

CITY OF ROBERTSDALE, ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2014

CITY OF ROBERTSDALE, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2014

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CITY OF ROBERTSDALE, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Robertsedale, Alabama, as of September 30, 2014, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Robertsedale, Alabama's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The financial statements do not include financial data for the Robertsedale Volunteer Fire Department, a blended component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City of Robertsedale, Alabama's primary government. Because of this departure from accounting principles generally accepted in the United States of America, assets of approximately \$142,924, liabilities of approximately \$141,866, and net assets of approximately \$1,058 of the aggregate blended component unit have not been presented.

Opinions

In our opinion, except for the effect of omitting the blended component unit discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Robertsedale, Alabama, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Robertsedale, Alabama's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Governmental Auditing Standards

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


Certified Public Accountants

February 16, 2015
Fairhope, Alabama

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Governmental Fund Types		
	Governmental Activites	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 464,353	\$ 779,273	\$ 1,243,626
Investments	1,096,729	931,194	2,027,923
Receivables, net	90,176	1,332,336	1,422,512
Inventories	-	230,202	230,202
Other assets	11,388	345,919	357,307
Capital assets, net	11,345,212	13,386,832	24,732,044
	<u>13,007,858</u>	<u>17,005,756</u>	<u>30,013,614</u>
Total assets	\$ <u>13,007,858</u>	\$ <u>17,005,756</u>	\$ <u>30,013,614</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 299,638	\$ 223,495	\$ 523,133
Customer deposits	-	765,562	765,562
Long-term liabilities			
Due within one year	230,773	236,759	467,532
Due in more than one year	8,011,312	8,627,632	16,638,944
	<u>8,541,723</u>	<u>9,853,448</u>	<u>18,395,171</u>
Total liabilities	8,541,723	9,853,448	18,395,171
NET POSITION			
Net investment in capital assets	3,103,127	4,868,360	7,971,487
Restricted for:			
Debt service	1,096,729	931,194	2,027,923
Road construction and maintenance	65,721	-	65,721
Unrestricted	200,558	1,352,754	1,553,312
	<u>4,466,135</u>	<u>7,152,308</u>	<u>11,618,443</u>
Total net position	4,466,135	7,152,308	11,618,443
Total liabilities and net position	\$ <u>13,007,858</u>	\$ <u>17,005,756</u>	\$ <u>30,013,614</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General	\$ 841,419	\$ 544,104	\$ -	\$ 67,788	\$ (229,527)		\$ (229,527)
Sanitation	586,697	403,325	-	-	(183,372)		(183,372)
Police	2,137,071	473,991	-	-	(1,663,080)		(1,663,080)
Fire	87,250	-	-	-	(87,250)		(87,250)
Street	1,016,224	-	-	-	(1,016,224)		(1,016,224)
Shop	69,162	-	-	-	(69,162)		(69,162)
Senior Citizens' Center	144,483	-	-	-	(144,483)		(144,483)
Recreation	385,237	-	-	-	(385,237)		(385,237)
Public Library	372,054	95,968	-	-	(276,086)		(276,086)
Municipal court	184,661	-	-	-	(184,661)		(184,661)
Landscape	165,346	-	-	-	(165,346)		(165,346)
Animal control	52,268	-	-	-	(52,268)		(52,268)
Engineering, building, planning, and zoning	373,108	160,847	-	-	(212,261)		(212,261)
Staff agencies and other	65,344	-	-	-	(65,344)		(65,344)
Interest on long term debt	388,858	-	-	-	(388,858)		(388,858)
Bond issuance costs	39,686	-	-	-	(39,686)		(39,686)
Total governmental activities	<u>6,908,868</u>	<u>1,678,235</u>	<u>-</u>	<u>67,788</u>	<u>(5,162,845)</u>		<u>(5,162,845)</u>
Business-type activities							
Electric	7,336,002	9,579,053	-	-	-	\$ 2,243,051	2,243,051
Public Building Authority	66,650	162,620	-	-	-	95,970	95,970
Water Fund	978,527	1,435,642	-	-	-	457,115	457,115
Sewer Fund	1,409,201	1,174,022	-	27,368	-	(207,811)	(207,811)
Natural Gas Fund	196,207	178,558	-	-	-	(17,649)	(17,649)
Total business-type activities	<u>9,986,587</u>	<u>12,529,895</u>	<u>-</u>	<u>27,368</u>	<u>-</u>	<u>2,570,676</u>	<u>2,570,676</u>
Total primary government	<u>\$ 16,895,455</u>	<u>\$ 14,208,130</u>	<u>\$ -</u>	<u>\$ 95,156</u>	<u>(5,162,845)</u>	<u>2,570,676</u>	<u>(2,592,169)</u>
General Revenues:							
Taxes:							
Sales					2,027,065	-	2,027,065
Property					201,927	-	201,927
Liquor and tobacco					326,734	-	326,734
Intergovernmental					116,952	-	116,952
Investment earnings					776	80	856
Other					335,381	-	335,381
Transfers					2,189,842	(2,189,842)	-
Total general revenues and transfers					<u>5,198,677</u>	<u>(2,189,762)</u>	<u>3,008,915</u>
Change in net position					35,832	380,914	416,746
Net position, beginning					4,525,970	6,984,126	11,510,096
GASB 65 prior period adjustment					(95,667)	(212,732)	(308,399)
Net position, ending					<u>\$ 4,466,135</u>	<u>\$ 7,152,308</u>	<u>\$ 11,618,443</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Major Fund	Nonmajor Funds	
	General	Other Governmental	Total
ASSETS			
Cash	\$ 398,651	\$ 65,721	\$ 464,372
Investments	-	1,096,727	1,096,727
Receivables			
Taxes	73,799	-	73,799
Other	16,358	-	16,358
Other assets	11,388	-	11,388
TOTAL ASSETS	\$ 500,196	\$ 1,162,448	\$ 1,662,644
LIABILITIES			
Accounts payable, trade	\$ 86,403	\$ -	\$ 86,403
Accrued payroll taxes and retirement	180,312	-	180,312
Appearance bonds	22,759	-	22,759
TOTAL LIABILITIES	289,474	-	289,474
FUND BALANCES			
Restricted for:			
Debt service	-	1,096,727	1,096,727
Construction and road maintenance	-	65,721	65,721
Unassigned	210,722	-	210,722
TOTAL FUND BALANCES	210,722	1,162,448	1,373,170
TOTAL LIABILITIES AND FUND BALANCES	\$ 500,196	\$ 1,162,448	\$ 1,662,644

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2014

Fund balances as reported on page 6	\$ 1,373,170
Net Position reported for governmental activities in the Statement of Net Position (page 3) are different from Fund Balances for governmental activities because:	
Capital assets used in governmental activities are financial resources and therefore are not reported in fund financial statements	18,424,097
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(7,078,885)
Long-term liabilities, including warrants payable, capital lease obligations and notes payable are not due and payable in the current period and therefore are not reported in fund financial statements.	(8,612,326)
Amortization is taken on the bond discount in the government-wide reporting, but not in fund financial statements.	(7,221)
Deferred loss on the early retirement of debt is not reported in the fund financial statements but is recognized for government-wide reporting.	200,637
Bond discounts and premiums are amortized for government-wide reporting but not for fund financial statements.	176,826
Accrued interest on long-term debt is not due and payable in the current-period and therefore not included in fund financial statements.	<u>(10,163)</u>
Net Position of Governmental Activities as reported on page 4	<u><u>\$ 4,466,135</u></u>

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Major	Nonmajor	Total
	Fund	Funds	
	General	Other Governmental	
REVENUES			
Local taxes	\$ 2,555,726	\$ -	\$ 2,555,726
Licenses and permits	544,104	-	544,104
Fines and forfeitures	473,991	-	473,991
State of Alabama	67,788	86,669	154,457
Charges for services	660,140	-	660,140
Other revenues	332,365	41,378	373,743
Total revenues	4,634,114	128,047	4,762,161
EXPENDITURES			
General government	674,567	-	674,567
Police department	2,030,535	-	2,030,535
Fire department	85,891	-	85,891
Street department	942,117	-	942,117
Shop	62,342	-	62,342
Sanitation department	561,193	-	561,193
Recreation department	327,497	-	327,497
Public library	369,398	-	369,398
Municipal court	179,347	-	179,347
Landscape department	160,639	-	160,639
Animal control	49,230	-	49,230
Senior Citizens' Center	143,022	-	143,022
Staff agencies and other	43,504	-	43,504
Engineering, building, planning, and zoning	364,397	-	364,397
Capital outlay	1,315,733	-	1,315,733
Debt service payments			
Principal	8,041	217,474	225,515
Interest	11,385	367,470	378,855
Total expenditures	7,328,838	584,944	7,913,782
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,694,724)	(456,897)	(3,151,621)
OTHER FINANCIAL SOURCES (USES)			
Proceeds from issuance of bond, net	2,050,165	-	2,050,165
Payment to Escrow Agent to refund debt	(1,388,879)	-	(1,388,879)
Bond issuance costs and discounts	(61,286)	-	(61,286)
Transfers in (out)	2,258,168	(68,326)	2,189,842
Total other financial sources (uses)	2,858,168	(68,326)	2,789,842
Net change in fund balances	163,444	(525,223)	(361,779)
Fund balances at beginning of year	47,278	1,687,671	1,734,949
FUND BALANCES AT END OF YEAR	\$ 210,722	\$ 1,162,448	\$ 1,373,170

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds, page 8 \$ (361,779)

Amounts reported for governmental activities in the Statement of Activities (Page 4) are different from the Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Capital outlays for the year	1,315,733
Depreciation expense for the year	(486,704)

Bond and other debts proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments on long term debt	225,515
Proceeds from issuance of long term debt	(2,050,165)
Payment to escrow agent to refund debt	1,388,879

Bond discounts are reported as current financial uses to governmental funds while governmental activities amortize them over the life of the debt

Bond discounts	21,600
Amortization expense for the year	(7,252)

Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest	<u>(9,995)</u>
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Change in Net Position of Governmental Activities, page 5 \$ 35,832

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2014

	ASSETS					Total
	Major Funds				Nonmajor Fund	
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
CURRENT ASSETS						
Cash	\$ 779,273	\$ -	\$ -	\$ -	\$ -	\$ 779,273
Investments	46,190	-	475,574	409,430	-	931,194
Receivables	1,332,336	-	-	-	-	1,332,336
Material and supply inventory (at cost)	211,415	-	15,863	194	2,730	230,202
Total current assets	2,369,214	-	491,437	409,624	2,730	3,273,005
PROPERTY, PLANT AND EQUIPMENT						
Land, land rights and construction in progress	12,029	-	97,342	145,951	250	255,572
Buildings and improvements	95,072	1,666,251	-	-	-	1,761,323
Vehicles and equipment	1,114,077	-	461,877	1,006,458	60,517	2,642,929
Plant and distribution system	7,830,265	-	7,327,816	9,241,146	237,899	24,637,126
	9,051,443	1,666,251	7,887,035	10,393,555	298,666	29,296,950
Accumulated depreciation	(6,332,697)	(893,857)	(3,233,864)	(5,199,081)	(250,619)	(15,910,118)
Property, plant and equipment – net	2,718,746	772,394	4,653,171	5,194,474	48,047	13,386,832
OTHER ASSETS	5,991	-	195,785	140,629	3,514	345,919
TOTAL ASSETS	\$ 5,093,951	\$ 772,394	\$ 5,340,393	\$ 5,744,727	\$ 54,291	\$ 17,005,756

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2014

LIABILITIES AND NET POSITION

	Major Funds				Nonmajor Fund	Total
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
	CURRENT LIABILITIES					
Accounts payable, trade	\$ 3,324	\$ -	\$ -	\$ 724	\$ -	\$ 4,048
Retirement payable	4,879	-	2,605	2,454	944	10,882
Accrued interest payable	13,204	-	104,581	90,780	-	208,565
Customer utility deposits	765,562	-	-	-	-	765,562
Due to other funds of the City of Robertsdale	-	-	-	-	-	-
Notes payable	-	-	-	19,009	-	19,009
Revenue Warrants current portion	10,000	-	69,000	138,000	-	217,000
General Obligation Warrants current portion	-	-	-	750	-	750
Total current liabilities	<u>796,969</u>	<u>-</u>	<u>176,186</u>	<u>251,717</u>	<u>944</u>	<u>1,225,816</u>
LONG TERM LIABILITIES						
Noncurrent portion of notes payable	8,751	-	-	65,804	-	74,555
Noncurrent portion of Revenue Warrants						
2006 Series	-	-	2,178,140	1,350,023	-	3,528,163
2009 Series	318,964	-	229,197	957,606	-	1,505,767
2014 Series	-	-	2,091,000	1,394,000	-	3,485,000
Noncurrent portion of General Obligation Warrants						
2009 Series	-	-	-	34,147	-	34,147
Total long term liabilities	<u>327,715</u>	<u>-</u>	<u>4,498,337</u>	<u>3,801,580</u>	<u>-</u>	<u>8,627,632</u>
TOTAL LIABILITIES	<u>1,124,684</u>	<u>-</u>	<u>4,674,523</u>	<u>4,053,297</u>	<u>944</u>	<u>9,853,448</u>
NET POSITION						
Net investment in capital assets	2,387,022	772,394	281,619	1,375,764	51,561	4,868,360
Restricted for debt service	46,190	-	475,574	409,430	-	931,194
Unrestricted	1,536,055	-	(91,323)	(93,764)	1,786	1,352,754
Total net position	<u>3,969,267</u>	<u>772,394</u>	<u>665,870</u>	<u>1,691,430</u>	<u>53,347</u>	<u>7,152,308</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,093,951</u>	<u>\$ 772,394</u>	<u>\$ 5,340,393</u>	<u>\$ 5,744,727</u>	<u>\$ 54,291</u>	<u>\$ 17,005,756</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Major Funds				Nonmajor	Totals
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
OPERATING REVENUES						
Utility services	\$ 9,149,743	\$ -	\$ 1,150,941	\$ 960,868	\$ 178,558	\$ 11,440,110
Other	475,819	162,620	284,701	240,522	-	1,163,662
Total operating revenues	<u>9,625,562</u>	<u>162,620</u>	<u>1,435,642</u>	<u>1,201,390</u>	<u>178,558</u>	<u>12,603,772</u>
OPERATING EXPENSES						
Purchased power and natural gas	5,645,512	-	-	-	81,132	5,726,644
Depreciation and amortization	262,218	66,650	192,569	280,848	3,635	805,920
Operating, maintenance and administrative salaries	695,038	-	299,559	463,160	77,591	1,535,348
Plant operation and maintenance	184,570	-	105,789	223,481	600	514,440
Vehicles and equipment expenses	48,876	-	47,862	20,975	492	118,205
Payroll taxes	50,306	-	22,579	34,471	5,851	113,207
Employees' retirement	56,409	-	24,535	38,715	6,492	126,151
Insurance	125,327	-	41,186	81,454	8,926	256,893
Professional fees	4,388	-	-	2,417	-	6,805
All other operating expenses	190,907	-	34,979	84,745	11,488	322,119
Total operating expenses	<u>7,318,882</u>	<u>66,650</u>	<u>769,058</u>	<u>1,230,266</u>	<u>196,207</u>	<u>9,581,063</u>
INCOME (LOSS) FROM OPERATIONS	<u>2,306,680</u>	<u>95,970</u>	<u>666,584</u>	<u>(28,876)</u>	<u>(17,649)</u>	<u>3,022,709</u>
OTHER INCOME (EXPENSES)						
Grant proceeds	-	-	-	27,368	-	27,368
Gain on sale of capital assets	-	-	-	4,200	-	4,200
Interest earned	4	-	40	36	-	80
Interest expense	(17,120)	-	(209,469)	(178,935)	-	(405,524)
Bond issuance costs	-	-	(46,846)	(31,231)	-	(78,077)
Operating transfers in (out)	(2,405,159)	(162,620)	(59,763)	423,689	14,011	(2,189,842)
Total other income (expenses)	<u>(2,422,275)</u>	<u>(162,620)</u>	<u>(316,038)</u>	<u>245,127</u>	<u>14,011</u>	<u>(2,641,795)</u>
CHANGE IN NET POSITION	<u>(115,595)</u>	<u>(66,650)</u>	<u>350,546</u>	<u>216,251</u>	<u>(3,638)</u>	<u>380,914</u>
Net position, beginning of year	4,096,580	839,044	421,215	1,570,302	56,985	6,984,126
GASB 65 prior period adjustment	(11,718)	-	(105,891)	(95,123)	-	(212,732)
NET POSITION, END OF YEAR	<u>\$ 3,969,267</u>	<u>\$ 772,394</u>	<u>\$ 665,870</u>	<u>\$ 1,691,430</u>	<u>\$ 53,347</u>	<u>\$ 7,152,308</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Major Funds				Nonmajor Fund	Total
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 9,441,713	\$ 162,620	\$ 1,435,642	\$ 1,201,391	\$ 178,558	\$ 12,419,924
Paid to suppliers for goods and services	(6,345,516)	-	(398,864)	(569,880)	(114,981)	(7,429,241)
Paid to personnel for services	(695,038)	-	(299,554)	(463,160)	(77,591)	(1,535,343)
Net cash provided (used) by operating activities	<u>2,401,159</u>	<u>162,620</u>	<u>737,224</u>	<u>168,351</u>	<u>(14,014)</u>	<u>3,455,340</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest earned	<u>4</u>	<u>-</u>	<u>40</u>	<u>36</u>	<u>-</u>	<u>80</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from borrowings	-	-	-	84,813	-	84,813
Proceeds from bonds	-	-	2,164,678	1,439,246	-	3,603,924
Proceeds from grant	-	-	-	27,368	-	27,368
Repayment of long term debt	(53,469)	-	-	-	-	(53,469)
Repayment of bonds	-	-	(2,125,928)	(1,437,180)	-	(3,563,108)
Bond issuance costs	-	-	(46,846)	(31,231)	-	(78,077)
Interest paid	(17,120)	-	(209,470)	(178,935)	-	(405,525)
Proceeds from sale of capital assets	-	-	-	4,200	-	4,200
Purchase of property, plant and equipment	(63,083)	-	(482,333)	(514,331)	-	(1,059,747)
Net cash (used) by capital and related financing activities	<u>(133,672)</u>	<u>-</u>	<u>(699,899)</u>	<u>(606,050)</u>	<u>-</u>	<u>(1,439,621)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES						
Change in investments	(480)	-	22,398	13,974	-	35,892
Change in interfund receivable/payable	-	-	-	-	3	3
Transfers in (out)	(2,405,159)	(162,620)	(59,763)	423,689	14,011	(2,189,842)
Net cash provided (used) by noncapital financing activities	<u>(2,405,639)</u>	<u>(162,620)</u>	<u>(37,365)</u>	<u>437,663</u>	<u>14,014</u>	<u>(2,153,947)</u>
INCREASE IN CASH	(138,148)	-	-	-	-	(138,148)
Cash – beginning of year	<u>917,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>917,421</u>
CASH – END OF YEAR	<u>\$ 779,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,273</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Reconciliation of operating income to net cash
provided (used) by operating activities**

Income (loss) from operations	\$ 2,306,680	\$ 95,970	\$ 666,584	\$ (28,876)	\$ (17,649)	\$ 3,022,709
Adjustments to reconcile income from operations to net cash provided (used) by operating activities						
Depreciation	257,980	66,650	172,976	258,870	3,635	760,111
Amortization	4,238	-	(105,836)	(61,643)	-	(163,241)
Change in current assets and liabilities						
Decrease (increase) in accounts receivable	(183,849)	-	-	-	-	(183,849)
Decrease (increase) in inventories	(23,263)	-	3,500	-	-	(19,763)
Increase (decrease) in accounts payable	(34)	-	-	-	-	(34)
Increase (decrease) in utility deposits	39,407	-	-	-	-	39,407
Net cash provided (used) by operating activities	<u>\$ 2,401,159</u>	<u>\$ 162,620</u>	<u>\$ 737,224</u>	<u>\$ 168,351</u>	<u>\$ (14,014)</u>	<u>\$ 3,455,340</u>

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Robertsdale, Alabama (the City) was incorporated in January, 1921. The City operates under a Mayor – Council form of government chosen at large every four years.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to municipal governments. The following is a summary of the more significant policies.

A. REPORTING ENTITY

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. The Statement was developed to make annual reports easier to understand and more useful to the people who use government financial information to make decisions.

The criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, this report includes financial statements of the funds and account groups required to account for those financial activities for which the City has the ability to influence and control through its legislative processes and/or with which special financing relationships exist.

These financial statements do not include the Medical Clinic Board and the Industrial Development Board. City management does not exert significant influence or control and does not, except to the extent disclosed herein, guarantee any of their outstanding debts.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND LEVEL

Government-wide

The basic financial statements include government-wide and fund financial statements. The previous reporting model emphasized fund types, while the new model focuses on the City as a whole and major funds. Government-wide and fund financial statements categorize primary activities as governmental or business type. In the Statement of Net Position, governmental and business-type activities (a) are presented on a consolidated basis, and (b) reflect, full accrual accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Receivables and payables between activities are eliminated in the government-wide presentation through the caption "Internal Balances" on the Statement of Net Position.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities reflects both the gross and net cost per functional category (public works, police, fire, etc.) which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues. The program revenues must be directly associated with a function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Level

The governmental fund level financial statements are presented on a current financial resource and modified accrual basis of accounting. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

The accounts of the City are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into broad fund categories as follows:

Governmental Funds:

General Fund – The General Fund is used to account for all revenues and expenditures applicable to the general operations of City government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Special Revenue Fund – The Special Revenue Fund is an operating fund for which the use of revenues is restricted or designated by outside sources.

Debt Service Fund – The Debt Service Fund is used to account for the payment of interest and principal on general long-term debt not accounted for in the proprietary funds. Debt Service revenues are principally transfers from the General Fund.

Capital Project Fund – Capital Project Funds are used to account for the financial resources designated to construct major improvements other than those financed by special assessments.

Proprietary Funds:

The Electric Fund, Natural Gas Fund, Water Fund and Sewer Fund, which are enterprise funds, are used to account for the operations of the utilities, related debt, property, plant and equipment. The City of Robertsdale, Alabama incorporated the Public Building Authority, also an enterprise fund, as a public corporation and an agency of the City. The Authority's purpose is to acquire and develop projects that are in the best interest of the City. The Authority is a blended component unit due to City oversight and financial responsibility.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise funds are used to account for operations which are financed or operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Operating revenues, shown for proprietary operations, generally result from producing or providing goods and services. Operating expenses include all costs related to providing services or products. All other revenues or expenses not meeting these criteria are reported as non-operating income or expenses.

C. CAPITAL ASSETS

The accounting treatment over capital assets depends on whether the assets are used by governmental funds or proprietary funds and fund level or government-wide reporting.

In government-wide reporting, all capital assets are reported as capital assets for both governmental-type and business-type activities. The City has not established a minimum capitalization threshold at this time. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds, while they remain capital assets in proprietary funds. Depreciation is provided, only, in proprietary funds at the fund level.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (government-wide level). Depreciation has been provided over the estimated useful lives using the straight line rates as follows:

Buildings	40 years
Electric and gas plants	25 – 40 years
Water and sewer system	20 – 40 years
Vehicles	5 years
Other equipment	5 – 10 years

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations.

Cost of fixed assets includes interest during the construction period.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is when they become both “measurable” and “available” to finance expenditures of the current period. The City uses a 60-day availability period except for FEMA disaster recovery grants which are recognized using a 12-month availability period.

Taxes collected by an intermediary are considered “measurable” when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred. Revenues susceptible to accrual are those federal financial assistance programs which are measurable and available to finance expenditures of the current period.

The proprietary fund financial statements are presented on the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

E. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued and Adopted Accounting Principles

On October 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure. The adoption of GASB Statement No. 62 did not have any impact on the City’s consolidated financial statements.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On October 1, 2013, the City implemented GASB Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Balance Sheet is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City has determined they have no deferred inflows or deferred outflows of resources at September 30, 2014, under the requirements of GASB Statement No. 63.

During the year ended September 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources or current-period outflows (expenses) and inflows (revenues). These determinations are based on the definitions of those elements listed below:

Deferred outflows of resources are consumptions of net assets by the City that are applicable to a future reporting period.

Deferred inflows of resources are acquisitions of net assets by the City that are applicable to a future reporting period.

Outflows of resources are consumptions of net assets by the City that are applicable to the reporting period.

Inflows of resources are acquisitions of net assets by the City that are applicable to the reporting period.

See Note 11, Restatement of Beginning Balances, for additional details.

Recently Issued Accounting Principles

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. Effective for fiscal year 2014, GASB Statement No. 67 will require Pension Plans to present information differently than they have previously. Upon implementation, the City's note disclosures will be presented in accordance with the updated presentation required of Pension Plans. GASB Statement No. 67 is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the City's 2014 consolidated financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB Statement No. 68 requires a net pension liability to be recognized, to the extent unfunded, on the Statement of Net Position. Previously, no such liability was recognized. GASB Statement No. 68 is effective for periods beginning after June 15, 2014. The City estimates that upon implementation of GASB Statement No. 68, a liability will be shown on the Statement of Net Position as well as a reduction in unassigned net position equal to the unfunded accrued actuarial liability. At September 30, 2014,

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the Government wide unfunded accrued actuarial liability is \$3,055,042 as shown in the required supplementary information.

F. RECEIVABLES FROM UTILITY CUSTOMERS

The Electric Fund purchases, at face value, the utility receivables of the Natural Gas Fund, Water Works and the Sewer Fund. Purchase is made at the time customers are billed.

G. INVENTORIES

Proprietary fund inventories are valued at the lower of cost (first-in, first-out) or market, and consist largely of items to be used to construct and maintain the utility plan.

Governmental fund inventories are maintained on a purchase method of accounting where items are purchased and charged to the budgetary accounts upon receipt. Year end balances are not significant in governmental funds.

H. DEBT ISSUE COST

Issuance expenses on long term debt of proprietary funds are expensed as incurred in accordance with GASB Statement No. 65. In the fund financial statements, bond discounts, premiums, and issuance costs are treated as period costs in the year of issue. In the government-wide financial statements, bond discounts and premiums are deferred and amortized over the term of the bonds using the bonds outstanding method. Bond discounts and premiums are presented as a reduction or addition to the face amount of the bonds payable whereas issuance costs are expensed as incurred. Deferred losses associated with the issuance of long-term debt are presented as Deferred Outflows of Resources and are amortized on the straight-line method over the term of the bond.

I. PROPERTY TAX

All ad valorem taxes levied by the state, county and any municipality in Baldwin County are assessed and collected by the Revenue Commissioner of Baldwin County. The Baldwin County property tax calendar requires the Revenue Commissioner to assess and attach taxes as enforceable liens on property as of September 30 and taxes are due October 1 through December 31. Property taxes not paid by January 1 are considered as delinquent. Tax collections received by the County Revenue Commissioner are remitted to the City monthly. In accordance with implementation of GASB Statement No. 33, revenue is recorded based upon taxes assessed and considered available. Any taxes not considered available are recorded as deferred revenue.

J. CASH AND CASH EQUIVELANTS

For purposes of the statements of cash flows, the proprietary funds consider all highly liquid investments, including certificates of deposit to be cash equivalents.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

K. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. NET POSITION AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

The City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that superseded GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government*. Equity is classified as net position and displayed in three components:

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt of deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of the related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.
- Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance is classified into one of the following four components:

- Restricted fund balance – Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) or the City’s own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance – Consists of fund balances that are useable only for specific purposes by formal action of the government’s highest level of decision making authority. The City’s highest level of decision making lies with the Mayor of the City and the City Council. In order to establish, modify or rescind a fund balance commitment, the Mayor and City Council must pass a law by formal action committing the funds.
- Assigned fund balance – Consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself, or (2) a subordinate high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. The Mayor and the City Council have the power to assign fund balance amounts to specific purposes. The governing body must vote to grant authorization of assigned fund balances to specific purposes.
- Unassigned fund balances – All other fund balances that do not meet the definition of “restricted, committed or assigned fund balances.”

The City considers restricted fund balances to have been spent when both restricted and unrestricted fund balances are available. Also, the City considers assigned and committed fund balances to have been spent when unassigned or unrestricted amounts are available.

NOTE 2 INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets, service debt, etc. Transactions reimbursing a fund for expenditures made by it for the benefit of another fund are recorded as expenditures in the disbursing fund and as revenues in the receiving fund. Payments and collections made on behalf of other funds are recorded as interfund receivables and payables. From time to time, the City settles interfund transactions via account offset and recognition of interfund transfers. At September 30, 2014, the City had no interfund payables and receivables.

CITY OF ROBERTSDALE, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE 3 CAPITAL ASSETS

Changes in fixed assets during the fiscal year were as follows:

	Balance 10/1/13	Additions	Reclassifications/ Retirements	Balance 9/30/14
<u>Governmental Activities</u>				
Capital assets not subject to depreciation				
Land	\$ 1,948,950	\$ 625,000	\$ -	\$ 2,573,950
Construction in progress	570,648	104,976		675,624
Total	<u>2,519,598</u>	<u>729,976</u>	<u>-</u>	<u>3,249,574</u>
Capital assets subject to depreciation				
Buildings and structures	7,202,273	46,687	-	7,248,960
Vehicles and equipment	5,877,403	539,070	(109,684)	6,306,789
Recreational facilities	1,618,774	-	-	1,618,774
Total	<u>14,698,450</u>	<u>585,757</u>	<u>(109,684)</u>	<u>15,174,523</u>
Less accumulated depreciation	<u>(6,701,865)</u>	<u>(486,704)</u>	<u>109,684</u>	<u>(7,078,885)</u>
Net	<u>7,996,585</u>	<u>99,053</u>	<u>-</u>	<u>8,095,638</u>
Capital assets, net	<u>\$ 10,516,183</u>	<u>\$ 829,029</u>	<u>\$ -</u>	<u>\$ 11,345,212</u>
<u>Business Type Activities</u>				
Capital assets not subject to depreciation				
Land	\$ 158,230	\$ -	\$ -	\$ 158,230
Construction in progress	97,342	248,421	(248,421)	97,342
Total	<u>255,572</u>	<u>248,421</u>	<u>(248,421)</u>	<u>255,572</u>
Capital assets subject to depreciation				
Plant and distribution system	24,028,139	608,987	-	24,637,126
Buildings, vehicles and equipment	3,975,708	450,759	(22,215)	4,404,252
Total	<u>28,003,847</u>	<u>1,059,746</u>	<u>(22,215)</u>	<u>29,041,378</u>
Less accumulated depreciation	<u>(15,172,222)</u>	<u>(760,111)</u>	<u>22,215</u>	<u>(15,910,118)</u>
Net	<u>12,831,625</u>	<u>299,635</u>	<u>-</u>	<u>13,131,260</u>
Capital assets, net	<u>\$ 13,087,197</u>	<u>\$ 548,056</u>	<u>\$ (248,421)</u>	<u>\$ 13,386,832</u>

Depreciation was charged to governmental activities as follows:

General	\$ 190,573
Sanitation	25,504
Police	106,536
Engineering	8,711
Fire	1,359
Library	2,657
Street	74,047
Shop	5,058
Landscape	4,707
Senior Citizens Center	1,460
Municipal court	5,314
Animal control	3,038
Recreation	57,740
Total	<u>\$ 486,704</u>

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4 LONG TERM DEBT – ALL FUNDS

The following is a summary, for all proprietary funds, of all long term debt of the City at September 30, 2014:

PROPRIETARY FUNDS

Utilities Revenue Warrants, Series 2006 dated June 1, 2006, interest rate 3.50% to 4.625%, payable semi-annually, principal payable April 1, 2007 through April 1, 2036	\$ 3,805,000
Utilities Revenue Warrants, Series 2009 dated June 1, 2009, interest rate 3.50% to 5.35%, payable semi-annually, principal payable April 1, 2010 through April 1, 2039	1,700,000
General Obligation Warrants, Series 2009 dated June 1, 2009, interest rate 3.50% to 5.35%, payable semi-annually, principal payable April 1, 2010 through April 1, 2039	35,400
General Obligation Warrants, Series 2014 dated August 1, 2014, interest rate 2.0% to 3.2%, payable semi-annually, principal payable April 1, 2015 through April 1, 2029	3,590,000
Note payable dated December 4, 2014, interest rate 5%, payable monthly, due January 26, 2015 and secured by equipment	84,813
Note payable dated March 2, 2010, interest rate 4.3% monthly payments of \$2,973 including interest, due March 2, 2015, secured by equipment	<u>8,753</u>
Total Proprietary Funds	<u>\$ 9,223,966</u>

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 4 LONG TERM DEBT – ALL FUNDS (continued)

The following is a summary, for all governmental funds, of all long term debt of the City at September 30, 2014:

GOVERNMENTAL FUNDS

General Obligation Warrants, Series 2006 dated June 1, 2006, interest rate 3.50% to 4.625%, payable semi-annually, principal payable April 1, 2007 through April 1, 2036	\$ 3,655,000
General Obligation Warrants, Series 2009 dated June 1, 2009, interest rate 3.50% to 5.35%, payable semi-annually, principal payable April 1, 2010 through April 1, 2039	1,144,600
General Obligation Warrants, Series 2013 dated August 1, 2013, interest rate 5.0%, payable semi-annually, principal payable January 1, 2014 through January 1, 2042	1,625,000
General Obligation Warrants, Series 2014 dated August 1, 2014, interest rate 2.0% to 2.6%, payable semi-annually, principal payable January 1, 2015 through January 1, 2024	1,440,000
Note payable dated December 17, 2010, interest rate 5.0%, monthly payments of \$2,154 including interest, due December 2015, secured by equipment	31,228
Note payable dated May 1, 2014, interest rate 5.0%, monthly payments of \$2,145 including interest, due April, 2034, secured by land	321,013
Note payable dated December 4, 2014, interest rate 5.0%, due January 2015, secured by land	270,946
Note payable dated April 22, 2013, interest rate 4.33%, monthly payments of \$3,139 including interest, due April 2018, secured by equipment	124,539
Total Governmental Funds	<u><u>\$ 8,612,326</u></u>

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 4 LONG TERM DEBT – ALL FUNDS (continued)

	<u>Balance</u> <u>10/1/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/14</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
GOVERNMENTAL ACTIVITIES					
Warrants and notes payable					
General obligation warrants	\$ 7,912,414	\$ 1,440,000	\$ (1,487,814)	\$ 7,864,600	\$ 154,520
Notes payable	215,426	600,000	(67,700)	747,726	76,253
Total warrants and notes payable	<u>8,127,840</u>	<u>2,040,000</u>	<u>(1,555,514)</u>	<u>8,612,326</u>	<u>230,773</u>
Deferred amount on refunding	(102,867)	(124,206)	26,438	(200,637)	-
Warrant premium	-	10,164	-	10,164	-
Warrant discount	<u>(204,280)</u>	<u>(21,600)</u>	<u>46,113</u>	<u>(179,768)</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 7,820,693</u>	<u>\$ 1,904,358</u>	<u>\$ (1,482,963)</u>	<u>\$ 8,242,085</u>	<u>\$ 230,773</u>
	<u>Balance</u> <u>10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/14</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
BUSINESS-TYPE ACTIVITIES					
Bonds, warrants and notes payable					
Utilities revenue debt	\$ 9,060,000	\$ 3,590,000	\$ (3,555,000)	\$ 9,095,000	\$ 217,000
Notes payable	54,222	100,000	(59,906)	94,314	19,009
General obligation warrants	<u>37,586</u>	<u>-</u>	<u>(2,934)</u>	<u>34,652</u>	<u>750</u>
Total warrants and notes payable	9,151,808	3,690,000	(3,617,840)	9,223,966	236,759
Deferred amount on refunding	(304,427)	(273,907)	342,668	(235,666)	-
Warrant discount	<u>(223,161)</u>	<u>-</u>	<u>99,252</u>	<u>(123,909)</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 8,624,220</u>	<u>\$ 3,416,093</u>	<u>\$ (3,175,920)</u>	<u>\$ 8,864,391</u>	<u>\$ 236,759</u>

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 4 LONG TERM DEBT – ALL FUNDS (continued)

The various debt indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant financial limitations and restrictions.

Schedule of principal and interest maturities are as follows:

<u>PROPRIETARY FUNDS</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Service</u>
2015	\$ 236,759	\$ 91,346	\$ 328,105
2016	275,785	85,717	361,502
2017	281,664	83,202	364,866
2018	287,581	80,647	368,228
2019	279,373	78,364	357,737
2020 - 2024	1,475,250	360,511	1,835,761
2025 - 2029	2,454,933	639,752	3,094,685
2030 - 2034	2,490,068	727,828	3,217,896
2035 - 2039	1,442,553	154,889	1,597,442
TOTALS	<u>\$ 9,223,966</u>	<u>\$ 2,302,256</u>	<u>\$ 11,526,222</u>

<u>GOVERNMENTAL FUNDS</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 230,773	\$ 200,098	\$ 430,871
2016	224,515	194,809	419,324
2017	220,724	188,307	409,031
2018	212,247	181,963	394,210
2019	196,915	176,628	373,543
2020 - 2024	1,456,622	1,129,799	2,586,421
2025 - 2029	1,724,730	1,358,406	3,083,136
2030 - 2034	1,726,600	906,160	2,632,760
2035 - 2039	1,749,200	474,104	2,223,304
2040 - 2042	870,000	-	870,000
	<u>\$ 8,612,326</u>	<u>\$ 4,810,274</u>	<u>\$ 13,422,600</u>

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 5 RETIREMENT PLAN

Plan Description

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

Substantially all employees are members of RSA. Membership is mandatory for covered or eligible employees. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method producing the highest benefit. The methods are: (1) Minimum Guaranteed, and (2) Formula. The Formula method usually produces the highest benefit. Under this method, the retiree receives an amount equal to 2.0125% of their average final salary (best three of last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

RSA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing the Retirement Systems of Alabama, P. O. Box 302150, Montgomery, Alabama 36130-2150.

The RSA was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis to all cities, counties, towns and quasi public organizations. The responsibility for general administration and operation of the RSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living Adjustments granted to retirees.

Funding Policy

During its 2012 session, the Alabama Legislature passed and the Governor signed into law changes in the pension plan effective January 1, 2013. Employees hired prior to January 1, 2013 (Tier 1 employees) must contribute 5% of his or her gross earnings, except law enforcement who must contribute 6% to the pension plan. Employees hired on or after that date (Tier 2 employees) will contribute on gross earnings at a rate of 6%, except law enforcement who must contribute 7%. The City is required to contribute at an actuarially determined rate; the rate for the year ended September 30, 2014 is 8.47% of annual covered payroll

A Tier 1 employee may retire after 25 years of credited service and receive pension benefits equal to 2.0125% of the employee's average final salary multiplied times year of credited service. A Tier 2 employee may retire after attainment of age 62 and ten years of service years and with benefits equal to 1.65% of the employee's average final salary multiplied by years of credited service. Average final salary is defined as the average of the three highest years' salary out of the last ten years of service. The pension plan also provides death benefits and disability benefits as determined by state statutes.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 5 RETIREMENT PLAN (continued)

Annual Pension Cost

For the year ended September 30, 2014, the City's annual pension cost of \$363,734 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2013 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return, (b) projected salary increases from 3.75% to 7.25% per year, and (c) no cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of RSA's assets was determined using full market value. Alabama Act 98-385 requires that all unfunded liabilities be amortized over a 10 to 40 year period.

Trend Information

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2011	340,383	100%	-
9/30/2012	302,587	100%	-
9/30/2013	322,600	100%	-
9/30/2014	363,734	100%	-

NOTE 6 RISK MANAGEMENT AND CONTINGENCIES

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies and effectively manages risk through various employee education and prevention programs.

The City has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. City management believes such disallowances, if any, will be immaterial.

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 7 DEPOSIT AND INVESTMENT RISK

At September 30, 2014, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$2,027,923 (\$1,096,729 in governmental activities and \$931,194 in business-type activities). The average maturity of the portfolio was 37 days.

Investment Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of the state, SEC registered mutual funds holding like securities. The City has no investment policy that further limits investment choices. As of September 30, 2014, the City's mutual fund investments' principal stability rating was AAAM as reported by Standard & Poor's.

Custodial Credit Risk - The City is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledged collateral coverage for all governments and agencies in the state and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as "public funds" will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

NOTE 8 CONTINGENT LIABILITIES

At September 30, 2014, the City is contingently liable as guarantor on debts of Robertsdale Volunteer Fire Department in the amount of \$141,866.

NOTE 9 LINE OF CREDIT

The City has an open line of credit with a \$2,000,000 available credit limit. There have been no draws on the line of credit as of September 30, 2014. The line of credit matures August 1, 2015.

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 16, 2015, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2014.

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

NOTE 11 RESTATEMENT OF BEGINNING BALANCES

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB concluded that most debt issuance costs do not meet the definition of an asset, because the costs incurred do not result in service capacity that the City presently controls. GASB also concluded that debt issuance costs do not meet the definition of a deferred outflow of resources because the costs are not applicable to a future period. As a result, the GASB concluded that these costs should be recognized as an outflow of resources (expense) in the reporting period in which they are incurred. Debt issuance costs incurred in previous years have been restated to reflect current treatment of debt issuance costs.

Accordingly, debt issuance costs incurred prior to 2014 have been restated through a prior-period adjustment to adjust the beginning unrestricted net position to account for implementation of this accounting standard.

Beginning Unrestricted Net Position on all governmental funds has been restated in the amount of \$95,667 for debt issuance costs. Beginning Unrestricted Net Position on all business type activities has been restated in the amount of \$212,732.

NOTE 12 BOND DEFEASANCE

Governmental Funds defeasance

On August 1, 2014, the City of Robertsdale issued 2014 general obligation bonds in the amount of \$1,440,000. The proceeds were used to advance refund a portion of the 2006 general obligation bonds. The refunded portion of the outstanding warrants had a balance of \$1,330,000. The net proceeds from the issuance of the revenue bonds of \$1,338,879 were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the 2006 general obligation bonds until they are called.

As a result of the advance refunding, the City's total debt service requirements decreased by \$515,860, which resulted in an economic gain of \$246,901. The decrease in the cash flow requirement is attributable to a decrease in the interest rates on the new revenue bonds compared to the old bonds.

Business type activities defeasance

On August 1, 2014, the City of Robertsdale issued 2014 revenue bonds in the amount of \$3,590,000. The proceeds were used to advance refund a portion of the 2006 revenue bonds. The refunded portion of the outstanding warrants had a balance of \$3,325,000. The net proceeds from the issuance of the revenue bonds of \$3,472,978 were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the 2006 revenue bonds until they are called. The advance

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 12 BOND DEFEASANCE (continued)

refunding met the requirements of an in substance debt defeasance and the 2006 revenue bonds were partially removed from the City's proprietary fund financial statements.

As a result of the advanced refunding, the City's total debt service requirements decreased by \$852,228, which resulted in an economic gain of \$392,548. The decrease in the cash flow requirement is attributable to a decrease in the interest rates on the new revenue bonds compared to the old bonds.

NOTE 13 COMPONENT UNIT

The City took over the volunteer fire department's bank account as of March 3, 2014. The volunteer fire department qualifies as a component unit of the City to be included in the City's financial statements for the year ended September 30, 2014. The Volunteer Fire Department has inadequate accounting records prior to March 3, 2014 and due to time constraints to issue the audit report for the year ended September 30, 2014, the City has not included it as a component unit as of September 30, 2014. The amount of debt the Fire department has that the city is a guarantor for is disclosed in note 8.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ROBERTSDALE, ALABAMA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Original Budget</u>	<u>Actual Amounts</u>	<u>Variance with final Budget</u>
REVENUES			
Local taxes	\$ 2,447,732	\$ 2,555,726	\$ 107,994
Licenses and permits	516,200	544,104	27,904
Fine and forfeitures	515,700	473,991	(41,709)
Intergovernmental	80,100	67,788	(12,312)
Interest and rents	73,800	94,027	20,227
Charges for services	550,000	660,140	110,140
Other revenue	<u>55,700</u>	<u>238,338</u>	<u>182,638</u>
Total revenues	<u>4,239,232</u>	<u>4,634,114</u>	<u>394,882</u>
EXPENDITURES			
General government	626,958	674,567	47,609
Sanitation	551,006	561,193	10,187
Police	1,992,257	2,030,535	38,278
Fire	193,750	85,891	(107,859)
Shop	59,980	62,342	2,362
Streets	1,820,656	942,117	(878,539)
Recreation	485,301	327,497	(157,804)
Municipal court	170,405	179,347	8,942
Landscape	158,212	160,639	2,427
Engineering, building, planning and zoning	352,359	364,397	12,038
Animal control	54,513	49,230	(5,283)
Senior Citizen's Center	159,038	143,022	(16,016)
Staff and agencies	19,250	43,504	24,254
Public library	321,481	369,398	47,917
Capital outlay	1,305,350	1,315,733	10,383
Debt service			
Principal	-	8,041	(8,041)
Interest	-	11,385	11,385
Total expenditures	<u>8,270,516</u>	<u>7,328,838</u>	<u>(957,760)</u>
Excess of Revenues over (under) Expenditures	<u>(4,031,284)</u>	<u>(2,694,724)</u>	<u>(562,878)</u>
Other financing sources (uses)			
Proceeds from issuance of bond, net	600,000	2,050,165	2,650,165
Payment to escrow agent to refund debt	-	(1,388,879)	(1,388,879)
Bond issuance costs	-	(61,286)	(61,286)
Transfers in (out)	<u>2,099,120</u>	<u>2,258,168</u>	<u>159,048</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,332,164)</u>	163,444	<u>\$ 1,457,456</u>
FUND BALANCE - BEGINNING OF YEAR		<u>47,278</u>	
FUND BALANCE - END OF YEAR		<u>\$ 210,722</u>	

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROBERTSDALE, ALABAMA

SCHEDULE OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM

SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ⁴	Unfunded AAL (UAAL) b-a	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
9/30/2013	\$ 7,769,101	\$ 10,824,143	\$ 3,055,042	71.8%	\$ 4,005,667	76.3%
9/30/2012	6,960,115	9,823,715	2,863,600	70.9%	3,792,543	75.5%
9/30/2011 ⁷	6,758,779	10,080,854	3,322,075	67.0%	4,012,624	82.8%
9/30/2010 ⁶	6,590,430	9,615,251	3,024,821	68.5%	3,674,060	82.3%
9/30/2009	6,366,387	8,776,513	2,410,126	72.5%	3,519,069	68.5%
9/30/2008	6,088,787	7,995,622	1,906,835	76.2%	3,427,856	55.6%
9/30/2007	5,672,196	7,493,943	1,821,747	75.7%	3,285,734	55.4%
9/30/2006 ⁵	5,074,024	6,467,984	1,393,961	78.4%	2,938,284	47.4%
9/30/2005	4,554,662	6,087,627	1,532,965	74.8%	2,705,124	56.7%
9/30/2004	4,127,861	5,118,286	990,426	80.6%	2,323,428	42.6%

⁴Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.

⁵Reflects changes in actuarial assumptions.

⁶Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

⁷Reflects changes in actuarial assumptions.

CITY OF ROBERTSDALE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

Although no legal requirement to establish a budget exists, the City Council follows these procedures in establishing the budgets:

- (1) Each September the Mayor submits to the City Council a proposed working budget for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them for the upcoming year. Line item budgets are used for administrative control. The level of control for the detailed budgets is at the department head/function level.
- (2) Council meetings are conducted to obtain taxpayer comments.
- (3) The budget is legally enacted through council action.
- (4) Reports are submitted to the City Council showing approved budget and actual operations.
- (5) The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer of funds between departments must be approved by the City Council.
- (6) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Proprietary Funds.
- (7) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- (8) Budgetary data, if any, for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ROBERTSDALE, ALABAMA

COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

ASSETS

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Cash	\$ 65,721	\$ -	\$ -	\$ 65,721
Investments	<u>-</u>	<u>-</u>	<u>1,096,727</u>	<u>1,096,727</u>
TOTAL ASSETS	<u>\$ 65,721</u>	<u>\$ -</u>	<u>\$ 1,096,727</u>	<u>\$ 1,162,448</u>

FUND BALANCES

FUND BALANCES

Restricted for:

Debt service	\$ -	\$ -	\$ 1,096,727	\$ 1,096,727
Construction and road maintenance	<u>65,721</u>	<u>-</u>	<u>-</u>	<u>65,721</u>
TOTAL FUND BALANCES	<u>65,721</u>	<u>-</u>	<u>1,096,727</u>	<u>1,162,448</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,721</u>	<u>\$ -</u>	<u>\$ 1,096,727</u>	<u>\$ 1,162,448</u>

CITY OF ROBERTSDALE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Special Revenue	Capital Projects	Debt Service	Total
REVENUES				
State of Alabama	\$ 86,669	\$ -	\$ -	\$ 86,669
Other revenues	41,246	-	132	41,378
Total revenues	<u>127,915</u>	<u>-</u>	<u>132</u>	<u>128,047</u>
EXPENDITURES				
Debt service payments				
Principal	-	11,666	205,808	217,474
Interest	-	19,864	347,606	367,470
Total expenditures	<u>-</u>	<u>31,530</u>	<u>553,414</u>	<u>584,944</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>127,915</u>	<u>(31,530)</u>	<u>(553,282)</u>	<u>(456,897)</u>
OTHER FINANCIAL SOURCES (USES)				
Transfers in (out)	(165,269)	31,530	65,413	(68,326)
Total	<u>(165,269)</u>	<u>31,530</u>	<u>65,413</u>	<u>(68,326)</u>
Net change in fund balances	(37,354)	-	(487,869)	(525,223)
Fund balances at beginning of year	<u>103,075</u>	<u>-</u>	<u>1,584,596</u>	<u>1,687,671</u>
FUND BALANCES AT END OF YEAR	<u>\$ 65,721</u>	<u>\$ -</u>	<u>\$ 1,096,727</u>	<u>\$ 1,162,448</u>

See independent auditors' report

CITY OF ROBERTSDALE, ALABAMA

ADDITIONAL INFORMATION REQUIRED BY BOND INDENTURES

SEPTEMBER 30, 2014

ANNUAL NET INCOME AS PRESCRIBED BY DEBT COVENANTS

	Electric Fund	Water Fund	Sewer Fund	Total
Income (loss) from operations	\$ 2,306,680	\$ 666,584	\$ (28,875)	\$ 2,944,389
Add:				
Depreciation and amortization	262,218	192,569	280,848	735,635
Interest income	4	43	36	83
Annual net income as prescribed by debt covenants	<u>\$ 2,568,902</u>	<u>\$ 859,196</u>	<u>\$ 252,009</u>	<u>\$ 3,680,107</u>

CUSTOMER COUNTS

	Electric Fund	Water Fund	Sewer Fund
A. Utility customer counts at September 30, 2014			
Number of customers	3,056	3,277	2,627
Number of metered customers	3,056	3,277	2,627
Number of Natural Gas Fund customers	-	-	212

B. Utility fund casualty insurance coverage on electrical sub stations, natural gas facilities, water and waste water facilities is included in a blanket policy with the Governmental Funds general capital assets building and facilities. The City of Robertsdale, Alabama is the name insured on all policies.

Buildings and facilities - expires May 2015	\$ 26,712,848
Automobile - expires May 2015	3,000,000
Public officials errors and omissions liability - expires May 2015	3,000,000

C. The City has complied with all requirements of the respective bond indentures.

See independent auditors' report

CITY OF ROBERTSDALE, ALABAMA

ADDITIONAL INFORMATION REQUIRED BY BOND INDENTURES

SEPTEMBER 30, 2014

SUMMARY OF DEPOSITS, WITHDRAWALS AND BALANCES OF SELECTED TRUST ACCOUNTS

	2006 Warrant Fund	2006 Reserve Fund	2006 GOW Fund	2009 Warrant Fund	2009 Reserve Fund	2009 GOW Fund	2013 GOW Fund	2014 Debt Reserve	2014 URW Fund	2014 GOW Fund
Balance 10/1/13	\$ 261,279	\$ 522,965	\$ 90,991	\$ 59,621	\$ 123,223	\$ 41,799	\$ 1,451,807	\$ -	\$ -	\$ -
Deposits	480,670	51	346,716	129,627	12	93,225	83,060	304,442	24,617	16,229
Disbursements	<u>(603,987)</u>	<u>(243,603)</u>	<u>(363,959)</u>	<u>(126,140)</u>	<u>(1,583)</u>	<u>(93,692)</u>	<u>(569,447)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 9/30/14	<u>\$ 137,962</u>	<u>\$ 279,413</u>	<u>\$ 73,748</u>	<u>\$ 63,108</u>	<u>\$ 121,652</u>	<u>\$ 41,332</u>	<u>\$ 965,420</u>	<u>\$ 304,442</u>	<u>\$ 24,617</u>	<u>\$ 16,229</u>

See independent auditors' report

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COMPLIANCE SECTION

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CITY OF ROBERTSDALE, ALABAMA
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the City of Robertsdale, Alabama as of and for the year ended September 30, 2014, and have issued our report thereon dated February 16, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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


Certified Public Accountants

February 16, 2015
Fairhope, Alabama

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February 16, 2015

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

Dear Mayor and City Council Members:

We have audited the financial statements of the City of Robertsdale as of and for the year ended September 30, 2014, and have issued our report thereon dated February 16, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 17, 2013, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Robertsdale solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated February 16, 2015.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Robartsdale is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended September 30, 2014. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are depreciation of capital assets and amortization of bond discounts and warrants.

Management's estimates of depreciation and amortization are based on methods consistent with those of the industry. We evaluated the key factors and assumptions used to develop these estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City of Robartsdale's financial statements relate to long term debt and contingencies.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has requested that we make certain entries that are approved by management. There were no uncorrected financial statement misstatements noted during the audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements brought to our attention during the course of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Robertsdale's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which were included in the letter dated February 16, 2015.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City of Robertsdale, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Robertsdale 's auditors.

This report is intended solely for the information and use of the Mayor and the Council Members and management of the City of Robertsdale, and is not intended to be and should not be used by anyone other than these specified parties.


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February 16, 2015

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

Dear Mayor and City Council Members:

In planning and performing our audit of the basic financial statements of the City of Robertsdale as of and for the year ended September 30, 2014, 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, we considered the City of Robertsdale's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Robertsdale's internal control over financial reporting.

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

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

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Certified Public Accountants