Enterprise Water Works Board

FINANCIAL STATEMENTS

For The Year Ended September 30, 2017

CARR RIGGS & INGRAM
CPAs and Advisors
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CRI CARR RIGGS & INGRAM
CPAs and Advisors

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

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Enterprise Water Works Board
City of Enterprise, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Water Works Board (the "Board"), a component unit of the City of Enterprise, Alabama, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of September 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability, schedule of employer contributions, and schedule of funding progress for the other post-employment benefits plan on pages 32 – 34 be presented to supplement the basic financial statements. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board’s basic financial statements. The schedule of revenues, expenses and changes in net position – budget and actual on pages 35 - 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues, expenses and changes in net position – budget and actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of revenues, expenses and changes in net position – budget and actual has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Board's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

October 10, 2018

September 30,		**2017**
Assets		
Current assets		
Cash and cash equivalents	$	363,941
Accounts receivable, net of estimated uncollectibles of $489,216		676,522
Due from other funds		47,827
Unbilled revenue		202,494
Prepaid insurance		17,168
Total current assets		1,307,952
Restricted assets		
Bond funds		432,654
Capital assets		
Capital assets, not being depreciated		268,190
Capital assets, net of depreciation		19,494,356
Total capital assets, net of accumulated depreciation		19,762,546
Other assets		
Unamortized bond insurance		44,910
Total assets		21,548,062
Deferred Outflows of Resources		
Deferred charge on refunding		291,783
Deferred outflows related to pension		152,553
Total deferred outflows of resources		444,336
Liabilities		
Current liabilities		
Accounts payable		366,749
Accrued expenses		45,854
Accrued interest		132,597
Due to other funds		379,997
Bonds payable, net of original issue discount		792,477
Total current liabilities		1,717,674
Noncurrent liabilities		
Compensated absences		65,184
Other postemployment benefits obligation		736,183
Bonds payable, net of original issue discount		14,367,727
Net pension liability		869,350
Total noncurrent liabilities		16,038,444
Total liabilities		17,756,118

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

September 30,		**2017**
Deferred Inflows of Resources		
Deferred inflows related to pension		108,060
Net Position		
Net investment in capital assets		4,939,035
Restricted for debt service		432,654
Unrestricted		(1,243,469)
Total net position	$	4,128,220

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

For the year ended September 30,		**2017**
Operating Revenues		
Charges for services, net	$	4,225,395
Miscellaneous		90,175
Net operating revenues		4,315,570
Operating Expenses		
Advertising		2,661
Bank charges		262
Chemicals		33,970
Contractual services		136,320
Depreciation		1,111,994
Dues and subscriptions		2,273
Gasoline and oil		26,964
Health insurance		143,427
Insurance		157,336
Maintenance		17,024
Miscellaneous		13,397
Office expenses		129,636
Other post-employment benefits		147,334
Payroll taxes		60,345
Rents		2,529
Repairs		196,226
Retirement		90,507
Salaries		844,560
Travel		3,935
Uniforms		3,068
Utilities and telephone		644,819
Water testing		40,679
Total operating expenses		3,809,266
Operating Income		506,304
Nonoperating Revenues (Expenses)		
Insurance proceeds		3,324
Interest income		458
Bond expense		(2,788)
Interest expense		(589,881)
Net nonoperating revenues (expenses)		(588,887)

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Statement of Revenues, Expenses and Changes in Net Position (Continued)

For the year ended September 30,		**2017**
Loss Before Transfers		(82,583)
Transfers out		(31,529)
Change in net position		(114,112)
Total Net Position - Beginning		4,242,332
Total Net Position - Ending	$	4,128,220

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

September 30,		**2017**
Cash Flows From Operating Activities		
Receipts from customers	$	4,095,823
Payments to suppliers		(1,343,650)
Payments to and on behalf of employees		(1,124,979)
Other receipts		90,175
Net cash provided by operating activities		1,717,369
Cash Flows From Non-capital Financing Activities		
Proceeds from insurance claims		3,324
Transfers out		(31,529)
Net cash used in non-capital financing activities		(28,205)
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets		(448,964)
Proceeds from sale of capital assets		-
Bond agent fees		(2,787)
Interest paid on capital debt		(567,230)
Principal payments on debt		(780,567)
Net cash used in capital and related financing activities		(1,799,548)
Cash Flows From Investing Activities		
Interest received		458
Net Decrease in Cash and Cash Equivalents		(109,926)
Cash and Cash Equivalents - Beginning		906,521
Cash and Cash Equivalents - Ending	$	796,595
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents - current assets	$	363,941
Cash and cash equivalents - restricted assets		432,654
Cash and cash equivalents - end of year	$	796,595

-Continued-

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

September 30,		**2017**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$	506,304
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense and amortization		1,114,800
Changes in operating assets and liabilities:		
Receivables and unbilled revenue, net		(129,850)
Due from other funds		278
Prepaid insurance		(161)
Deferred outflows related to pension		(6,875)
Accounts payable		273,161
Accrued expenses		(11,630)
Due to other funds		(207,196)
Compensated absences		31,373
Other postemployment benefits obligation		130,140
Net pension liability		(34,289)
Deferred inflows related to pension		51,314
Net cash provided by operating activities	$	1,717,369

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Water Works Board (the “Board”) is incorporated under the provisions of the State of Alabama. The Board is a component unit of the City of Enterprise, Alabama (the “City”). The Board’s purpose is to provide water services to the citizens of the City. The Board currently provides water to all citizens within the city limits of Enterprise, as well as to customers in limited areas outside the City.

The financial statements of the Board have been prepared in accordance with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB).

The following is a summary of the more significant policies:

Reporting Entity

The Board's financial statements do not purport to reflect the financial position or the results of operations of the City taken as a whole.

The Board is governed by a four-member board, currently made up of the Mayor of the City, one council member of the City, and two citizens. The City approves the Board's budget and the rates for user charges.

The Board is an independent governmental entity separate and distinct from the City; however, the Board is a component unit enterprise fund of the City and is included in the City’s basic financial statements.

Basis of Accounting

The Board is reported as a Proprietary Fund and uses the economic resources measurement focus and accrual basis of accounting. The accrual basis of accounts recognizes revenues when earned and expenses when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Board’s enterprise fund are charges to customers for sales and services. The Board also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash includes amounts held in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Restricted cash consists of cash accumulated according to the bond indentures to be used to retire long-term debt and construct improvements to the water system. The Board's Restricted Series 2011 Warrant Fund, Series 2015 Warrants Improvement Account and Series 2015 Warrant Fund are reported in noncurrent assets on the accompanying statement of net position in the amount of $432,654, and are not subject to credit risk categorization. These funds invest exclusively in U.S. Treasury Obligations, and its market value is equal to cost.

Generally, it is the Board's policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

Accounts Receivable

Provision for uncollectible charges is charged to revenues in the amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. The Board grants credit to customers who use its services, substantially all of whom are local residences or businesses. Charges in the amount of $0 were written off as uncollectible during the year ended September 30, 2017. Bad debt expense, related to recording the allowance for uncollectible charges, totaled $0 and is presented as a component of net water sales. Allowances for uncollectible charges netted with accounts receivable were $489,216 as of September 30, 2017.

Capital Assets

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means all assets and liabilities (whether current or non-current) associated with their activity are included in their statement of net position.

Capital assets, which include property, plant, equipment and infrastructure, are reported as a component of noncurrent assets in the accompanying financial statements. To the extent the Board's capitalization threshold of $5,000 for equipment and $25,000 for buildings is met, capital outlays of the Board are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis using the following estimated useful lives:

Water system	25-50 years
Buildings	50 years
Furniture and equipment	3-10 years

All capital assets that are constructed or purchased are valued at historical cost or estimated historical cost, if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date of donation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 non-operating revenues and expenses.

Unamortized Bond Insurance

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

Capitalization of Interest

In conformity with accounting principles generally accepted in the United States of America, the Board capitalizes interest costs, net of related interest earned (as appropriate and if significant), from the date of borrowing until the projects acquired with those funds are ready for their intended use.

During the fiscal year ended September 30, 2017, total interest incurred was $589,881, of which $589,881 was charged to expense and $0 was capitalized. At the completion of a project, capitalized interest is added to the cost of the project and depreciated over the estimated useful life of the asset.

Unbilled Revenue

Estimated unbilled revenues are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Compensated Absences

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

The Board's employees earn 80 hours of annual leave after the first year of employment is completed. After the tenth year of service, each full-time employee earns 120 hours of annual leave per year. Employees completing up to ten years of service may accrue up to and including 160 hours of annual leave.

Employees completing more than 10 years of service may accrue up to and including 240 hours of annual leave. Upon termination of employment, an employee receives payment of accumulated vacation hours up to certain limits at current wage rates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each full-time Board employee accrues sick leave at the rate of eight hours per month. Sick leave may be accumulated up to a maximum of 480 hours. Upon separation from service, all sick leave is cancelled and is not transferrable to annual leave, except that full-time employees, in good standing, will upon retirement under the Retirement System of Alabama, for the length of service or disability, be paid for accrued sick leave at the time of retirement, not to exceed 480 hours. Three employees are currently vested, and accordingly, as noted above, a liability for sick leave in the amount of $27,399 is included in accrued compensated absences.

The balance of accrued compensated absences at September 30, 2017 was $65,184.

Pension Plan

The Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and will be recognized as an outflow of resources (expense/expenditure) in a subsequent period. The Board has two items reported in this category, deferred charge on refunding and deferred outflows related to pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow related to pension results from pension contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, in accordance with GASB Statement No. 71.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board has one item that qualifies for reporting in this category, the deferred inflows related to pension. A deferred inflow related to pension results from the net difference between projected and actual earnings on plan investments, in accordance with GASB Statement No. 71, and is amortized over five years beginning with the year in which the difference occurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The Board's net position is divided into three components:

- *Net investment in capital assets* – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position.
- *Restricted* – This component of net position consists of assets that are restricted by debt covenants, contributors, contractual provisions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets. The Board's restricted net position as reported in the statement of net position consists of cash which is restricted for debt service.
- *Unrestricted* - This component of net position is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Estimates

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

Advertising

The Board expenses all advertising costs during the fiscal year in which they are incurred. Total advertising expenses for the fiscal year ended September 30, 2017 were $2,661.

Impact of Recently Issued Accounting Pronouncements

In fiscal year 2017, the Board adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74").
- GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77").
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78").
- GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14* ("GASB 80").

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 74 establishes accounting and financial reporting standards, but not funding or budgetary standards, for state and local governmental other postemployment benefit ("OPEB") plans. GASB 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans.* The adoption of GASB 74 had no impact on the Board's financial statements.

GASB 77 defines a tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those agreements that are entered into by other governments and that reduce the reporting government's tax revenues. There was no impact on the Board's financial statements as a result of the implementation of GASB 77.

GASB 78 amends the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*—and amendment of GASB Statement No. 27 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (a) is not a state or local government pension plan, (b) is used to provide defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). GASB 78 also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. There was no material impact on the Board's financial statements as a result of the implementation of GASB 78.

GASB 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments by providing an additional criterion. As provided for in GASB 80, a component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member as identified in the component unit's articles of incorporation or bylaws. There was no impact on the Board's financial statements as a result of the implementation of GASB 80.

Recently Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Board upon implementation. Management has not yet evaluated the effect of implementation of these standards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
75	*Account and Financial Reporting for Postemployment Benefits Other Than Pensions*	2018
81	*Irrevocable Split-Interest Agreements*	2018
83	*Certain Asset Retirement Obligations*	2019
84	*Fiduciary Activities*	2020
85	*Omnibus 2017*	2018
86	*Certain Debt Extinguishment Issues*	2018
87	*Leases*	2021

GASB Statement No. 75 ("GASB 75") establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to the employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. It replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended,* and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans.* For defined benefit OPEB plans, the statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information are addressed. GASB 75 is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81 ("GASB 81") requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. The requirements of GASB 81 are effective for periods beginning after December 15, 2016.

GASB Statement No. 83 ("GASB 83") addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB 83. GASB 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement also includes various disclosure requirements. The requirements for GASB 83 are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 ("GASB 84") establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

fiduciary net position and a statement of changes in fiduciary net position. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85 ("GASB 85") addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of GASB 85 are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 ("GASB 86") improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB 86 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of GASB 86 are effective for reporting periods beginning after June 15, 2017.

The objective of GASB Statement No. 87 ("GASB 87") is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after December 15, 2019.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The following procedures are followed in establishing the budgetary data reflected in the supplemental information.

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.

2. The budget amounts shown in the financial statements are the final authorized amounts as revised (if applicable) during the year.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Board's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement ("SAFE") Program.

The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Credit and Interest Rate Risk

Concentration of credit risk is the risk of loss attributable to the quantity of the government's investments with a single issuer. The Board has limited its credit risk by investing only in investment quality certificates of deposit, when funds are available to invest. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board has limited its interest rate risk by investing in securities with a maturity of one year or less.

NOTE 4 – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 80,680	$ -	$ -	$ 80,680
Construction in progress	88,453	380,116	281,059	187,510
Total capital assets, not being depreciated	$ 169,133	$ 380,116	$ 281,059	$ 268,190
Capital assets, being depreciated:				
Buildings	$ 47,494	$ -	$ -	$ 47,494
Wells, tanks & plants	27,346,769	281,059	-	27,627,828
Equipment	6,486,709	68,848	-	6,555,557
Total capital assets, being depreciated	33,880,972	349,907	-	34,230,879

NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	31,736	809	-	32,545
Wells, tanks & plants	11,564,806	527,096	-	12,091,902
Equipment	2,027,987	584,089	-	2,612,076
	13,624,529	1,111,994	-	14,736,523
Total capital assets, being depreciated, net	$ 20,256,443	$ (762,087)	$ -	$ 19,494,356

At September 30, 2017, the Board had one construction contract in progress related to a tank rehab. The remaining commitment of the Board on this construction project, which is currently expected to be completed in fiscal year 2018, totaled approximately $18,408.

NOTE 5 – INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenses. Transfers between other funds for the fiscal year ended September 30, 2017 consist of the following:

Transfers to the City of Enterprise – Debt Service Fund	$ 13,557
Transfers to the City of Enterprise – General Fund	$ 17,972

Transfers are required by the City from time to time to fund the Board's portion of principal due on the City's Line of Credit, payment of debt service and for various other routine cash requirements of the City.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the date that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. At September 30, 2017, interfund balances were as follows:

	Balance	Purpose
Due from City of Enterprise –		
General Fund	$ 38,594	Vehicles Purchased from Water
Sewer Fund	9,233	Vehicles Purchased from Water
Total	$ 47,827	

NOTE 5 – INTERFUND BALANCES (Continued)

Due to City of Enterprise –		
Sewer Fund	$ 279,997	Sewer and Environmental Fee Collections
Capital Projects	100,000	Capital Projects
Total	$ 379,997	

NOTE 6 – LONG-TERM DEBT

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

Debt	Interest Rate	Balance 10/1/16	Additions	Reductions	Balance 9/30/17	Due Within One Year
2009 General Obligation Bonds - Water Portion	2.50 – 4.75%	$ 5,372,925	$ -	$ 230,567	$ 5,142,358	$ 239,151
2011 General Obligation Bonds - Water Portion	1.50 – 4.40%	6,460,000	-	310,000	6,150,000	315,000
2015 General Obligation Bonds - Water	2.00 – 3.00%	4,215,000	-	240,000	3,975,000	245,000
Total		$ 16,047,925	$ -	$ 780,567	$ 15,267,358	$ 799,151

Adjustments for deferred amounts:

Debt	Balance 10/1/16	Additions	Reductions	Balance 9/30/17	Due Within One Year
Original Issue Discount - 2009 Bonds	$ (106,524)	$ -	$ 6,087	$ (100,437)	$ (6,087)
Bond Premium–2011 Bonds	9,396	-	(607)	8,789	606
Original Issue Discount – 2015 Bonds	(16,700)	-	1,194	(15,506)	(1,193)
Total	$ (113,828)	$ -	$ 6,674	$ (107,154)	$ (6,674)

Unamortized original issue discount related to 2009 and 2015 Bonds Payable as of September 30, 2017 was $100,437 and $15,506, respectively. Unamortized bond premium related to bonds payable was $8,789 as of September 30, 2017.

NOTE 6 – LONG-TERM DEBT (Continued)

In October 2009, the City of Enterprise issued Series 2009 General Obligation Warrants in the amount of $27,770,000. The purpose of this bond issuance was for capital improvements. The proceeds of the bond issuance were split between the Enterprise Water Works Board, City Sewer Fund and City Capital Projects Fund. The portion of the Series 2009 Warrants allocated to the Enterprise Water Works Board was $6,811,509. On October 27, 2009, the Enterprise Water Works Board and the City of Enterprise entered into a funding agreement in relation to the Series 2009 Warrants.

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

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

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

On August 1, 2015, City of Enterprise issued General Obligation Warrants Series 2015 in the amount of $4,215,000. The purpose of the bond issuance was to finance various capital improvements to the water works and distribution system of the Enterprise Water Works Board, to fund interest on the Series 2015 Warrants, and to pay the costs of issuances of the Series 2015 Warrants. On August 1, 2015, the Enterprise Water Works Board and City of Enterprise entered into a funding agreement in relation to the Series 2015 Warrants.

Annual requirements to maturity to retire proprietary fund long-term debt as of September 30, 2017 are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2018	$ 799,151	$ 552,657
2019	823,962	531,221
2020	848,774	507,633
2021	876,038	482,400

NOTE 6 – LONG-TERM DEBT (Continued)

2022	902,075	453,407
2023-2027	5,042,831	1,762,029
2028-2032	5,636,037	710,073
2033-2035	338,490	16,078
Total	$ 15,267,358	$ 5,015,498

NOTE 7 – UTILITY REVENUES PLEDGED

In the funding agreements dated October 1, 2009 and August 1, 2015 (amended and restated the funding agreement dated July 1, 2011) between the City of Enterprise and Enterprise Water Works Board, in relation to the Series 2009 and Series 2011 and Series 2015 General Obligation Warrants of the City of Enterprise, respectively, the Board has pledged the revenues to be derived from the operation of the Water System remaining after the payment of operating expenses and Board debt service, but solely to the extent of the funding agreement obligations. These pledges of the net system revenues are subject and subordinate to any pledge of net system revenues for the benefit of any Board debt service with respect to debt obligations outstanding on the date of delivery of the funding agreements and with the consent of the City of Enterprise, debt obligations of the Board issued or incurred after the date of the funding agreements.

NOTE 8 – EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama ("ERS"), an agent multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 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 the general administration and operating of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama ("RSA"). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board on Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

1) The Governor, ex officio.
2) The State Treasurer, ex officio.
3) The State Personnel Director, ex officio.
4) The State Director of Finance, ex officio.
5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
    a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county or a public agency each of whom is an active beneficiary of ERS.
    b. Two vested active state employees.
    c. Two vested active employees of an employer participating in ERS pursuant to §36-27-6.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Pre-retirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active members	55,058
Total	85,874

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the Board's active employee contribution rate was 5% of covered payroll for normal Tier 1 employees and 6% of covered payroll for normal Tier 2 employees, and the Board's average contribution rate to fund the normal and accrued liability costs was 10.37% of pensionable payroll for Tier 1 employees and 8.48% for Tier 2 employees.

The Board's contractually required contribution rate for the year ended September 30, 2017 was 10.74% of pensionable pay for Tier 1 employees, and 8.85% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were $80,357 for the year ended September 30, 2017.

Roll Forward of the Total Pension Liability

The Board's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

	Expected	Actual 2015 Valuation Assumptions	Actual 2016 Valuation Assumptions
Total Pension Liability			
As of September 30, 2015 (a)	$ 2,402,674	$ 2,333,987	$ 2,406,681
Discount rate (b)	8.00%	8.00%	7.75%
Entry Age Normal Cost for			
October 1, 2015 – September 30, 2016 (c)	69,400	69,400	66,777
Transfer among employees (d)	-	2,404	2,404
Actual Benefit Payments and Refunds for			
October 1, 2015 – September 30, 2016 (e)	(152,268)	(152,268)	(152,268)
Total Pension Liability			
As of September 30, 2016 (f)			
[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	$ 2,505,929	$ 2,434,151	$ 2,504,211

Difference between expected and actual experience	
(gain)/loss (g)	$ (71,778)
Less liability transferred for immediate recognition (h)	(2,404)
Experience (gain)/loss = (g) – (h)	$ (74,182)

Actuarial assumptions. The total pension liability as of September 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

* Net of pension plan investment expense

Mortality rates for ERS were based on the sex district RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex district RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

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

	Long-Term Target Allocation	Expected Rate of Return*
Fixed Income	17.00%	4.40%
US large stocks	32.00%	8.00%
US mid stocks	9.00%	10.00%
US small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Real estate	10.00%	7.50%
Alternatives	10.00%	10.10%
Cash equivalents	3.00%	1.50%
Total	100.00%	

**Includes assumed rate of inflation of 2.50%.*

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Position (b)**	**Net Pension Liability (Asset) (a) - (b)**
Balances at September 30, 2015	$ 2,402,674	$ 1,499,035	$ 903,639
Changes for the year:			
Service cost	69,400	-	69,400
Interest	186,123	-	186,123
Changes in assumptions	70,060	-	70,060
Differences between expected and actual experience	(74,182)	-	(74,182)
Contributions - employer	-	94,329	(94,329)
Contributions - employee	-	39,513	(39,513)
Net investment income	-	151,848	(151,848)
Benefit payments, including refunds of employee contributions	(152,268)	(152,268)	-
Transfers among employers	2,404	2,404	-
Net change in plan fiduciary net position	101,537	135,826	(34,289)
Balances at September 30, 2016	$ 2,504,211	$ 1,634,861	$ 869,350

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the Board's net pension liability calculated using the discount rate of 7.75%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	**Current Rate (7.75%)**	**1% Increase (8.75%)**
Board's net pension liability	$ 1,145,669	$ 869,350	$ 634,756

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 68 report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Board recognized pension expense of $90,507. At September 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 108,060
Changes of assumptions	58,575	-
Net difference between projected and actual earnings on pension plan investments	13,621	-
Employer contributions subsequent to the measurement date*	80,357	-
Total	$ 152,553	$ 108,060

*Amounts recognized for employer contributions subsequent to the measurement date are applied to pension liability.

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2018	$ (8,385)
2019	(8,386)
2020	2,757
2020	(17,897)
2021	(3,887)
2021 and thereafter	(66)

NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description and Provisions

In addition to the pension benefits described in Note 8, pursuant to Act 86-541, Regular Session 1986, employees retiring under the State Retirement System of Alabama on or after January 1, 1987, may continue coverage under the Board's group health insurance plan in force at the time of retirement.

NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

The employees of the Enterprise Water Works Board are covered under the postemployment health care benefit plan, a single-employer defined benefit plan, administered by the City of Enterprise. Benefits are provided through Local Government Health Insurance Programs ("LGHIP") administered by the Alabama State Employees Insurance Board. The Board's policy is that the retirees pay an annually determined dollar contribution for medical and dental coverage.

The amount varies based on coverage tier and Medicare status of the retiree and spouse. Currently, the retiree pays $162 per month for individual pre-Medicare coverage and $92 per month for individual Medicare coverage. Eligibility for coverage will continue as long as the Board continues the group health insurance plan and continue after age 65 with the medical coverage offered as a supplement to Medicare benefits. Expenses for postemployment health care benefits are recognized on a pay-as-you-go basis.

The Board also provides group life insurance for employees who retire from active work. The amount of life insurance provided is $10,000 until age 65. At age 65, the benefits decrease gradually as follows: $6,700 at age 65 and $5,000 at age 75. Expenses for postemployment life insurance are funded on a pay-as-you-go basis.

Funded Status and Funding Progress

During the fiscal year ended September 30, 2017, the Board recognized expenses of $130,140 for postemployment benefits. Currently, four retirees from the Board receive postemployment health care benefits and six retirees of the Board receive postemployment life insurance benefits. The Board contributed $24,582 in premiums for retirees' health insurance, with retirees contributing $12,438. The Board contributed $161 in premiums for retirees' life insurance for the fiscal year 2017. As of October 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,342,249, and the actuarial present value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,342,249. The covered payroll (annual payroll of active participating employees) was $836,081 for fiscal year 2017 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 160.54%.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Board's projected annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation.

NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Description		Amount
Annual required contribution	$	157,459
Adjustment to Annual Required Contribution		(10,125)
Annual OPEB cost (expense)		147,334
Actual retiree claims payments*		(17,194)
Increase in net OPEB obligation		130,140
Net OPEB obligation, beginning of year		606,043
Net OPEB obligation, end of year	$	736,183

* Expected retiree claims payments, per the most recent actuarial report dated September 30, 2017, were $16,716.

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2017 and the preceding two years was as follows:

Fiscal Year	Actuarial Valuation Date		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
9/30/2015	10/01/14	$	101,485	15.00%	$	522,657
9/30/2016	10/01/14		101,485	17.83%		606,043
9/30/2017	10/01/16		147,334	11.35%		736,183

***Actuarial Method and Assumptions**:*

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

NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

The Board's OPEB actuarial valuation as of September 30, 2017 used the projected unit cost method to estimate the unfunded actuarial accrued liability as of September 30, 2017, and to estimate the Board's fiscal year 2017 annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets, including inflation of 3%. The actuarial assumptions also included a medical cost trend of 5% level. The unfunded actuarial accrued liability is being amortized as a level percent of projected payrolls on an open basis. The remaining amortization period at September 30, 2017 was 30 years.

NOTE 10 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees, and natural disasters. During the fiscal year ended September 30, 2017, the Board carried insurance through various commercial carriers to cover all material risks of loss. The Board had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage from coverage in the prior year.

NOTE 11 – SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the fiscal year end through October 10, 2018, the date the financial statements were available to be issued, and there are none to disclose.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Changes in Net Pension Liability

September 30,	2016	2015	2014
Total Pension Liability			
Service cost	$ 69,400	$ 66,253	$ 57,512
Interest	186,123	183,793	176,952
Differences between expected and actual experience	(74,182)	(67,453)	-
Changes of assumptions	70,060	-	-
Transfers among employees	2,404	-	-
Benefit payments, including refunds of employee contributions	(152,268)	(154,652)	(143,265)
Net change in total pension liability	101,537	27,941	91,199
Total pension liability - beginning	2,402,674	2,374,733	2,283,534
Total pension liability - ending (a)	$ 2,504,211	$ 2,402,674	$ 2,374,733
Plan Fiduciary Net Position			
Contributions - employer	$ 94,329	$ 87,526	$ 85,056
Contributions - member	39,513	37,211	37,571
Net investment income	151,848	17,981	167,171
Benefit payments, including refunds of employee contributions	(152,268)	(154,652)	(143,265)
Transfers among employers	2,404	(39,132)	-
Net change in plan fiduciary net position	135,826	(51,066)	146,533
Plan net position - beginning	1,499,035	1,550,101	1,403,568
Plan net position - ending (b)	$ 1,634,861	$ 1,499,035	$ 1,550,101
Net pension liability (asset) - ending (a) - (b)	$ 869,350	$ 903,639	$ 824,632
Plan fiduciary net position as a percentage of the total pension liability	65.28%	62.39%	65.27%
Covered payroll*	$ 776,806	$ 765,356	$ 776,818
Net pension liability (asset) as a percentage of covered payroll	111.91%	118.07%	106.16%

*Employer's covered-payroll during the measurement period is the total covered payroll (not just pensionable payroll). For FY 2017, the measurement period is October 1, 2015 - September 30, 2016. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll for FY 2017.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

September 30,	2017	2016	2015
Actuarially determined contribution*	$ 80,357	$ 96,493	$ 90,056
Contributions in relation to the actuarially determined contribution*	80,357	96,493	90,056
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll**	$ 844,560	$ 776,806	$ 765,356
Contributions as a percentage of covered payroll	9.51%	12.42%	11.77%

*The amount of employer contributions related to normal and accrued liability components of employer rate net any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

**Employer's covered-payroll for FY 2017 is the total covered payroll (not just pensionable payroll) for the 12 month period of the underlying financial statement.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 – 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Schedule of Funding Progress for the Other Postemployment Benefits Plan

For the Year Ended September 30, 2017

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)
10/1/2010	$ -	$ 837,854	$ 837,854	0.00%	$ 692,470	120.99%
10/1/2012	-	915,949	915,949	0.00%	734,701	124.67%
10/1/2014	-	888,858	888,858	0.00%	767,057	115.88%
10/1/2016	-	1,342,249	1,342,249	0.00%	836,081	160.54%

SUPPLEMENTAL INFORMATION

Enterprise Water Works Board
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Operating Revenues				
Charges for services, net	$ 4,271,746	$ 4,271,746	$ 4,225,395	$ (46,351)
Miscellaneous	135,237	135,237	90,175	(45,062)
Total operating revenues	4,406,983	4,406,983	4,315,570	(91,413)
Operating Expenses				
Advertising	4,000	4,380	2,661	1,719
Legal	100	100	-	100
Bank charges	-	-	262	(262)
Chemicals	35,000	35,000	33,970	1,030
Contractual services	135,000	135,000	136,320	(1,320)
Depreciation	-	-	1,111,994	(1,111,994)
Dues and subscriptions	2,100	2,100	2,273	(173)
Gasoline and oil	25,292	25,292	26,964	(1,672)
Health insurance	163,308	163,308	143,427	19,881
Insurance	163,670	163,670	157,336	6,334
Maintenance	31,600	32,568	17,024	15,544
Miscellaneous	14,037	14,060	13,397	663
Office expenses	142,100	144,172	129,636	14,536
Other post-employment benefits	19,291	19,291	147,334	(128,043)
Payroll taxes	61,821	61,821	60,345	1,476
Purchased water	50,000	50,000	-	50,000
Rents	3,281	3,281	2,529	752
Repairs	539,211	547,582	196,226	351,356
Retirement	110,148	110,148	90,507	19,641
Salaries	850,646	850,646	844,560	6,086
Travel	2,500	2,500	3,935	(1,435)
Uniforms	3,000	3,108	3,068	40
Utilities and telephone	587,172	587,246	644,819	(57,573)
Water testing	30,000	30,800	40,679	(9,879)
Total operating expenses	2,973,277	2,986,073	3,809,266	(823,193)
Operating Income	1,433,706	1,420,910	506,304	(914,606)

-Continued-

Enterprise Water Works Board
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget and Actual (Continued)
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Nonoperating Revenues (Expenses)				
Insurance proceeds	25,000	25,000	3,324	(21,676)
Interest income	125	125	458	333
Sale of equipment	25,000	25,000	-	(25,000)
Bond expense	(2,000)	(2,000)	(2,788)	(788)
Interest expense	-	-	(589,881)	(589,881)
Net nonoperating revenues (expenses)	48,125	48,125	(588,887)	(637,012)
Income before transfers	1,481,831	1,469,035	(82,583)	(1,551,618)
Transfers out	(1,481,831)	(1,481,831)	(31,529)	1,450,302
Change in net position	-	(12,796)	(114,112)	(101,316)
Net Position - Beginning	4,242,332	4,242,332	4,242,332	-
Net Position - Ending	$ 4,242,332	$ 4,229,536	$ 4,128,220	$ (101,316)

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

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

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

Honorable Mayor and Members of the Enterprise Water Works Board
City of Enterprise, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Enterprise Water Works Board (the "Board"), a component unit of the City of Enterprise, Alabama, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 10, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

Enterprise, Alabama

October 10, 2018

CARR RIGGS & INGRAM
CPAs and Advisors

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

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

October 10, 2018

Enterprise Water Works Board

Dear Board of Directors and Management:

We are pleased to present the results of our audit of the 2017 financial statements of the Enterprise Water Works Board (the “Utilities Board”).

This report to the Board of Directors (the "Board") and Management summarizes our audit, the reports issued and various analyses and observations related to the Utilities Board’s accounting and reporting. This document also contains all of the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the Utilities Board’s 2017 financial statements. We considered the Utilities Board’s current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board and Management, expect. We received the full support and assistance from the Utilities Board’s personnel.

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

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

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 334-348-1309 or hgalloway@cricpa.com.

Very truly yours,

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

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

Enterprise, Alabama

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

- Perform audit services, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, in order to express an opinion on the Utilities Board's financial statements for the year ended September 30, 2017 and to report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*;

- Communicate directly with the Board and Management regarding the results of our procedures;

- Address with the Board and Management any accounting and financial reporting issues;

- Anticipate and respond to concerns of the Board and Management; and

- Other audit-related projects as they arise and upon request.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 28, 2017. We have audited the financial statements of the Utilities Board for the year ended September 30, 2017, and have issued our report therein dated October 10, 2018. Professional standards also require that we communicate to you the following information related to our audit.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards and Government Auditing Standards	As stated in our engagement letter dated June 28, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the Utilities Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Utilities Board's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.* • *Critical accounting policies and practices*	The significant accounting policies used by the Utilities Board are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncement: • GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). • GASB Statement No. 77, *Tax Abatement Disclosures* (GASB 77). • GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). • GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14* (GASB 80). GASB 74 establishes accounting and financial reporting standards, but not funding or budgetary standards, for state and local

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
applied by the Utilities Board in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations; • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	governmental other postemployment benefit ("OPEB") plans. GASB 77 defines a tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those agreements that are entered into by other governments and that reduce the reporting government's tax revenues. GASB 78 amends the scope and applicability of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*—and amendment of GASB Statement No. 27 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan. GASB 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments by providing an additional criterion. The adoption of GASB 74, 77, 78 and 80 had no significant impact on the financial statements. We noted no transactions entered into by the Utilities Board during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality."
Corrected and Uncorrected Misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the Utilities Board, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements*	Please see the following section titled "Summary of Audit Adjustments."

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.	
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the Utilities Board and how they are disclosed.*	No such risks or exposures were noted or disclosed.
Material uncertainties related to events and conditions, specifically going concern issues *Any doubt regarding the Utilities Board's ability to continue, as a going concern (if extended procedures, communicate results), and any other material uncertainties.*	No such uncertainties were noted or disclosed.
Other information in documents containing audited financial statements *The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.
Financial statement disclosures *Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.*	The financial statement disclosures are neutral, consistent, and clear. Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality" for description of disclosures identified as sensitive.
Disagreements with management *Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Utilities Board's financial statements or the auditor's report.*	None.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Management consultation with other independent accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	None of which we are aware.
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	None.
Difficulties encountered in performing the audit *Serious difficulties encountered in dealing with management that relate to the performance of the audit.*	None.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Deficiencies in internal control *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.*	See *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* included with the financial statements and dated October 10, 2018.
Fraud and illegal acts *Fraud involving senior management, or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other material written communications • *Management representation letter* • *Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards*	See "Management Representation Letter" section. Report is included with the financial statements and is dated October 10, 2018.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Other matters *Communication of other pertinent matters.*	**Required and Other Supplementary Information** We applied certain limited procedures to the schedule of funding progress for the OPEB plan, the schedule of changes in net pension liability, and the schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were not engaged to report on the schedule of revenues, expenses and changes in net position - budget and actual, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it. **Impact of Recently Issued Accounting Pronouncements** GASB Statement No. 75 will apply to state and local governments for fiscal years beginning after June 15, 2017 (your current fiscal year beginning October 1, 2017). The requirements of this Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. Obtaining the information necessary to implement this Statement has the potential to require a significant investment of time and resources.

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

Accounting estimates are an integral part of the financial statements and are based on your knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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

AREA	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Assets	Management's estimate of depreciation expense for the Utilities Board is calculated using the straight line method and is based on the estimated useful life of property and equipment.	We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
Other Postemployment Benefits	Management's estimate of Annual Required Contributions is projected using methods and assumptions as provided in the most recent actuarial valuation. The investment return assumption (or discount rate) utilized was 4.00%. Growth rate assumptions utilized were consistent with those utilized by the Retirement System of Alabama. Heath care cost trend rates were based on market assessments.	We evaluated the assumptions used by the actuary in determining that the Annual Required Contribution was reasonable in relation to the financial statements taken as a whole.
Compensated Absences	Management estimates the current obligation for accrued annual and sick leave earned and not paid. Future benefits accrued are based on a prior payment history, human resource policies and procedures, and average of actual accrued amounts earned and utilized using actual wage rates.	We examined the assumptions used for reasonableness in relation to the financial statements taken as a whole.
Allowance for Uncollectible Accounts	Management's estimate of the allowance for uncollectible accounts is based on assessments of the ultimate collectability of customer charges. Management has deemed no material allowance to be necessary.	We evaluated the key factors and assumptions used to assess the need for an allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
Defined Benefit Pension Plan	Management's estimate of the deferred outflows/inflows related to pensions is based on and calculated using census data and various actuarial determined assumptions.	We evaluated the assumptions used by the actuary in determining that the account balances are reasonable in relation to the financial statements taken as a whole.

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

See attached schedule of audit adjustments that were recorded and those that were passed. All adjustments recorded were approved by the Board.

QUALITATIVE MATERIALITY CONSIDERATIONS

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

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

Schedule of Corrected Adjusting Journal Entries

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		**5220**		
To propose an AJE to record OPEB liability to match actuarial report.				
101-00-0000-0000-000-52	RETIREES RETIREMENT/INSURANCE		130,140.00	
000-00-0000-0000-000-21	OTHER POST-EMPLOYMENT BENEFITS			130,140.00
Total			**130,140.00**	**130,140.00**
Adjusting Journal Entries JE # 2		**Client**		
To post a client prepared AJE to properly reflect the balance in payables. Already posted on client's books.				
000-00-0000-0000-000-21	ACCOUNTS PAYABLE		280,028.63	
000-00-0000-0000-000-23	SEWER TAX PAYABLE			144,189.69
000-00-0000-0000-000-23	ENVIRONMENTAL FEE PAYABLE			135,838.94
Total			**280,028.63**	**280,028.63**

Schedule of Uncorrected Adjusting Journal Entries

Account	Description	W/P Ref	Debit	Credit
Proposed Journal Entries				
Proposed Journal Entries JE # 3		**4202**		
Proposed adjustment to reflect understatement of allowance for doubtful accounts.				
101-00-0000-0000-000-58	BAD DEBT EXPENSE		7,240.00	
000-00-0000-0000-000-14	ALLOWANCE FOR UNCOLLECTIBLES			7,240.00
Total			**7,240.00**	**7,240.00**
Proposed Journal Entries JE # 4		**4204**		
Proposed adjustment to reflect an understatement in AR.				
000-00-0000-0000-000-14	ACCOUNTS RECEIVABLE		10,933.00	
000-01-0000-0000-000-41	SALES INCOME			10,933.00
Total			**10,933.00**	**10,933.00**
Proposed Journal Entries JE # 5		**5210.2**		
Proposed adjustment to reflect an understatement in net pension liability.				
101-00-0000-0000-000-52	RETIREMENT		2,164.00	
000-00-0000-0000-000-23	NET PENSION LIABILITY			2,164.00
Total			**2,164.00**	**2,164.00**

October 10, 2018

Carr, Riggs, & Ingram, LLC
Attn: Hilton Galloway
PO Box 311070
Enterprise, AL 36331

This representation letter is provided in connection with your audit of the financial statements of the Enterprise Water Works Board, a component unit of the City of Enterprise, Alabama (the "Utilities Board"), which comprise the respective financial position of the business-type activities as of September 30, 2017, and the respective changes in financial position and cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of October 10, 2018, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2017, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the required supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information required by U.S. GAAP to be included in the financial reporting entity.
3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) Significant assumptions we used in making accounting estimates are reasonable.
6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments.

9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

10) Guarantees, whether written or oral, under which the Utilities Board is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the Board of Directors of the Utilities Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) The Utilities Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

23) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

24) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

25) The Utilities Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

26) The Utilities Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

27) The Utilities Board is in compliance with SEC debt issuer reporting requirements (Rule No. 240.15c2-12).

28) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

29) We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

30) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.

31) Components of net position (net investment in capital assets, restricted and unrestricted) are properly classified and, if applicable, approved.

32) The allowance for uncollectible receivables has been properly identified and recorded.

33) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

34) Deposits and investments are properly classified as to risk and are properly disclosed.

35) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

36) We have appropriately disclosed the Utilities Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

37) We acknowledge our responsibility for the required supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

38) We agree with the findings of specialists in evaluating the valuation of pension liabilities and related deferred outflows/inflows and pension expense and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

39) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Signature: Signature:

Title: Title: