2,749,735	-	2,749,735	2,642,034
	369,435	-	369,435	-
	92,460	-	92,460	-
	19,275	-	19,275	-
	80,763	-	80,763	-
	446,258	-	446,258	-
	123,849	-	123,849	-
	209,583	-	209,583	-
	50,055	-	50,055	-
	501	-	501	-
	1,070,613	-	1,070,613	34,151
	75,827	-	75,827	-
	-	-	-	936,826
	-	-	-	156,984
	336,406	47,318	383,724	755,230
	355,047	29,028	384,075	879,123
	60,000	(60,000)	-	-
	18,341,581	16,346	18,357,927	11,590,002
	2,307,867	77,825	2,385,692	2,096,301
	-	-	-	(2,490)
	8,850,241	4,583,072	13,433,313	38,990,479
\$ 11,158,108	\$ 4,660,897	\$ 15,819,005	\$ 41,084,290	

**City of Enterprise
Balance Sheet
Governmental Funds
September 30, 2006**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,115,180	\$ 3,734,214	\$ 1,589,114	\$ 10,438,508
Receivables				
Sales tax	1,104,954	-	32,711	1,137,665
Ad Valorem tax	3,230,368	-	-	3,230,368
Accounts	246,948	-	617,709	864,657
Gasoline tax	-	-	37,393	37,393
Other	128,183	970,245	51,008	1,149,436
Inventory	46,852	-	-	46,852
Restricted assets:				
Cash	-	-	501,825	501,825
Investments	-	-	638,364	638,364
Prepaid assets	166,395	-	-	166,395
Total assets	\$ 10,038,880	\$ 4,704,459	\$ 3,468,124	\$ 18,211,463
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 753,800	\$ 851,510	\$ 235,383	\$ 1,840,693
Accrued salaries	218,573	-	-	218,573
Accrued expenses	263,835	-	835,299	1,099,134
Deferred revenue	3,430,652	-	2,025	3,432,677
Total liabilities	4,666,860	851,510	1,072,707	6,591,077
Fund balances				
Reserved for debt service	-	-	1,140,189	1,140,189
Reserved for inventory	46,852	-	-	46,852
Reserved for capital improvements	-	3,852,949	-	3,852,949
Unreserved	5,325,168	-	-	5,325,168
Unreserved, reported in other governmental funds	-	-	1,255,228	1,255,228
Total fund balances	5,372,020	3,852,949	2,395,417	11,620,386
Total liabilities and fund balances	\$ 10,038,880	\$ 4,704,459	\$ 3,468,124	\$ 18,211,463

See accompanying notes.

City of Enterprise
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
September 30, 2006

Differences in amounts reported for governmental activities in the Statement of Net Assets:

Total fund balance - governmental funds	\$ 11,620,386
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net assets.	20,339,982
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Internal service funds are used by the City to service the debt on the municipal government building. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net assets are:	206,953
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Some liabilities, (such as notes payable, capital lease contract payable and compensated absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net assets.	(21,009,213)
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<u>Net assets of governmental activities</u>	<u>\$ 11,158,108</u>
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See accompanying notes.

City of Enterprise
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 14,587,726	\$ -	\$ 1,931,788	\$ 16,519,514
Licenses and permits	1,817,075	-	-	1,817,075
Intergovernmental	275,456	1,548,513	50,488	1,874,457
Charges for services	1,901,393	-	2,007,767	3,909,160
Fines	156,983	-	-	156,983
Interest income	169,038	137,967	26,414	333,419
Miscellaneous	125,971	203,793	92,991	422,755
Total revenues	19,033,642	1,890,273	4,109,448	25,033,363
Expenditures				
General government	1,361,007	114	-	1,361,121
Fire department	1,745,044	-	23,532	1,768,576
Police department	3,366,470	-	25,219	3,391,689
Street department	954,904	21,446	28	976,378
Sanitation department	1,710,491	-	-	1,710,491
Appropriation	3,632,235	-	1,649,754	5,281,989
Leisure services	1,524,696	-	-	1,524,696
Judicial	229,599	-	-	229,599
Non-departmental	1,225,749	83,133	145,248	1,454,130
Capital outlay	1,206,657	3,963,060	1,039,347	6,209,064
Disposal plant	3	-	654,178	654,181
Sewer	184	-	286,115	286,299
Engineering	418,082	-	-	418,082
City shop	370,180	-	-	370,180
Civic center	121,837	-	-	121,837
Airport authority	429,280	-	-	429,280
Debt service				
Principal	127,918	-	540,000	667,918
Interest	104,406	-	811,614	916,020
Total expenditures	18,528,742	4,067,753	5,175,035	27,771,530
Excess (deficiency) of revenues over expenditures	504,900	(2,177,480)	(1,065,587)	(2,738,167)

-continued-

See accompanying notes.

City of Enterprise

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended September 30, 2006

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from long-term debt, net	1,286,356	-	-	1,286,356
Transfers in	575,371	160,365	1,540,628	2,276,364
Transfers out	(1,540,628)	(285,835)	(389,901)	(2,216,364)
Total other financing sources and (uses)	321,099	(125,470)	1,150,727	1,346,356
Net change in fund balances	825,999	(2,302,950)	85,140	(1,391,811)
Fund Balances - beginning	4,546,021	6,155,899	2,310,277	13,012,197
Fund Balances - ending	\$ 5,372,020	\$ 3,852,949	\$ 2,395,417	\$ 11,620,386

See accompanying notes.

City of Enterprise
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, 2006

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds: \$ (1,391,811)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. 4,879,735

Depreciation expense on governmental capital assets is included in the governmental activities in the statement of net assets (1,117,693)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (11,716)

Internal service funds are used by the City to service debt on the municipal government building. The net revenue of the internal service fund is reported with governmental activities. 21,690

Amounts due to other governments are recognized as an expense in the governmental funds when they are due and payable in the current period. This adjustment represents amounts which were obligated to be expended at September 30, 2005 which were not payable until the current year. 550,000

Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt proceeds (1,286,356)
Repayment of debt 667,918

Certain expenses that do not use current financial resources are not reported as expenditures in governmental funds:

Compensated absences (5,770)
Landfill postclosure costs 1,870

Change in net assets of governmental activities \$ 2,307,867

See accompanying notes.

City of Enterprise
Statement of Net Assets
Proprietary Funds
September 30, 2006

	Business-Type Activities Water Works Board	Governmental Activities Internal Service Fund
Assets		
Current assets		
Cash and cash equivalents	\$ 530,741	\$ 46,621
Accounts receivable	585,896	-
Other receivables	14,373	157
Unbilled revenue	126,231	-
Prepaid items	3,802	-
Total current assets	1,261,043	46,778
Non-current assets		
Restricted cash and cash equivalents	1,092,314	52,572
Other receivables	-	194
Debt issue costs, net	246,400	-
Capital assets:		
Land	99,356	61,300
Construction in progress	31,608	
Buildings	44,318	855,381
Wells, tanks and plants	18,788,606	-
Equipment	1,065,714	-
Less accumulated depreciation	(7,295,599)	(654,367)
Total non-current assets	14,072,717	315,080
Total assets	15,333,760	361,858
Liabilities		
Current liabilities		
Accounts payable	97,316	-
Accrued expenses	46,199	-
Accrued interest	220,079	1,905
Bonds, notes payable, net of original issue discount	317,035	47,000
Total current liabilities	680,629	48,905

-continued-

See accompanying notes.

City of Enterprise
Statement of Net Assets
Proprietary Funds (Continued)
September 30, 2006

	Business-Type Activities	Governmental Activities
	Water Works Board	Internal Service Fund
Long-term liabilities		
Compensated absences	18,879	-
Customer deposits	51,336	-
Due to other funds	701,440	52,000
Bonds, notes payable, net of original issue discount	9,220,579	54,000
Total long-term liabilities	9,992,234	106,000
Total liabilities	10,672,863	154,905
Net Assets		
Invested in capital assets, net of related debt	3,028,765	154,030
Restricted by bond requirements	1,092,314	-
Unrestricted	539,818	52,923
Total net assets	\$ 4,660,897	\$ 206,953

See accompanying notes.

City of Enterprise
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

	Business-Type Activities Water Works Board	Governmental Activities Internal Service Fund
Operating Revenues		
Charges for services	\$ 3,164,501	\$ 40,519
Miscellaneous	21,816	-
Total operating revenues	3,186,317	40,519
Operating Expenses		
Advertising	1,249	-
Amortization	9,823	-
Auditing and legal	26,204	-
Bank charges	201	-
Chemicals	22,636	-
Contractual services	144,653	-
Depreciation	621,105	17,108
Unrestricted	1,230	-
Gas, oil and tires	30,698	-
Hospital insurance	101,147	-
Insurance	129,522	-
Maintenance	38,575	-
Miscellaneous	9,544	-
Office expenses	87,226	-
Payroll taxes	38,706	-
Rents	15,979	-
Repairs	375,458	-
Retirement	29,080	-
Salaries	533,268	-
Travel	2,089	-
Telephone and utilities	422,865	-
Uniforms	4,729	-
Water testing	8,045	-
Total operating expenses	2,654,032	17,108
Operating income	532,285	23,411

-continued-

See accompanying notes.

City of Enterprise
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds (Continued)
For the Year Ended September 30, 2006

	Business-Type Activities	Governmental Activities
	Water Works Board	Internal Service Fund
Non-Operating Revenues (Expenses)		
Insurance proceeds	1,725	-
Interest income	47,318	2,986
Interest expense	(448,990)	(4,707)
Other income	5,487	-
Total non-operating revenue (expenses)	(394,460)	(1,721)
Net Income Before Transfers	137,825	21,690
Transfers out	(60,000)	-
Change in Net Assets	77,825	21,690
Total Net Assets - beginning	4,583,072	185,263
Total Net Assets - ending	\$ 4,660,897	\$ 206,953

See accompanying notes.

City of Enterprise
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	Business-Type Activities Water Works Board	Governmental Activities Internal Service Fund
Cash Flows From Operating Activities		
Cash received from customers	\$ 3,057,746	\$ 40,519
Cash paid to suppliers	(1,516,927)	-
Cash paid to employees	(533,268)	-
Net cash provided by operating activities	1,007,551	40,519
Cash Flows From Non-Capital Financing Activities		
Operating transfers out	(60,000)	-
Insurance proceeds received	1,725	-
Other proceeds received	5,487	-
Net cash used by non-capital financing activities	(52,788)	-
Cash Flows From Capital and Related Financing Activities		
Principal payments on long-term debt	(312,022)	(45,000)
Interest paid on debt	(448,990)	(5,558)
Purchase of capital assets	(148,671)	-
Net cash used in capital and related financing activities	(909,683)	(50,558)
Cash Flows From Investing Activities		
Interest income	47,318	2,870
Net increase (decrease) in cash and cash equivalents	92,398	(7,169)
Cash and Cash Equivalents - beginning	1,530,657	106,362
Cash and Cash Equivalents - ending	\$ 1,623,055	\$ 99,193
Reconciliation of Cash and Cash Equivalents To The Statement of Net Assets - Proprietary Fund		
Cash and cash equivalents in current assets	\$ 530,741	\$ 46,621
Restricted cash and cash equivalents in non-current assets	1,092,314	52,572
	\$ 1,623,055	\$ 99,193

See accompanying notes.

-Continued-

City of Enterprise
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended September 30, 2006

	Business-Type Activities	Governmental Activities
	Water Works Board	Internal Service Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating income	\$ 532,285	\$ 23,411
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	621,105	17,108
Amortization	9,823	-
Changes in operating assets and liabilities:		
(Increase) decrease in receivables and unbilled revenue	(142,862)	-
Increase (decrease) in prepaid expense	(979)	-
Increase (decrease) in accounts payable	(28,359)	-
Increase (decrease) in accrued liabilities	16,538	-
Net cash provided by operating activities	\$ 1,007,551	\$ 40,519

See accompanying notes.

City of Enterprise
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 120,259
Other receivables	687
	<u>\$ 120,946</u>
Liabilities	
Due to individuals	\$ 120,946
	<u>\$ 120,946</u>

See accompanying notes.

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Notes To Financial Statements

NOTE

- 1 Summary of Significant Accounting Policies
- 2 Stewardship, Compliance, and Accountability
- 3 Deposits and Investments
- 4 Investments
- 5 Capital Assets
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Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Enterprise, Alabama have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's basic financial statements.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit is reported in separate columns in the combined financial statements to emphasize it is legally separate from the government. Each blended and discretely presented component unit has a year-end of September 30.

Blended Component Units

Public Building Authority - The City appoints the governing body and approves its budgets. The Public Building Authority maintains City Hall which houses the city administration. The Public Building Authority is reported as an internal service fund.

Enterprise Water Works Board - The Water Works Board serves all citizens of the government and is governed by a board made up of the Mayor, City Clerk, and other members appointed by the elected council. The Water Works Board is reported as an enterprise fund.

Discretely Presented Component Units

Enterprise City Board of Education – Members of the governing board of the school are appointed by the City Council. The City also makes annual appropriations to the school board and appropriates a percentage of its sales tax specifically for the operation of the school board. The Board is presented as a governmental fund type.

Enterprise Public Library – The City appoints the governing body and provides substantial support through appropriation. The Library provides services to the geographic area of the City. The Library is presented as a governmental fund type.

Enterprise Industrial Development Board – The City appoints the governing body. The Board serves the City of Enterprise in its quest to bring economic development to the City. The Board is presented as a governmental fund type.

Notes To Financial Statements

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.

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

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

Enterprise Industrial Development Board
Economic Development Corporation
102 Commerce Drive
Enterprise, Alabama 36330

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements comprised of the statement of net assets and the statement of changes in net assets reports information on all of the non-fiduciary 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. Fiduciary funds of the government are eliminated from this presentation since these resources are not available for general government funding purposes. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that help support all functions of government and contribute to the change in the net assets for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These recourses are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

Property taxes, franchise taxes, licenses, and interest 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Board are charges to customers for sales and services. Operating expenses for the enterprise fund and the internal service fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental

Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following are reported as major governmental funds:

General Fund – This 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 following are reported as major special revenue funds:

Capital Improvement Fund – This fund accounts for all of the City's capital projects.

The following are reported as major proprietary funds:

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

Additionally, the City reports the following fund types:

Internal Service Fund – This fund collects rent from the occupants of the municipal government building of the City of Enterprise, Alabama and services the debt on that building.

Deposits and Investments

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

Investments for the government are reported at fair value. The only investments the City has are certificates of deposit with original maturities of over 3 months.

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."

Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 31st. In accordance with the non-exchange transactions provision of GASB Statement No. 33, taxes levied in fiscal year 2006 for the 2007 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.

Accounts Receivable – Proprietary Fund

The City reports trade receivables at gross amounts due from customers. Historical losses related to these receivables have been insignificant. On a continuing basis, management analyzes delinquent receivables and once these receivables are determined to be uncollectible, they are written off through a charge against earnings. The amount of bad debts written off during the year ended September 30, 2006 was \$38,453.

Inventories and Prepaid Items

Inventories are stated at lower of cost or market determined by the first-in first-out method. Enterprise uses the consumption method of accounting for inventories.

Payment for goods and services applicable to future periods are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets/Investments

The restricted assets of the Internal Service Fund consists of \$52,000 transferred to the Public Building Authority to guarantee one year's debt service requirement. These funds are maintained in a bank account that is restricted to retiring debt and interest. At September 30, 2006, the balance in this restricted account was \$52,572. The deposit will be refunded when all bonds have been retired.

Restricted investments in the other governmental funds consist of investments required to be set aside for future debt service requirements.

Restricted cash in the Proprietary Fund consists of cash accumulated according to the bond indenture to be used to retire long-term debt and cash proceeds from the 2001 bond issuance to be used to construct improvements to the water system.

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 and \$25,000 for buildings and infrastructure is met. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital

Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

assets are recorded at estimated fair value at the date of donation. Phase III governments are encouraged, but not required to retroactively report general infrastructure assets at the same time that they apply the other provisions of GASB Statement No. 34. Accordingly, upon adoption of GASB Statement No. 34, the City of Enterprise elected to use a prospective approach when reporting general infrastructure assets.

Depreciation is recorded on general fixed assets of the primary government on a government-wide basis. Depreciation is recorded on fixed assets of the Proprietary Funds on both the fund basis and the government-wide basis. All fixed assets are depreciated over their estimated useful lives using the straight-line method and the following useful lives:

Automobiles	5 – 15 years
Buildings	20 – 40 years
Equipment	5 – 20 years
Furniture and fixtures	5 years
Improvements	7 - 30 years
Infrastructure and water system	25 – 50 years

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.

Compensated Absences

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide, proprietary, and fiduciary 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.

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, as well as issuance costs, 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 financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other

Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Management Estimates and Assumptions

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

Advertising

The City of Enterprise expenses all advertising costs during the period in which they are incurred. Total advertising costs for the year ended September 30, 2006 was \$31,473.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Each year formal budgets are legally adopted and amended as required by the City Council. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents – Custodial Risk

The City of Enterprise has elected to place its cash and cash equivalents in demand deposit, savings and money market accounts. Demand and time deposits are fully insured and collateralized by the Federal Depository Insurance Corporation and the Security for Alabama Funds

Notes To Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Enhancement (SAFE) Program operated by the office of the Treasurer of the State of Alabama as authorized by Section 41-14A of the Code of Alabama 1975, as amended.

The City of Enterprise maintains deposits only with "Qualified Public Depositories" as defined by Section 41-14A-2 Code of Alabama 1975. In the event of default by a "Qualified Public Depository", public deposits in excess of FDIC insurance limits will be repaid by liquidating collateral pledged to the SAFE Program by the bank in default. The liability for any remaining public deposits will be shared by all other "Qualified Public Depositories" participating in the SAFE Program.

The component units of the City of Enterprise also participated in the SAFE Program.

NOTE 4 – INVESTMENTS

The City has the following investments which are reported as cash equivalents not subject to credit risk categorization:

RMK Select Treasury Fund	\$ 638,364
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This mutual fund invests exclusively in U.S. Treasury money market securities. However, the City could lose money by investing in mutual funds. This investment is reported at fair value which is not significantly different from cost.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,960,793	\$ -	\$ -	\$ 1,960,793
Construction in progress	222,831	2,152,989	222,831	2,152,989
Total capital assets, not being depreciated	\$ 2,183,624	\$ 2,152,989	\$ 222,831	\$ 4,113,782
Capital assets, being depreciated:				
Buildings	8,117,401	164,000	-	8,281,401
Infrastructure	5,164,757	196,878	-	5,361,635

Notes To Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

Improvements other than buildings	2,908,794	1,044,882	-	3,953,676
Equipment	6,888,702	1,470,852	199,239	8,160,315
Total capital assets, being depreciated	23,079,654	2,876,612	199,239	25,757,027
Less accumulated depreciation for:				
Buildings	3,994,642	181,150	-	4,175,792
Infrastructure	293,873	216,857	-	510,730
Improvements other than buildings	123,494	109,146	-	232,640
Equipment	4,188,648	610,540	187,523	4,611,665
	8,600,657	1,117,693	187,523	9,530,827
Total capital assets, being depreciated, net	\$ 14,478,997	\$ 1,758,919	\$ 11,716	\$16,226,200
Business-Type Activities:				
Utilities Board				
Capital assets, not being depreciated:				
Land	\$ 99,356	\$ -	\$ -	\$ 99,356
Construction in progress	-	31,608	-	31,608
Total capital assets, not being depreciated	\$ 99,356	\$ 31,608	\$ -	\$ 130,964
Capital assets, being depreciated:				
Buildings	\$ 44,318	\$ -	\$ -	\$ 44,318
Wells, tanks and plants	18,759,947	28,659	-	18,788,606
Equipment	768,509	88,404	-	856,913
Office equipment	208,801	-	-	208,801
Total capital assets, being depreciated	19,781,575	117,063	-	19,898,638
Less accumulated depreciation for:				
Buildings	24,147	890	-	25,037
Wells, tanks and plants	5,957,611	521,469	-	6,479,080
Equipment	528,870	65,034	-	593,904
Office equipment	163,866	33,712	-	197,578
	6,674,494	621,105	-	7,295,599
Total capital assets, being depreciated, net	\$ 13,107,081	\$ (504,042)	\$ -	\$12,603,039

Notes To Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental Activities (Includes Internal Service Fund)

Administration	\$	118,957
Engineering		25,077
City Shop		14,053
Airport		53,208
Police		176,712
Fire		88,314
E-911		39,371
Street		247,035
Disposal		10,566
Sanitation		107,766
Sewer		12,603
Parks and Recreation		164,923
Civic Center		31,484
Incubator		10,516
Internal Service Fund		17,108
Total	\$	1,117,693

Business-Type Activities

Utilities Board	\$	621,105
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Discretely Presented Component Units

Activity for the Board of Education for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Removals	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,196,079	\$ 500	\$ -	\$ 1,196,579
Land improvements	1,576,481	-	-	1,576,481
Construction in progress	472,141	9,675,012	-	10,147,153
Total capital assets not being depreciated	3,244,701	9,675,512	-	12,920,213
Capital assets being depreciated:				
Buildings	22,096,794	-	-	22,096,794
Building improvements	18,025,600	23,701	-	18,049,301
Vehicles/equipment	3,895,730	310,355	(13,969)	4,192,116
Total capital assets being depreciated	44,018,124	334,056	(13,969)	44,338,211

City of Enterprise

Notes To Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

Less accumulated depreciation for:

Buildings	11,013,013	364,202	-	11,377,215
Building improvements	7,084,960	407,329	-	7,492,289
Vehicles/equipment	2,196,955	359,129	-	2,542,115
Total accumulated depreciation	20,294,928	1,130,660	(13,969)	21,411,619
Total capital assets being depreciated, net	23,723,196	(796,604)	(13,969)	22,926,592
Total governmental activities capital assets, net	\$ 26,967,897	\$ 8,878,408	\$ -	\$ 35,846,805

Activity for the Enterprise Public Library for the year ended September 30, 2006 was as follows:

	Balance October 1, 2005	Additions	Removals	Balance September 30, 2006
Capital Assets				
Buildings	\$ 740,160	\$ -	\$ -	\$ 740,160
Furniture and other equipment	259,775	60,630	57,959	262,446
Total capital assets	999,935	60,630	57,959	1,002,606
Less accumulated depreciation for:				
Buildings	185,041	18,504	-	203,545
Furniture and other equipment	140,285	43,379	54,945	128,719
Total accumulated depreciation	325,326	61,883	54,945	332,264
Capital assets, net	\$ 674,609	\$(1,253)	\$ 3,014	\$ 670,342

Activity for the Industrial Development Board was as follows:

	Beginning Balance	Additions	Removals	Ending Balance
Capital assets not being depreciated:				
Land and improvements	\$ 747,075	\$ -	\$ -	\$ 747,075

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund balances are for retirement of debt and to help cover operating expenses of the City. Except for the Internal Service Fund, these amounts should be repaid during the next fiscal year.

City of Enterprise

Notes To Financial Statements

NOTE 6 – INTERFUND BALANCES AND TRANSFERS (Continued)

Balances due to/from other funds at September 30, 2006 consist of the following:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 128,183	\$ 970,246
Capital Improvement Fund	970,246	-
Other Governmental Funds	-	30
Internal Service Fund	-	52,000
Water Works Board	-	76,153
	\$ 1,098,429	\$ 1,098,429
	Transfers In	Transfers Out
Major Governmental Funds		
General Fund	\$ 575,371	\$ 1,540,628
Capital Improvement Fund	-	125,470
Non-Major Governmental Funds		
\$.07 Gas Tax Fund	-	110,000
Motor Vehicle Tax Fund	-	80,000
Emergency Service E-911	-	195,000
Senior Citizens Center	-	4,901
Debt Service Fund	1,540,628	-
Enterprise Fund	-	60,000
	\$ 2,115,999	\$ 2,115,999

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

NOTE 7 – DEFERRED REVENUE

Governmental Activities:	General Fund
Property Taxes – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.	\$ 3,232,393
Business Licenses – Business licenses for the fiscal year October 1, 2006 through September 30, 2007 were billed by the City prior to year-end. The related revenue has been deferred until the next fiscal year.	200,284
Total deferred revenue	\$ 3,432,677

Notes To Financial Statements

NOTE 8 – LONG-TERM DEBT

Changes in long-term liabilities for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds & Notes Payable					
General obligation bonds	\$19,085,000	\$ -	\$ 540,000	\$18,545,000	\$ 730,000
1967 revenue bonds	146,000	-	45,000	101,000	47,000
Notes payable	727,918	1,286,356	127,918	1,886,356	1,334,856
Total bonds and notes payable	19,958,918	1,286,356	712,918	20,532,356	2,111,856
Other Liabilities					
Compensated absences	291,072	5,770	-	296,842	-
Landfill post closure	20,571	-	1,870	18,701	-
Total other liabilities	311,643	5,770	1,870	315,543	-
Governmental activities long- term debt	\$ 20,270,561	\$ 1,292,126	\$ 714,788	\$ 20,847,899	\$2,111,856
Business-Type Activities					
Bonds & Notes Payable					
Notes payable	\$ 549,543	\$ -	\$ 129,304	\$ 420,239	\$ 195,000
Revenue bonds	9,475,000	-	190,000	* 9,117,375	122,035
Revenue bonds	\$ 10,024,543	\$ -	\$ 319,304	\$ 9,537,614	\$ 317,035

*Net of original issue discount of \$167,625.

Notes To Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

Notes Payable

Regions Bank – Loan for construction of airport hangars. Interest is due quarterly at 6.5% and principal is due annually at a specified amount through April 10, 2013. \$ 600,000

The Citizens Bank – Line of credit of \$3 million used to finance police cars and equipment. Interest is due at 3.28%. 1,286,356

\$ 1,886,356

Principal maturities of the governmental activities note payable and interest payments are as follows:

Year Ending September 30,	Principal	Interest	Total
2007	\$ 1,334,856	\$ 79,026	\$ 1,413,882
2008	51,500	33,518	85,018
2009	63,500	29,564	93,064
2010	68,000	25,193	93,193
2011	72,250	20,541	92,791
2012-2013	296,250	23,654	319,904
	\$ 1,886,356	\$ 211,496	\$ 2,097,852

General Obligation Bonds

1998 General Obligation Bonds - Principal payments are due annually on December 1 and interest is due semi-annually on December 1 and June 1. Interest rates vary from 4.35% to 4.65%. Payments are scheduled as follows:

Maturity Date	Bonds Payable	Interest Rate	Interest October 1	Payable April 1	Annual Debt Requirement
12-01-06	\$ 275,000	4.35%	\$ 33,535	\$ 27,554	\$ 336,089
12-01-07	285,000	4.40%	27,554	21,284	333,838
12-01-08	300,000	4.45%	21,284	14,609	335,893
12-01-09	310,000	4.55%	14,608	7,556	332,164
12-01-10	325,000	4.65%	7,556	-	332,556
Totals	\$ 1,495,000		\$ 104,537	\$ 71,003	\$ 1,670,540

2002 General Obligation Bonds - Principal payments are due annually on October 1 and interest is due semi-annually on October 1 and April 1. Interest rates vary from 3.50% to 4.60%. Payments are scheduled as follows:

Notes To Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

Maturity Date	Bonds Payable	Interest Rate	Interest October 1	Payable April 1	Annual Debt Requirement
10-01-06	\$ 180,000	3.50%	\$ 149,525	\$ 146,375	\$ 475,900
10-01-07	495,000	3.70%	146,375	137,217	778,592
10-01-08	515,000	3.90%	137,218	127,175	779,393
10-01-09	535,000	4.00%	127,175	116,475	778,650
10-01-10	555,000	4.10%	116,475	105,097	776,572
10-01-11	575,000	4.25%	105,097	92,878	772,975
10-01-12	865,000	4.35%	92,878	74,065	1,031,943
10-01-13	890,000	4.45%	74,065	54,262	1,018,327
10-01-14	930,000	4.50%	54,263	33,338	1,017,601
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	\$ 7,000,000		\$ 1,047,678	\$ 898,152	\$ 8,945,830

2004 General Obligation Bonds – Principal payments are due on October 1, 2006, October 1, 2011 and annually 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 October 1	Payable April 1	Annual Debt Requirement
10-01-06	\$ 275,000	2.00%	\$ 217,988	\$ 215,239	\$ 708,227
10-01-07	-	2.00%	215,239	215,239	430,478
10-01-08	-	2.00%	215,238	215,239	430,477
10-01-09	-	2.00%	215,239	215,239	430,478
10-01-10	-	2.00%	215,238	215,239	430,477
10-01-11	250,000	3.20%	215,238	211,239	676,477
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	10,050,000		3,336,252	3,118,266	16,504,518

Notes To Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)**Business-Type Activities**

The Citizens Bank – Loan for capital purchases with interest paid quarterly at 3.28% \$ 420,239

2001 Revenue Bonds with principal due in annual installments and interest due in semi-annual installments at interest rates from 2.75%-5.00%. 9,285,000

Total \$ 9,705,239

Annual requirements to maturity for the Proprietary Fund long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total
2007	\$ 324,304	\$ 437,038	\$ 761,342
2008	329,304	430,518	759,822
2009	339,305	423,285	762,590
2010	247,326	430,179	677,505
2011	225,000	406,890	631,890
2012-2016	1,280,000	1,883,431	3,163,431
2017-2021	1,610,000	1,547,000	3,157,000
2022-2026	2,075,000	1,088,125	3,163,125
2027-2031	2,660,000	499,500	3,159,500
2032	615,000	15,375	630,375
Less original issue discount	(167,625)	-	(167,625)
Total	\$ 9,537,614	\$ 7,161,341	\$16,698,955

NOTE 9 – CLOSURE AND POST-CLOSURE LANDFILL COSTS

State and federal laws and regulations require that the 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 is \$18,701 as of September 30, 2006, which is based on eleven years of post-closure care remaining. The actual cost, however, may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 10 – CLAIMS AND JUDGMENTS

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

Notes To Financial Statements

NOTE 11 – RISK MANAGEMENT AND LITIGATION

The City of Enterprise 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.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 12 – EMPLOYEE RETIREMENT PLAN

Plan Description:

The City of Enterprise contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency 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 of Enterprise. 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 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 are 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 36-17-120 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 Commission 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.

Notes To Financial Statements

NOTE 12 - EMPLOYEE RETIREMENT PLAN (Continued)**Annual Pension Cost:**

For the year ended September 30, 2006, the City of Enterprise's annual pension cost of \$374,125 for Retirement Systems of Alabama was equal to the City of Enterprise's required and actual contributions. The required contribution was determined as part of the September 30, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.61% to 7.75% per year, and (c) no cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of Retirement System of Alabama assets was determined using the five year smoothed market method. The amount of member contributions made for the City for the year ended September 30, 2006 was \$361,902.

Trend Information For Retirement System of Alabama

Annual Fiscal Year Ending	Pension Cost (Apc)	Percentage of Apc Contributed	Net Pension Obligation
9/30/03	\$ 181,741	100%	\$ -0-
9/30/04	255,467	100%	-0-
9/30/05	334,939	100%	-0-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
9/30/00	\$ 12,015,474	\$ 10,538,140	\$(1,477,334)	114.0%	\$ 5,140,967	(28.7%)
9/30/01**	12,426,794	11,723,655	(703,139)	106.0%	4,896,794	(14.4%)
9/30/02***	12,462,196	12,219,055	(243,141)	102.0%	5,496,761	(4.4%)
9/30/03****	12,807,831	13,090,127	282,296	97.8%	5,911,155	4.8%
9/30/04*****	13,382,739	14,019,655	636,917	95.5%	6,418,975	9.9%
9/30/05	13,973,668	15,029,201	1,055,533	93.0%	6,734,773	15.7%

* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

** Reflects changes in actuarial assumptions (as of September 30, 2001). Also reflects effect of DROP if unit elected to enroll.

*** Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.

**** Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.

***** Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

Notes To Financial Statements

NOTE 13 - RELATED ORGANIZATIONS

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

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

Enterprise Housing Authority - Administers federal funding and/or other financing for improvement of housing conditions in the City. The citizens who serve on the Governing 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 14 – SUBSEQUENT EVENTS

On March 1, 2007, a tornado struck the City of Enterprise causing damage to over 1,200 homes and destroying Enterprise High School and Hillcrest Elementary School. The Enterprise School Board is a component unit of the City, but stands as a separate entity in terms of its insurance and funding sources. No significant long-term impact is projected for the City.

NOTE 15 – COMPONENT UNIT FINANCIAL INFORMATION

A summary of financial information is as follows:

<i>As of September 30, 2006</i>	Enterprise City Board of Education	Enterprise Public Library	Enterprise Industrial Development Board
Current and other assets	\$ 19,625,992	\$ 124,381	\$ 653,813
Capital assets	35,846,805	670,342	747,075
Total assets	55,472,797	794,723	1,400,888
Long-term liabilities outstanding	9,165,000	-	250,000
Other liabilities	6,904,656	9,829	254,633
Total liabilities	16,069,656	9,829	504,633
Net assets			
Invested in capital assets, net of related debt	25,846,805	670,342	-
Restricted	10,352,965	29,703	-
Unrestricted	3,203,371	84,849	896,255
Total net assets	\$ 39,403,141	\$ 784,894	\$ 896,255

City of Enterprise

Notes To Financial Statements

NOTE 15 -- COMPONENT UNIT FINANCIAL INFORMATION (Continued)

For the Year Ended September 30, 2006

Expenses	\$ 43,478,829	\$ 239,378	\$ 63,299
Program revenues			
Charges for services	3,260,697	13,086	3,479
Operating grants and contributions	29,520,016	25,000	49,767
Capital grants and contributions	1,415,760	-	-
Net program expense	(9,282,356)	(201,292)	(10,053)
General revenues			
Property taxes	2,642,034	-	-
Sales taxes	6,185,654	-	-
Other taxes	34,151	-	-
Federal and state aid	936,826	-	-
Investment earnings	749,029	2,278	3,923
Miscellaneous	855,914	180,193	-
Total general revenues	11,403,608	182,471	3,923
Change in net assets	2,121,252	(18,821)	(6,130)
Prior period adjustment	-	(2,490)	-
Beginning net assets	37,281,889	806,205	902,385
Ending net assets	\$ 39,403,141	\$ 784,894	\$ 896,255

NOTE 16 -- COMMITMENTS AND CONTINGENCES

The City has guaranteed a bank loan in the amount of \$750,000 for the Industrial Development Board. As of September 30, 2006, the remaining balance on this loan was \$500,000.

City of Enterprise

Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual - Governmental Funds
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Taxes	\$ 15,495,450	\$ 15,991,255	\$ 16,519,514	\$ 528,259
Licenses and permits	1,833,980	1,833,980	1,817,075	(16,905)
Intergovernmental	1,702,009	1,702,009	325,944	(1,376,065)
Charges for services	5,286,831	5,357,645	5,457,673	100,028
Fines	187,000	187,000	156,983	(30,017)
Interest income	200,000	200,000	333,419	133,419
Miscellaneous	1,620,926	1,620,926	179,777	(1,441,149)
Donations	2,535	2,535	242,978	240,443
Total revenues	26,328,731	26,895,350	25,033,363	(1,861,987)
Expenditures				
General government	1,475,821	1,476,852	1,361,121	115,731
Fire department	1,856,866	1,774,164	1,768,576	5,588
Police department	4,078,818	4,107,241	3,391,689	715,552
Street department	1,702,218	1,759,610	976,378	783,232
Sanitation department	2,275,322	2,484,653	1,710,491	774,162
Appropriation	5,001,987	5,143,291	5,281,989	(138,698)
Leisure services	2,035,459	1,666,180	1,524,696	141,484
Judicial	232,620	247,962	229,599	18,363
Non-departmental	2,081,029	1,989,474	1,454,130	535,344
Capital outlay	5,698,257	5,698,257	6,209,064	(510,807)
Disposal plant	1,774,227	1,774,327	654,181	1,120,146
Sewer	950,734	951,684	286,299	665,385
Engineering	766,360	797,682	418,082	379,600
City shop	448,604	448,662	370,180	78,482
Civic center	124,387	124,387	121,837	2,550
Airport authority	454,282	525,129	429,280	95,849
Debt service				
Principal	374,730	374,730	667,918	(293,188)
Interest	853,346	853,346	916,020	(62,674)
Total expenditures	32,185,067	32,197,631	27,771,530	4,426,101
Excess (deficiency) of revenues over expenditures	(5,856,336)	(5,302,281)	(2,738,167)	2,564,114

City of Enterprise

Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual - Governmental Funds - Continued
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Other Financing Sources (Uses)				
Proceeds from long-term debt (net)	-	-	1,286,356	1,286,356
Transfers in	2,918,921	2,364,866	2,276,364	(88,502)
Transfers out	(1,356,642)	(1,547,089)	(2,216,364)	(669,275)
Total other financing sources and uses	1,562,279	817,777	1,346,356	528,579
Net change in fund balances	(4,294,057)	(4,484,504)	(1,391,811)	3,092,693
Fund Balances - beginning	4,294,057	4,484,504	13,012,197	8,527,693
Fund Balances - ending	\$ -	\$ -	\$ 11,620,386	\$ 11,620,386

City of Enterprise
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	Fire Department	\$.07 State Gas Tax
Assets		
Cash and cash equivalents	\$ 14,995	\$ 18,196
Receivables	3,145	17,365
Restricted assets		
Cash	-	-
Investments	-	-
Total assets	\$ 18,140	\$ 35,561
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 308	\$ 18,000
Accrued liabilities	-	-
Deferred revenues	-	-
Total liabilities	308	18,000
Fund balances		
Reserved for debt service	-	-
Unreserved	17,832	17,561
Total fund balances	17,832	17,561
Total liabilities and fund balances	\$ 18,140	\$ 35,561

\$.04 and \$.05 State Gas Tax	Motor Vehicle Tax	Asset Forfeiture	Emergency Services E-911	Senior Citizens Center
\$ 269,323	\$ 22,301	\$ 15,043	\$ 177,947	\$ 4,217
7,403	9,480	-	-	51,008
-	-	-	-	-
-	-	-	-	-
<u>\$ 276,726</u>	<u>\$ 31,781</u>	<u>\$ 15,043</u>	<u>\$ 177,947</u>	<u>\$ 55,225</u>
\$ -	\$ 15,000	\$ -	\$ 5,287	\$ 1,026
-	-	-	1,023	-
-	-	2,025	-	-
-	15,000	2,025	6,310	1,026
-	-	-	-	-
276,726	16,781	13,018	171,637	54,199
276,726	16,781	13,018	171,637	54,199
<u>\$ 276,726</u>	<u>\$ 31,781</u>	<u>\$ 15,043</u>	<u>\$ 177,947</u>	<u>\$ 55,225</u>

City of Enterprise
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2006

	Sewer	Special Hospital Tax
Assets		
Cash and cash equivalents	\$ 935,384	\$ 11,013
Receivables	617,709	10,903
Restricted assets		
Cash	-	-
Investments	-	-
Total assets	\$ 1,553,093	\$ 21,916
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 31,343	\$ 21,916
Accrued liabilities	834,276	-
Deferred revenues	-	-
Total liabilities	865,619	21,916
Fund balances		
Reserved for debt service	-	-
Unreserved	687,474	-
Total fund balances	687,474	-
Total liabilities and fund balances	\$ 1,553,093	\$ 21,916

Construction Fund	Debt Service Fund	Governmental Funds
\$ 120,695	\$ -	\$ 1,589,114
21,808	-	738,821
-	501,825	501,825
-	638,364	638,364
<hr/>		
\$ 142,503	\$ 1,140,189	3,468,124
<hr/>		
\$ 142,503	\$ -	\$ 235,383
-	-	835,299
-	-	2,025
<hr/>		
142,503	-	1,072,707
<hr/>		
-	1,140,189	1,140,189
276,726	-	1,255,228
<hr/>		
-	1,140,189	2,395,417
<hr/>		
\$ 142,503	\$ 1,140,189	\$ 3,468,124
<hr/>		

City of Enterprise

**Combining Schedule of Revenues, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2006**

	Fire Department	\$.07 State Gas Tax
Revenues		
Taxes	\$ 19,275	\$ 105,501
Intergovernmental	-	-
Charges for services	-	-
Interest income	81	-
Miscellaneous	1,328	-
Total revenues	20,684	105,501
Expenditures		
Current		
Non-departmental	-	-
Capital outlay	-	-
Fire department	23,532	-
Police department	-	-
Street department	-	-
Sewer	-	-
Disposal plant	-	-
Appropriations	-	-
Debt service		
Principal	-	-
Interest and other charges	-	-
Total expenditures	23,532	-
Excess (deficiency) of revenues over expenditures	(2,848)	105,501
Other Financing Sources (Uses)		
Proceeds from long-term debt, net	-	-
Transfers in	-	-
Transfers out	-	(110,000)
Total other financing sources and uses	-	(110,000)
Net change in fund balances	(2,848)	(4,499)
Fund Balances - beginning	20,680	22,060
Fund Balances - ending	\$ 17,832	\$ 17,561

\$.04 and \$.05 State Gas Tax		Motor Vehicle Tax		Asset Forfeiture		Emergency Services E-911		Senior Citizens Center	
\$	76,495	\$	80,763	\$	-	\$	-	\$	-
	-		-		-		-		50,488
	-		-		-		324,133		-
	-		856		-		4,295		-
	-		-		19,015		-		16,738
	76,495		81,619		19,015		328,428		67,226
	-		-		-		133,355		11,893
	-		-		-		10,075		-
	-		-		-		-		-
	-		-		25,219		-		-
	-		28		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		28		25,219		143,430		11,893
	76,495		81,591		(6,204)		184,998		55,333
	-		-		-		-		-
	-		-		-		-		-
	-		(80,000)		-		(195,000)		(4,901)
	-		(80,000)		-		(195,000)		(4,901)
	76,495		1,591		(6,204)		(10,002)		50,432
	200,231		15,190		19,222		181,639		3,767
\$	276,726	\$	16,781	\$	13,018	\$	171,637	\$	54,199

City of Enterprise

**Combining Schedule of Revenues, Expenditures, and Changes in
Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended September 30, 2006**

	Sewer	Special Hospital Tax
Revenues		
Taxes	\$ -	\$ 549,892
Intergovernmental	-	-
Charges for services	1,683,634	-
Interest income	1,169	-
Miscellaneous	55,910	-
Total revenues	1,740,713	549,892
Expenditures		
Current		
Non-departmental	-	-
Capital outlay	1,029,272	-
Fire department	-	-
Police department	-	-
Street department	-	-
Sewer	286,115	-
Disposal plant	654,178	-
Appropriations	-	549,892
Debt service		
Principal	-	-
Interest and other charges	-	-
Total expenditures	1,969,565	549,892
Excess (deficiency) of revenues over expenditures	(228,852)	-
Other Financing Sources (Uses)		
Proceeds from long-term debt, net	-	-
Transfers in	-	-
Transfers out	-	-
Total other financing sources and uses	-	-
Net change in fund balances	(228,852)	-
Fund Balances - beginning	916,326	-
Fund Balances - ending	\$ 687,474	\$ -

School Construction Fund	Debt Service Fund	Total-Other Governmental Funds
\$ 1,099,862	\$ -	\$ 1,931,788
-	-	50,488
-	-	2,007,767
-	20,013	26,414
-	-	92,993
1,099,862	20,013	4,109,448
-	-	145,248
-	-	1,039,347
-	-	23,532
-	-	25,219
-	-	28
-	-	286,115
-	-	654,178
1,099,862	-	1,649,754
-	540,000	540,000
-	811,614	811,614
1,099,862	1,351,614	5,175,035
-	(1,331,601)	(1,065,587)
-	-	-
-	1,540,628	1,540,628
-	-	(389,901)
-	1,540,628	1,150,727
-	209,027	85,140
-	931,162	2,310,277
\$ -	\$ 1,140,189	\$ 2,395,417

City of Enterprise
Schedule of Combined Revenues
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
Accident report	\$ 3,325	\$ -	\$ -	\$ 3,325
Ad valorem tax	1,099,981	-	-	1,099,981
Ad valorem tax - school	-	1,099,862	-	1,099,862
Adelphia - donation	10,000	-	-	10,000
Airport authority	439,045	-	-	439,045
Alabama Power Company donation	1,640	-	-	1,640
Alcoholic beverage revenue	446,258	-	-	446,258
Asset forfeiture	-	19,015	-	19,015
Building permits	110,338	-	-	110,338
Business privilege tax	50,055	-	-	50,055
Check restitution	467	-	-	467
Cigarette tax	123,849	-	-	123,849
Civic center	20,763	-	-	20,763
Coffee Co. dispatch	30,000	-	-	30,000
Donations	9,479	221,858	-	231,337
E-911 revenue	-	324,133	-	324,133
Financial institution excise tax	209,583	-	-	209,583
Finger print income	52	-	-	52
.04 and .05 cent gas tax	-	76,495	-	76,495
Fire tobacco tax	-	19,275	-	19,275
Franchise fees	1,070,613	-	-	1,070,613
Garbage	941,237	-	-	941,237
Grant revenue - intergovernmental	196,258	1,548,513	-	1,744,771
Housing authority	13,633	-	-	13,633
Incubator income	9,200	-	-	9,200
Insurance proceeds	21,132	-	-	21,132
Interest income	169,038	144,369	20,013	333,420
Landfill	211,044	-	-	211,044
Lodging tax	92,460	-	-	92,460
Miscellaneous	12,924	-	55,910	68,834
Mobile home registration fee	501	-	-	501
Motor vehicle tax	-	80,763	-	80,763
Municipal court fund	24,976	-	-	24,976
.01 cent gas tax	187,439	-	-	187,439
Petroleum inspection fees	-	15,020	-	15,020
Police drug dog	825	-	-	825
Police fines	156,983	-	-	156,983
Police security income	11,018	-	-	11,018
Privilege license	636,124	-	-	636,124

City of Enterprise
Schedule of Combined Revenues (Continued)
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
Proceeds from sale of assets	19,179	-	-	19,179
Recreation department	244,808	-	-	244,808
Recycling income	64,434	-	-	64,434
Sales tax	12,301,774	-	-	12,301,774
Security alarm fees	13,900	-	-	13,900
.07 cent gas tax	-	90,481	-	90,481
Senior citizens center	-	50,488	-	50,488
Sewer	-	1,683,634	-	1,683,634
Special hospital tax	-	549,892	-	549,892
Sundry receipts	3,480	-	-	3,480
TVA revenue	75,827	-	-	75,827
Totals	\$ 19,033,642	\$ 5,923,798	\$ 75,923	\$ 25,033,363

City of Enterprise
Schedule of Combined Departmental Expenditures
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
General and Administttative				
Advertising	\$ 20,089	\$ -	\$ -	\$ 20,089
Collection expense	55,510	-	-	55,510
Computer maintenance	54,427	-	-	54,427
Contract services	109,531	-	-	109,531
Dues and subscriptions	23,074	-	-	23,074
Employment services	5,357	-	-	5,357
Gas and oil	3,781	-	-	3,781
Hospital insurance	90,725	-	-	90,725
Insurance	4,840	-	-	4,840
Miscellaneous expense	11,227	-	-	11,227
Office expense and supplies	34,514	114	-	34,628
Officers expense	9,600	-	-	9,600
Payroll taxes	46,779	-	-	46,779
Professional fees	25,206	-	-	25,206
Rents	5,343	-	-	5,343
Repairs and maintenance	41,253	-	-	41,253
Retirement	152,230	-	-	152,230
Salaries	628,883	-	-	628,883
Telephone expense	25,125	-	-	25,125
Travel expense	13,513	-	-	13,513
Totals	1,361,007	114	-	1,361,121

Fire Department

Advertising				
Building and grounds	24,904	-	-	24,904
Communications maintenance	4,572	-	-	4,572
Concessions	4,567	-	-	4,567
Dues and subscriptions	1,322	-	-	1,322
Education	13,696	-	-	13,696
Gas and oil	21,732	-	-	21,732
Hospital insurance	205,286	-	-	205,286
Insurance	37,185	-	-	37,185
Miscellaneous	3,336	-	-	3,336
Office supplies	5,843	-	-	5,843

City of Enterprise
Schedule of Combined Departmental Expenditures (Continued)
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
Payroll taxes	87,710	-	-	87,710
Rents	1,107	-	-	1,107
Repairs	38,648	-	-	38,648
Retirement	65,726	-	-	65,726
Salaries	1,193,390	-	-	1,193,390
Supplies	6,468	23,532	-	30,000
Telephone	6,700	-	-	6,700
Travel	933	-	-	933
Uniforms	5,608	-	-	5,608
Utilities	16,311	-	-	16,311
Totals	1,745,044	23,532	-	1,768,576
Judicial				
Contract services	24,800	-	-	24,800
Dues and publications	324	-	-	324
Education	310	-	-	310
Hospital insurance	18,994	-	-	18,994
Indigent defense expense	22,249	-	-	22,249
Insurance	952	-	-	952
Office supplies	24,751	-	-	24,751
Payroll taxes	8,596	-	-	8,596
Rents	3,930	-	-	3,930
Retirement	4,468	-	-	4,468
Salaries	115,732	-	-	115,732
Telephone	3,386	-	-	3,386
Travel	1,107	-	-	1,107
Totals	229,599	-	-	229,599
Airport Authority				
Aviation fuel	290,890	-	-	290,890
Building and grounds	11,401	-	-	11,401
Gas and oil	1,445	-	-	1,445
Hospital insurance	14,494	-	-	14,494
Insurance	1,467	-	-	1,467

City of Enterprise

Schedule of Combined Departmental Expenditures (Continued)
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
Miscellaneous	1,452	-	-	1,452
Office expense and supplies	2,411	-	-	2,411
Payroll taxes	5,307	-	-	5,307
Repairs	3,703	-	-	3,703
Retirement	4,078	-	-	4,078
Salaries	73,042	-	-	73,042
Telephone	3,278	-	-	3,278
Utilities	16,312	-	-	16,312
Totals	429,280	-	-	429,280
Street Department				
Building and grounds	833	-	-	833
Contract services	-	-	-	-
Gas and oil	48,555	-	-	48,555
Hospital insurance	86,160	-	-	86,160
Insurance	18,695	-	-	18,695
Miscellaneous	10,139	28	-	10,167
Office supplies	2,979	-	-	2,979
Payroll taxes	38,811	-	-	38,811
Rents	763	-	-	763
Repairs	79,727	-	-	79,727
Retirement	28,638	-	-	28,638
Salaries	516,306	-	-	516,306
Supplies	100,473	-	-	100,473
Telephone	10,103	-	-	10,103
Traffic lights	-	21,446	-	21,446
Travel	1,678	-	-	1,678
Utilities	11,044	-	-	11,044
Totals	954,904	21,474	-	976,378
Disposal Plant				
Advertising	-	1,869	-	1,869
Building and grounds	-	1,133	-	1,133
Contract services	-	33,925	-	33,925

City of Enterprise
Schedule of Combined Departmental Expenditures (Continued)
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
Fees	-	7,775	-	7,775
Gas and oil	-	10,545	-	10,545
Hospital insurance	-	23,140	-	23,140
Insurance	-	8,066	-	8,066
Miscellaneous	-	19,038	-	19,038
Office supplies	-	746	-	746
Payroll taxes	-	14,160	-	14,160
Repairs	-	85,601	-	85,601
Retirement	-	10,544	-	10,544
Salaries	3	189,244	-	189,247
Supplies	-	15,175	-	15,175
Telephone	-	2,602	-	2,602
Toxicity testing	-	8,569	-	8,569
Travel	-	120	-	120
Utilities	-	221,926	-	221,926
Totals	3	654,178	-	654,181
Civic Center				
General expenses	29,222	-	-	29,222
Hospital insurance	10,388	-	-	10,388
Payroll taxes	5,489	-	-	5,489
Retirement	4,045	-	-	4,045
Salaries	72,693	-	-	72,693
Totals	121,837	-	-	121,837
Sewer				
Building and grounds	-	107	-	107
Contract services	-	8,856	-	8,856
Gas and oil	-	5,108	-	5,108
Hospital insurance	-	28,956	-	28,956
Insurance	-	7,556	-	7,556
Miscellaneous	-	21,244	-	21,244
Office supplies	-	1,194	-	1,194
Payroll taxes	-	10,965	-	10,965
Repairs	-	21,784	-	21,784
Retirement	-	8,350	-	8,350

City of Enterprise

Schedule of Combined Departmental Expenditures (Continued)
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
Salaries	184	149,864	-	150,048
Telephone	-	2,753	-	2,753
Utilities	-	19,378	-	19,378
Totals	184	286,115	-	286,299
Leisure Services				
All-star program	9,438	-	-	9,438
Athletic supplies	60,766	-	-	60,766
Building and grounds	91,147	-	-	91,147
Concessions	45,305	-	-	45,305
Contract services	14,842	-	-	14,842
Dues and subscriptions	9,034	-	-	9,034
Gas and oil	29,682	-	-	29,682
Hospital insurance	105,570	-	-	105,570
Insurance	26,231	-	-	26,231
Miscellaneous	11,405	-	-	11,405
Office supplies	13,766	-	-	13,766
Officials	48,964	-	-	48,964
Payroll taxes	55,128	-	-	55,128
Repairs	30,022	-	-	30,022
Retirement	30,885	-	-	30,885
Salaries	750,614	-	-	750,614
Special programs	34,727	-	-	34,727
Telephone	11,690	-	-	11,690
Tournament expense	14,244	-	-	14,244
Travel	1,330	-	-	1,330
Utilities	129,906	-	-	129,906
Totals	1,524,696	-	-	1,524,696
Engineering				
Advertising	4,303	-	-	4,303
Beautification	18,585	-	-	18,585
Building and grounds	11,840	-	-	11,840
Contract services	54,243	-	-	54,243
Dues and subscriptions	1,050	-	-	1,050
Gas and oil	6,815	-	-	6,815
Insurance	27,708	-	-	27,708

City of Enterprise
Schedule of Combined Departmental Expenditures (Continued)
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
Miscellaneous	999	-	-	999
Office supplies	7,643	-	-	7,643
Payroll taxes	17,128	-	-	17,128
Rents	1,820	-	-	1,820
Repairs	4,386	-	-	4,386
Retirement	12,670	-	-	12,670
Salaries	229,420	-	-	229,420
Signs and maintenance	8,727	-	-	8,727
Telephone	4,749	-	-	4,749
Travel	1,584	-	-	1,584
Utilities	4,412	-	-	4,412
Totals	418,082	-	-	418,082
Non-departmental				
Alcoholic beverage expense	1,476	-	-	1,476
Bond expense	6,620	-	-	6,620
Cigarette stamps	12,874	-	-	12,874
City Hall utilities	91,960	-	-	91,960
Coffee County landfill	200,809	-	-	200,809
Drug and alcohol abuse	10,240	-	-	10,240
E-911 expenditures	-	133,355	-	133,355
Economic development	118,406	-	-	118,406
Engineering/review	55,635	75,206	-	130,841
Grant expenditures	101,705	-	-	101,705
Incubator building expense	29,854	-	-	29,854
IDB Contributions	26,468	-	-	26,468
Insurance	230,604	-	-	230,604
Library repairs	136,412	-	-	136,412
Miscellaneous	12,096	7,927	-	20,023
Planning Commission	3,362	-	-	3,362
Senior Citizens Center	-	11,893	-	11,893
Street lights	165,590	-	-	165,590
Traffic lights	21,638	-	-	21,638
Totals	1,225,749	228,381	-	1,454,130

City of Enterprise

Schedule of Combined Departmental Expenditures (Continued)
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
Police Department				
Advertising	5,212	-	-	5,212
Animal control	22,248	-	-	22,248
Asset forfeiture	1,034	11,796	-	12,830
Building and grounds	2,378	-	-	2,378
Communications maintenance	938	-	-	938
Computer maintenance	1,132	-	-	1,132
Computer supplies	1,454	-	-	1,454
Contract services	2,483	-	-	2,483
DARE program	5,218	-	-	5,218
Dues and subscriptions	9,923	-	-	9,923
Education	9,776	-	-	9,776
Employment	3,095	-	-	3,095
Fees	2,671	-	-	2,671
Gas and oil	126,796	-	-	126,796
Hospital insurance	319,666	-	-	319,666
Insurance	52,548	-	-	52,548
K-9 drug dog	8,833	-	-	8,833
LEPA program	30,291	-	-	30,291
Miscellaneous	2,368	3,525	-	5,893
Office supplies	12,701	-	-	12,701
Payroll taxes	160,903	-	-	160,903
Prisoner expense	117,587	-	-	117,587
Rents	24,527	-	-	24,527
Repairs	69,551	-	-	69,551
Retirement	117,475	-	-	117,475
Salaries	2,186,459	-	-	2,186,459
Supplies	6,581	9,898	-	16,479
Telephone and utilities	27,250	-	-	27,250
Travel	11,060	-	-	11,060
Uniforms	24,312	-	-	24,312
Totals	3,366,470	25,219	-	3,391,689
Sanitation Department				
Building and grounds	3,756	-	-	3,756
Contract services	188,452	-	-	188,452
Gas and oil	147,123	-	-	147,123

City of Enterprise

Schedule of Combined Departmental Expenditures (Continued)
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
Hospital insurance	161,927	-	-	161,927
Insurance	51,199	-	-	51,199
Miscellaneous	7,459	-	-	7,459
Miscellaneous supplies	4,698	-	-	4,698
Mosquito control	31,157	-	-	31,157
Office supplies	2,507	-	-	2,507
Payroll taxes	56,688	-	-	56,688
Recycling supplies	14,525	-	-	14,525
Repairs	207,278	-	-	207,278
Retirement	43,233	-	-	43,233
Salaries	778,914	-	-	778,914
Telephone	3,032	-	-	3,032
Utilities	8,543	-	-	8,543
Totals	1,710,491	-	-	1,710,491
City Shop				
Building maintenance	6,733	-	-	6,733
Dues and subscriptions	2,950	-	-	2,950
Gas and oil	1,985	-	-	1,985
Hospital insurance	42,868	-	-	42,868
Insurance	7,234	-	-	7,234
Miscellaneous	1,878	-	-	1,878
Office supplies	1,748	-	-	1,748
Payroll taxes	17,581	-	-	17,581
Repairs	13,710	-	-	13,710
Retirement	13,553	-	-	13,553
Salaries	245,119	-	-	245,119
Supplies	5,015	-	-	5,015
Telephone	3,489	-	-	3,489
Utilities	6,317	-	-	6,317
Totals	370,180	-	-	370,180

City of Enterprise
Schedule of Combined Departmental Expenditures
All Governmental Fund Types
For the Year Ended September 30, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
Appropriations				
Adult daycare	12,528	-	-	12,528
Army Aviation Museum	2,600	-	-	2,600
City schools	3,519,769	1,099,862	-	4,619,631
Civil defense	34,163	-	-	34,163
Coffee Co. Family Services Ctr.	2,000	-	-	2,000
Coffee Co. senior games	300	-	-	300
Coffee Co. Arts Alliance	2,500	-	-	2,500
H.R.D.C.	12,000	-	-	12,000
Handicapped program	2,550	-	-	2,550
Hospital	-	549,892	-	549,892
Nutritions center	1,911	-	-	1,911
Public building authority	27,414	-	-	27,414
Shut-in food program	2,500	-	-	2,500
Southeast AL Mental Health	10,000	-	-	10,000
Southeast AL Trails	2,000	-	-	2,000
Totals	3,632,235	1,649,754	-	5,281,989
Capital Outlay	1,206,657	5,002,407	-	6,209,064
Debt Service				
Principal	127,918	-	540,000	667,918
Interest	104,406	-	811,614	916,020
Totals	232,324	-	1,351,614	1,583,938
Total Expenditures	\$ 18,528,742	\$ 7,891,174	\$ 1,351,614	\$ 27,771,530

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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, Alabama

We have audited the financial statements of the City of Enterprise, Alabama as of and for the year ended September 30, 2006, and have issued our report thereon dated June 25, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Enterprise's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weaknesses is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note certain other matters involving the internal control over financial reporting that we have reported to management of City of Enterprise in a separate letter dated January 25, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Enterprise'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 non-compliance that are required to be reported under **Government Auditing Standards**.

This report is intended solely for the information and use of management, others within the Organization, the 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.

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

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

Certified Public Accountants

June 25, 2007

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH
MAJOR PROGRAM IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Enterprise, Alabama with the types of compliance requirements described in the **U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement** that are applicable to each of its major federal programs for the year ended September 30, 2006. The City of Enterprise, Alabama's major federal programs are identified in the summary of auditors' 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 the City of Enterprise, Alabama's management. Our responsibility is to express an opinion on the City of Enterprise, Alabama's compliance based on our audit.

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 NonProfit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on the City of Enterprise's compliance with those requirements.

In our opinion, the City of Enterprise, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the City of Enterprise, Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and

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performing our audit, we considered the City of Enterprise, Alabama's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, others within the Organization, the 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.

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

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

Certified Public Accountants

June 25, 2007

City of Enterprise
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Cfda No.</u>	<u>Pass-Through Grantor's #</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF H.U.D.			
Passed through Alabama Department of Economic and Community Affairs			
Community Development Block Grant	14.228	LR-CE-PF-04-033	\$ 321,147
U. S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Education			
Summer Food Program	10.559	N/A	115,154
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Southern Alabama Regional Council on Aging			
Special Programs for the Aging-Title III, Part B-Grant for Supporting Services And Senior Centers	93.044	N/A	9,479
U. S. DEPARTMENT OF JUSTICE			
Passed through Pike County Commission			
Drug Control and System Improvement			
Local Law Enforcement Block Grant	16.592	N/A	43,295
Local Law Enforcement Block Grant	16.592	N/A	7,025
Total U.S. Department of Justice			50,320
U.S. DEPARTMENT OF HOMELAND SECURITY			
Disaster Assistance Projects	97.088	N/A	20,718
Total federal awards			\$ 516,818

Note: Basis of accounting used in preparing this schedule is modified accrual.

City of Enterprise
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2006

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified _____ Yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X none reported

Noncompliance material to financial statements noted? _____ Yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
----------------	------------------------------------

14.228	Community Development Block Grant
--------	-----------------------------------

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statements Findings

No such findings or questioned costs in the current year.

Section III – Federal Award Findings And Questioned Costs

No such findings or questioned costs in the current year.

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MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the City of Enterprise, Alabama for the year ended September 30, 2006, we made a study and evaluation of the system of internal accounting controls. The system was evaluated to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the system of internal control. As a result of our audit we would like to provide the following observations for your consideration.

Infrastructure – In accordance with GASB 34, the City has until September 30, 2007 to document and retroactively report major infrastructure acquired subsequent to October 1, 1981. The process of documenting and accounting for infrastructure has been the City should be able to comply with the infrastructure reporting requirement at September 30, 2007.

Accounts Payable – The accuracy and completeness of any accounting system is dependent upon procedures that account for all transaction during an operating cycle. It was noted that invoices totaling \$675,027 in the Capital projects Fund were not recorded as accounts payable at year end. We recommend internal controls and procedures for recording accounts payable be reviewed to ensure that all expenditures are recorded in the correct period.

Depreciation – Presently, the depreciation module calculates depreciation on all assets as a single report or by departments. However, the depreciation report by departments does not accurately report current year's depreciation. We recommend that the City consult with their software support personnel to develop a single report which shows depreciation for the current year by department and in total.

We appreciate the opportunity to have conducted your audit this year and the cooperation received from your personnel during our work. Should you have any questions concerning this report, please do not hesitate to contact us.

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

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June 25, 2006

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