

CITY OF ROBERTSDALE, ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2013

CITY OF ROBERTSDALE, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2013

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CITY OF ROBERTSDALE, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2013

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Robertsdale, 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 Robertsdale, Alabama, as of September 30, 2013, 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 Robertsdale, 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.

Opinions

In our opinion, 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 Robertsdale, Alabama, as of September 30, 2013, 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 Robertsdale, 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 January 21, 2014, 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

January 21, 2014
Fairhope, Alabama

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Governmental Fund Types		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 461,045	\$ 917,419	\$ 1,378,464
Investments	1,584,598	967,087	2,551,685
Receivables, net	25,052	1,148,488	1,173,540
Inventories	-	210,436	210,436
Other assets	186,127	227,401	413,528
Capital assets, net	10,516,183	13,087,197	23,603,380
	<u>12,773,005</u>	<u>16,558,028</u>	<u>29,331,033</u>
Total assets	\$ <u>12,773,005</u>	\$ <u>16,558,028</u>	\$ <u>29,331,033</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 426,342	\$ 223,527	\$ 649,869
Customer deposits	-	726,155	726,155
Long-term liabilities			
Due within one year	185,101	247,071	432,172
Due in more than one year	7,635,592	8,377,149	16,012,741
	<u>8,247,035</u>	<u>9,573,902</u>	<u>17,820,937</u>
Total liabilities	\$ <u>8,247,035</u>	\$ <u>9,573,902</u>	\$ <u>17,820,937</u>
NET POSITION			
Net investment in capital assets	2,695,490	4,721,699	7,417,189
Restricted for:			
Debt service	1,584,598	967,087	2,551,685
Road construction and maintenance	103,075	-	103,075
Unrestricted	142,807	1,295,340	1,438,147
	<u>4,525,970</u>	<u>6,984,126</u>	<u>11,510,096</u>
Total net position	\$ <u>4,525,970</u>	\$ <u>6,984,126</u>	\$ <u>11,510,096</u>
Total liabilities and net position	\$ <u>12,773,005</u>	\$ <u>16,558,028</u>	\$ <u>29,331,033</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General	\$ 789,298	\$ 451,505	\$ -	\$ 216,186	\$ (121,607)		\$ (121,607)
Sanitation	570,984	400,839	-	-	(170,145)		(170,145)
Police	2,013,383	453,846	-	-	(1,559,537)		(1,559,537)
Fire	30,187	-	-	-	(30,187)		(30,187)
Street	662,049	-	-	-	(662,049)		(662,049)
Shop	63,710	-	-	-	(63,710)		(63,710)
Senior Citizens' Center	134,958	-	-	-	(134,958)		(134,958)
Recreation	377,439	-	-	-	(377,439)		(377,439)
Public Library	293,247	8,151	-	-	(285,096)		(285,096)
Municipal court	197,138	-	-	-	(197,138)		(197,138)
Landscape	162,583	-	-	-	(162,583)		(162,583)
Animal control	50,257	-	-	-	(50,257)		(50,257)
Engineering, building, planning, and zoning	342,746	54,860	-	-	(287,886)		(287,886)
Staff agencies and other	18,220	-	-	-	(18,220)		(18,220)
Interest on long term debt	311,673	-	-	-	(311,673)		(311,673)
Total governmental activities	<u>6,017,872</u>	<u>1,369,201</u>	<u>-</u>	<u>216,186</u>	<u>(4,432,485)</u>		<u>(4,432,485)</u>
Business-type activities							
Electric	6,101,012	8,127,535	-	-	-	\$ 2,026,523	2,026,523
Public Building Authority	66,650	162,620	-	-	-	95,970	95,970
Water Fund	864,072	1,219,636	-	-	-	355,564	355,564
Sewer Fund	1,256,055	952,012	-	10,406	-	(293,637)	(293,637)
Natural Gas Fund	181,515	162,943	-	-	-	(18,572)	(18,572)
Total business-type activities	<u>8,469,304</u>	<u>10,624,746</u>	<u>-</u>	<u>10,406</u>	<u>-</u>	<u>2,165,848</u>	<u>2,165,848</u>
Total primary government	<u>\$ 14,487,176</u>	<u>\$ 11,993,947</u>	<u>\$ -</u>	<u>\$ 226,592</u>	<u>(4,432,485)</u>	<u>2,165,848</u>	<u>(2,266,637)</u>
General Revenues:							
Taxes:							
Sales					1,839,880	-	1,839,880
Property					204,034	-	204,034
Liquor and tobacco					329,611	-	329,611
Intergovernmental					190,793	-	190,793
Investment earnings					68,850	21,785	90,635
Other					271,148	-	271,148
Transfers					2,233,881	(2,233,881)	-
Total general revenues and transfers					<u>5,138,197</u>	<u>(2,212,096)</u>	<u>2,926,101</u>
Change in net position					705,712	(46,248)	659,464
Net position, beginning					3,820,258	7,030,374	10,850,632
Net position, ending					<u>\$ 4,525,970</u>	<u>\$ 6,984,126</u>	<u>\$ 11,510,096</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Major Fund	Nonmajor Funds	
	General	Other Governmental	Total
ASSETS			
Cash	\$ 357,980	\$ 103,075	\$ 461,055
Investments	-	1,584,596	1,584,596
Receivables			
Taxes	8,588	-	8,588
Other	16,454	-	16,454
Other assets	11,388	-	11,388
TOTAL ASSETS	\$ 394,410	\$ 1,687,671	\$ 2,082,081
LIABILITIES			
Accounts payable, trade	\$ 137,746	\$ -	\$ 137,746
Accrued payroll taxes and retirement	185,059	-	185,059
Appearance bonds	24,320	-	24,320
TOTAL LIABILITIES	347,125	-	347,125
FUND BALANCES			
Restricted for:			
Debt service	-	1,584,596	1,584,596
Construction and road maintenance	-	103,075	103,075
Unassigned	47,278	-	47,278
TOTAL FUND BALANCES	47,278	1,687,671	1,734,949
TOTAL LIABILITIES AND FUND BALANCES	\$ 394,403	\$ 1,687,671	\$ 2,082,074

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, 2013

Fund balances as reported on page 4	\$ 1,734,949
Net Position reported for governmental activities in the Statement of Net Position (page 2) 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	17,218,048
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(6,701,865)
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.	(8,127,840)
Amortization is taken on the bond discount in the government-wide reporting, but not in fund financial statements.	(122,064)
Deferred loss on the early retirement of debt is not reported in the fund financial statements but is recognized for government-wide reporting.	204,368
Bond issuance costs are amortized for government-wide reporting but not for fund financial statements.	423,900
Accrued interest on long-term debt is not due and payable in the current-period and therefore not included in fund financial statements.	<u>(103,526)</u>
Net Position of Governmental Activities as reported on page 2	<u><u>\$ 4,525,970</u></u>

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Major Fund	Nonmajor Funds	
	General	Other Governmental	Total
REVENUES			
Local taxes	\$ 2,398,868	\$ -	\$ 2,398,868
Licenses and permits	499,066	-	499,066
Fines and forfeitures	453,034	-	453,034
State of Alabama	232,956	31,494	264,450
Charges for services	410,203	-	410,203
Other revenues	368,960	13,520	382,480
Total revenues	<u>4,363,087</u>	<u>45,014</u>	<u>4,408,101</u>
EXPENDITURES			
General government	626,495	-	626,495
Police department	1,953,320	-	1,953,320
Fire department	28,829	-	28,829
Street department	658,897	-	658,897
Shop	56,092	-	56,092
Sanitation department	529,976	-	529,976
Recreation department	369,886	-	369,886
Public library	290,589	-	290,589
Municipal court	191,283	-	191,283
Landscape department	157,875	-	157,875
Animal control	47,219	-	47,219
Senior Citizens' Center	141,163	-	141,163
Building inspection	2,559	-	2,559
Staff agencies and other	112,305	-	112,305
Engineering, building, planning, and zoning	336,935	-	336,935
Capital outlay	845,053	-	845,053
Debt service payments			
Principal	-	193,586	193,586
Interest	-	294,453	294,453
Total expenditures	<u>6,348,476</u>	<u>488,039</u>	<u>6,836,515</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(1,985,389)</u>	<u>(443,025)</u>	<u>(2,428,414)</u>
OTHER FINANCIAL SOURCES			
Proceeds from issuance of bond, net	-	1,500,000	1,500,000
Transfers in (out)	1,794,354	439,527	2,233,881
Total other financial sources	<u>1,794,354</u>	<u>1,939,527</u>	<u>3,733,881</u>
Net change in fund balances	(191,035)	1,496,502	1,305,467
Fund balances at beginning of year	238,313	191,169	429,482
FUND BALANCES AT END OF YEAR	<u>\$ 47,278</u>	<u>\$ 1,687,671</u>	<u>\$ 1,734,949</u>

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, 2013

Net change in fund balances - total governmental funds, page 6	\$ 1,305,467
<p>Amounts reported for governmental activities in the Statement of Activities (Page 3) are different from the Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.</p>	
Capital outlays for the year	1,147,749
Infrastructure contributed to the City	81,600
Depreciation expense for the year	(318,818)
<p>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.</p>	
Principal payments on long term debt	193,586
Proceeds from issuance of long term debt	(1,794,034)
<p>Discounts and issuance costs of debt are reported as current financial uses to governmental funds while governmental activities amortize them over the life of the debt</p>	
Bond discounts and issuance costs	125,000
Amortization expense for the year	(17,613)
<p>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.</p>	
Change in accrued interest	<u>(17,225)</u>
Change in Net Position of Governmental Activities, page 3	\$ <u><u>705,712</u></u>

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2013

	ASSETS					Total
	Major Funds				Nonmajor Fund	
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
CURRENT ASSETS						
Cash	\$ 917,419	\$ -	\$ -	\$ -	\$ -	\$ 917,419
Investments	45,711	-	497,972	423,404	-	967,087
Receivables	1,148,488	-	-	-	-	1,148,488
Material and supply inventory (at cost)	188,151	-	19,361	193	2,731	210,436
Total current assets	2,299,769	-	517,333	423,597	2,731	3,243,430
PROPERTY, PLANT AND EQUIPMENT						
Land, land rights and construction in progress	12,029	-	97,342	145,951	250	255,572
Buildings and improvements	81,492	1,666,251	-	-	-	1,747,743
Vehicles and equipment	1,064,574	-	461,877	640,997	60,517	2,227,965
Plant and distribution system	7,830,265	-	6,845,483	9,114,491	237,900	24,028,139
	8,988,360	1,666,251	7,404,702	9,901,439	298,667	28,259,419
Accumulated depreciation	(6,074,717)	(827,207)	(3,060,888)	(4,962,426)	(246,984)	(15,172,222)
Property, plant and equipment – net	2,913,643	839,044	4,343,814	4,939,013	51,683	13,087,197
OTHER ASSETS	17,708	-	110,059	96,119	3,515	227,401
TOTAL ASSETS	\$ 5,231,120	\$ 839,044	\$ 4,971,206	\$ 5,458,729	\$ 57,929	\$ 16,558,028

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2013

LIABILITIES AND NET ASSETS

	Major Funds				Nonmajor	Total
	Electric Fund	Public	Water Fund	Sewer Fund	Natural Gas Fund	
		Building Authority				
CURRENT LIABILITIES						
Accounts payable, trade	\$ 3,355	\$ -	\$ -	\$ 723	\$ -	\$ 4,078
Retirement payable	4,879	-	2,605	2,456	944	10,884
Accrued interest payable	13,204	-	104,581	90,780	-	208,565
Customer utility deposits	726,155	-	-	-	-	726,155
Notes payable	31,321	-	-	-	-	31,321
Revenue Warrants current portion	8,750	-	113,250	93,000	-	215,000
General Obligation Warrants current portion	-	-	-	750	-	750
Total current liabilities	787,664	-	220,436	187,709	944	1,196,753
LONG TERM LIABILITIES						
Noncurrent portion of notes payable	22,150	-	-	-	-	22,150
Noncurrent portion of Revenue Warrants						
2006 Series	-	-	4,110,286	2,706,296	-	6,816,582
2009 Series	324,726	-	219,269	957,360	-	1,501,355
Noncurrent portion of General Obligation Warrants						
2009 Series	-	-	-	37,062	-	37,062
Total long term liabilities	346,876	-	4,329,555	3,700,718	-	8,377,149
TOTAL LIABILITIES	1,134,540	-	4,549,991	3,888,427	944	9,573,902
NET POSITION						
Net investment in capital assets	2,575,725	839,044	11,068	1,240,664	55,198	4,721,699
Restricted for debt service	45,711	-	497,972	423,404	-	967,087
Unrestricted	1,475,144	-	(87,825)	(93,766)	1,787	1,295,340
Total net position	4,096,580	839,044	421,215	1,570,302	56,985	6,984,126
TOTAL LIABILITIES AND NET POSITION	\$ 5,231,120	\$ 839,044	\$ 4,971,206	\$ 5,458,729	\$ 57,929	\$ 16,558,028

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Major Funds				Nonmajor	Totals
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
OPERATING REVENUES						
Utility services	\$ 7,856,818	\$ -	\$ 1,126,841	\$ 900,974	\$ 162,943	\$ 10,047,576
Other	270,717	162,620	92,795	51,038	-	577,170
Total operating revenues	<u>8,127,535</u>	<u>162,620</u>	<u>1,219,636</u>	<u>952,012</u>	<u>162,943</u>	<u>10,624,746</u>
OPERATING EXEPNSES						
Purchased power and natural gas	4,630,633	-	-	-	66,459	4,697,092
Depreciation and amortization	263,458	66,650	186,903	276,867	3,647	797,525
Operating, maintenance and administrative salaries	666,429	-	268,993	424,191	74,847	1,434,460
Plant operation and maintenance	46,456	-	32,993	167,375	4,862	251,686
Vehicles and equipment expenses	70,453	-	62,614	18,852	3,750	155,669
Payroll taxes	49,185	-	20,733	31,556	5,663	107,137
Employees' retirement	50,574	-	20,410	32,281	5,772	109,037
Insurance	124,680	-	36,898	76,181	9,423	247,182
Professional fees	3,125	-	6,763	6,003	-	15,891
All other operating expenses	165,276	-	18,436	37,459	7,092	228,263
Total operating expenses	<u>6,076,512</u>	<u>66,650</u>	<u>654,743</u>	<u>1,070,765</u>	<u>181,515</u>	<u>8,050,185</u>
INCOME (LOSS) FROM OPERATIONS	<u>2,051,023</u>	<u>95,970</u>	<u>564,893</u>	<u>(118,753)</u>	<u>(18,572)</u>	<u>2,574,561</u>
OTHER INCOME (EXPENSES)						
Interest earned	113	-	43	21,629	-	21,785
Interest expense	(24,500)	-	(209,329)	(185,290)	-	(419,119)
Operating transfers in (out)	(2,006,955)	(162,620)	(257,221)	171,237	21,678	(2,233,881)
Total other income (expenses)	<u>(2,031,342)</u>	<u>(162,620)</u>	<u>(466,507)</u>	<u>17,982</u>	<u>21,678</u>	<u>(2,620,809)</u>
CHANGE IN NET POSITION	19,681	(66,650)	98,386	(100,771)	3,106	(46,248)
Net position, beginning of year	<u>4,076,899</u>	<u>905,694</u>	<u>322,829</u>	<u>1,671,073</u>	<u>53,879</u>	<u>7,030,374</u>
NET POSITION, END OF YEAR	<u>\$ 4,096,580</u>	<u>\$ 839,044</u>	<u>\$ 421,215</u>	<u>\$ 1,570,302</u>	<u>\$ 56,985</u>	<u>\$ 6,984,126</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, 2013

	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	\$ 8,126,007	\$ 162,620	\$ 1,219,636	\$ 952,012	\$ 162,943	\$ 10,623,218
Paid to suppliers for goods and services	(5,212,920)	-	(188,545)	(369,713)	(109,774)	(5,880,952)
Paid to personnel for services	(666,429)	-	(268,995)	(424,191)	(74,847)	(1,434,462)
Net cash provided (used) by operating activities	<u>2,246,658</u>	<u>162,620</u>	<u>762,096</u>	<u>158,108</u>	<u>(21,678)</u>	<u>3,307,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest earned	113	-	43	21,629	-	21,785
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from grant	-	-	-	10,406	-	10,406
Repayment of long term debt	(41,267)	-	(118,249)	(92,999)	-	(252,515)
Interest paid	(24,500)	-	(211,494)	(187,019)	-	(423,013)
Purchase of property, plant and equipment	-	-	(174,340)	(81,093)	-	(255,433)
Net cash (used) by capital and related financing activities	<u>(65,767)</u>	<u>-</u>	<u>(504,083)</u>	<u>(350,705)</u>	<u>-</u>	<u>(920,555)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES						
Change in investments	143	-	(835)	(269)	-	(961)
Transfers in (out)	(2,006,955)	(162,620)	(257,221)	171,237	21,678	(2,233,881)
Net cash provided (used) by noncapital financing activities	<u>(2,006,812)</u>	<u>(162,620)</u>	<u>(258,056)</u>	<u>170,968</u>	<u>21,678</u>	<u>(2,234,842)</u>
INCREASE IN CASH	174,192	-	-	-	-	174,192
Cash – beginning of year	743,227	-	-	-	-	743,227
CASH – END OF YEAR	<u>\$ 917,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 917,419</u>
Reconciliation of operating income to net cash provided (used) by operating activities						
Income (loss) from operations	\$ 2,051,023	\$ 95,970	\$ 564,893	\$ (118,753)	\$ (18,572)	\$ 2,574,561
Adjustments to reconcile income from operations to net cash provided (used) by operating activities						
Depreciation	258,609	66,650	164,574	252,200	3,647	745,680
Amortization	4,849	-	22,329	24,661	-	51,839
Change in current assets and liabilities						
Decrease (increase) in accounts receivable	(1,528)	-	-	-	-	(1,528)
Decrease (increase) in inventories	(70,687)	-	10,300	-	(6,753)	(67,140)
Increase (decrease) in accounts payable	1,460	-	-	-	-	1,460
Increase (decrease) in utility deposits	2,932	-	-	-	-	2,932
Net cash provided (used) by operating activities	<u>\$ 2,246,658</u>	<u>\$ 162,620</u>	<u>\$ 762,096</u>	<u>\$ 158,108</u>	<u>\$ (21,678)</u>	<u>\$ 3,307,804</u>

See independent auditors' report and notes to the financial statements

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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.

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, 2013

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, 2013

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. The City has elected to apply all applicable GASB pronouncements as well as any Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The City also elected to apply all FASB Statements and Interpretations issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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, 2013

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, 2013, under the requirements of GASB Statement No. 63.

Recently Issued Accounting Principles

In March 2012, the GASB issued 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 in Concepts Statement No. 4, *Elements of Financial Statements*. This statement is effective for periods beginning after December 15, 2012. 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. 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, 2013, the Government wide unfunded accrued actuarial liability is \$2,863,600 as shown in Note 13 to the financial statements.

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.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are deferred and amortized over the terms of the related issues.

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 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.

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.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

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.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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, 2013, the City had no interfund payables and receivables.

CITY OF ROBERTSDALE, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 3 CAPITAL ASSETS

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

	Balance 10/1/12	Additions	Reclassifications/ Retirements	Balance 9/30/13
<u>Governmental Activities</u>				
Capital assets not subject to depreciation				
Land	\$ 1,835,350	\$ 113,600	\$ -	\$ 1,948,950
Construction in progress	41,000	529,648		570,648
Total	<u>1,876,350</u>	<u>643,248</u>	<u>-</u>	<u>2,519,598</u>
Capital assets subject to depreciation				
Buildings and structures	7,202,273	-	-	7,202,273
Vehicles and equipment	5,487,410	526,055	(136,062)	5,877,403
Recreational facilities	1,558,728	60,046	-	1,618,774
Total	<u>14,248,411</u>	<u>586,101</u>	<u>(136,062)</u>	<u>14,698,450</u>
Less accumulated depreciation	<u>(6,519,109)</u>	<u>(318,818)</u>	<u>136,062</u>	<u>(6,701,865)</u>
Net	<u>7,729,302</u>	<u>267,283</u>	<u>-</u>	<u>7,996,585</u>
Capital assets, net	<u>\$ 9,605,652</u>	<u>\$ 910,531</u>	<u>\$ -</u>	<u>\$ 10,516,183</u>
<u>Business Type Activities</u>				
Capital assets not subject to depreciation				
Land	\$ 158,230	\$ -	\$ -	\$ 158,230
Construction in progress	136,923	97,342	(136,923)	97,342
Total	<u>295,153</u>	<u>97,342</u>	<u>(136,923)</u>	<u>255,572</u>
Capital assets subject to depreciation				
Plant and distribution system	23,757,498	133,718	136,923	24,028,139
Buildings, vehicles and equipment	3,951,333	24,375	-	3,975,708
Total	<u>27,708,831</u>	<u>158,093</u>	<u>136,923</u>	<u>28,003,847</u>
Less accumulated depreciation	<u>(14,426,542)</u>	<u>(745,680)</u>	<u>-</u>	<u>(15,172,222)</u>
Net	<u>13,282,289</u>	<u>(587,587)</u>	<u>136,923</u>	<u>12,831,625</u>
Capital assets, net	<u>\$ 13,577,442</u>	<u>\$ (490,245)</u>	<u>\$ -</u>	<u>\$ 13,087,197</u>

Depreciation was charged to governmental activities as follows:

General	\$ 144,439
Sanitation	41,007
Police	60,064
Engineering	5,807
Fire	1,359
Library	2,657
Street	3,152
Shop	5,058
Landscape	4,707
Senior Citizens Center	1,095
Municipal court	5,854
Animal control	3,038
Recreation	40,581
Total	<u>\$ 318,818</u>

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 4 LONG TERM DEBT – ALL FUNDS

The following is a summary, for all funds, of all long term debt of the City at September 30, 2013:

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	\$ 7,325,000
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	1,735,000
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	38,336
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>53,472</u>
Total Proprietary Funds	<u>\$ 9,151,808</u>

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	\$ 5,120,000
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	1,167,414
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
Note payable dated December 17, 2010, interest rate 5.0%, monthly payments of \$2,154 including interest, due December 2015, secured by equipment	59,126
Note payable dated April 22, 2013, interest rate 4.33%, monthly payments of \$3,139 including interest, due April 2018, secured by equipment	<u>156,300</u>
Total Governmental Funds	<u>\$ 8,127,840</u>

(continued)

CITY OF ROBERTSDALE, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 4 LONG TERM DEBT – ALL FUNDS (continued)

	<u>Balance</u> <u>10/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/13</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
GOVERNMENTAL ACTIVITIES					
Warrants and notes payable					
General obligation warrants	\$ 6,441,664	\$ 1,625,000	\$ (154,250)	\$ 7,912,414	\$ 159,254
Notes payable	85,728	169,034	(39,336)	215,426	25,847
Total warrants and notes payable	<u>6,527,392</u>	<u>1,794,034</u>	<u>(193,586)</u>	<u>8,127,840</u>	<u>185,101</u>
Deferred amount on refunding	(107,404)	-	4,539	(102,867)	-
Warrant discount	<u>(174,733)</u>	<u>(37,109)</u>	<u>7,563</u>	<u>(204,280)</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 6,245,255</u>	<u>\$ 1,756,925</u>	<u>\$ (181,484)</u>	<u>\$ 7,820,693</u>	<u>\$ 185,101</u>

	<u>Balance</u> <u>10/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/13</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
BUSINESS-TYPE ACTIVITIES					
Bonds, warrants and notes payable					
Utilities revenue debt	\$ 9,280,000	\$ -	\$ (220,000)	\$ 9,060,000	\$ 215,000
Notes payable	85,989	-	(31,765)	54,222	31,321
General obligation warrants	38,336	-	(750)	37,586	750
Total warrants and notes payable	<u>9,404,325</u>	<u>-</u>	<u>(252,515)</u>	<u>9,151,808</u>	<u>247,071</u>
Deferred amount on refunding	(337,412)	-	32,985	(304,427)	-
Warrant discount	<u>(232,878)</u>	<u>-</u>	<u>9,717</u>	<u>(223,161)</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 8,834,035</u>	<u>\$ -</u>	<u>\$ (209,813)</u>	<u>\$ 8,624,220</u>	<u>\$ 247,071</u>

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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>Total Debt Service</u>
2014	265,055	415,145	\$ 680,201
2015	258,248	405,341	663,589
2016	250,900	395,495	646,395
2017	255,900	385,458	641,358
2018	265,900	374,952	640,852
2019 - 2023	1,524,950	1,693,781	3,218,731
2024 - 2028	1,891,300	1,323,681	3,214,981
2029 - 2033	2,383,100	839,786	3,222,886
2034 - 2038	1,931,867	247,463	2,179,330
2039	124,587	6,168	130,755
TOTALS	<u>\$ 9,151,808</u>	<u>\$ 6,087,270</u>	<u>\$ 15,239,077</u>
<u>GOVERNMENTAL FUNDS</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 185,099	\$ 362,544	\$ 547,643
2015	189,101	361,986	551,087
2016	182,525	354,472	536,997
2017	179,100	347,456	526,556
2018	189,100	340,106	529,206
2019 - 2023	1,055,050	1,574,394	2,629,444
2024 - 2028	1,308,700	1,317,889	2,626,589
2029 - 2033	1,651,900	983,693	2,635,593
2034 - 2038	1,819,800	562,062	2,381,862
2039	1,367,465	60,818	1,428,283
	<u>\$ 8,127,840</u>	<u>\$ 6,265,420</u>	<u>\$ 14,393,260</u>

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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 current rate is 7.86% 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, 2013

NOTE 5 RETIREMENT PLAN (continued)

Annual Pension Cost

For the year ended September 30, 2013, the City's annual pension cost of \$322,600 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2012 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%	-

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.

A workman's compensation suit was filed by an employee of the City for injuries allegedly sustained while employed by the City. The defense is being handled by the insurance company. The City believes it will have no liability in connection therewith.

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.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 7 DEPOSIT AND INVESTMENT RISK

At September 30, 2013, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$2,551,685 (\$1,584,598 in governmental activities and \$967,087 in business-type activities). The average maturity of the portfolio was 48 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, 2013, 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, 2013, the City is contingently liable as guarantor on debts of Robertsdale Volunteer Fire Department in the amount of \$173,444.

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, 2013. The line of credit matures August 1, 2014.

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 21, 2014, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ROBERTSDALE, ALABAMA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Original Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Local taxes	\$ 2,378,000	\$ 2,398,868	\$ 20,868
Licenses and permits	489,000	499,066	10,066
Fine and forfeitures	430,000	453,034	23,034
Intergovernmental	242,400	232,956	(9,444)
Interest and rents	15	14	(1)
Charges for services	404,700	410,203	5,503
Other revenue	292,585	368,946	76,361
	<u>4,236,700</u>	<u>4,363,087</u>	<u>126,387</u>
EXPENDITURES			
General government	630,446	626,495	(3,951)
Sanitation	537,616	529,976	(7,640)
Police	1,888,251	1,953,320	65,069
Fire	31,000	28,829	(2,171)
Shop	54,487	56,092	1,605
Streets	791,009	658,897	(132,112)
Recreation	332,279	369,886	37,607
Municipal court	200,789	191,283	(9,506)
Landscape	164,570	157,875	(6,695)
Engineering, building, planning and zoning	331,682	336,935	5,253
Animal control	56,613	47,219	(9,394)
Senior Citizen's Center	146,328	141,163	(5,165)
Staff and agencies	119,150	112,305	(6,845)
Public library	321,888	290,589	(31,299)
Capital outlay	664,500	845,053	180,553
Building Inspection	-	2,559	
Debt service			
Interest	9,000	-	(9,000)
	<u>6,279,608</u>	<u>6,348,476</u>	<u>66,309</u>
Total expenditures			
Excess of Revenues over (under) Expenditures	<u>(2,042,908)</u>	<u>(1,985,389)</u>	<u>192,696</u>
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>1,794,354</u>	<u>1,794,354</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,042,908)</u>	<u>(191,035)</u>	<u>\$ 1,987,050</u>
FUND BALANCE - BEGINNING OF YEAR		<u>238,313</u>	
FUND BALANCE - END OF YEAR		<u>\$ 47,278</u>	

See independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROBERTSDALE, ALABAMA

SCHEDULE OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM

SEPTEMBER 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) b-a	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
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%
9/30/2003 ⁴	3,809,594	4,607,885	798,291	82.7%	2,207,046	36.2%

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, 2013

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, 2013

	ASSETS			Total Nonmajor Governmental Funds
	Special Revenue	Capital Projects	Debt Service	
Cash	\$ 103,075	\$ -	\$ -	\$ 103,075
Investments	<u>-</u>	<u>-</u>	<u>1,584,596</u>	<u>1,584,596</u>
TOTAL ASSETS	<u>\$ 103,075</u>	<u>\$ -</u>	<u>\$ 1,584,596</u>	<u>\$ 1,687,671</u>
FUND BALANCES				
FUND BALANCES				
Restricted for:				
Debt service	\$ -	\$ -	\$ 1,584,596	\$ 1,584,596
Construction and road maintenance	<u>103,075</u>	<u>-</u>	<u>-</u>	<u>103,075</u>
TOTAL FUND BALANCES	<u>103,075</u>	<u>-</u>	<u>1,584,596</u>	<u>1,687,671</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 103,075</u>	<u>\$ -</u>	<u>\$ 1,584,596</u>	<u>\$ 1,687,671</u>

CITY OF ROBERTSDALE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue	Capital Projects	Debt Service	Total
REVENUES				
State of Alabama	\$ 31,494	\$ -	\$ -	\$ 31,494
Other revenues	13,502	-	18	13,520
Total revenues	<u>44,996</u>	<u>-</u>	<u>18</u>	<u>45,014</u>
EXPENDITURES				
Debt service payments				
Principal	-	8,500	185,086	193,586
Interest	-	20,148	274,305	294,453
Total expenditures	<u>-</u>	<u>28,648</u>	<u>459,391</u>	<u>488,039</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>44,996</u>	<u>(28,648)</u>	<u>(459,373)</u>	<u>(443,025)</u>
OTHER FINANCIAL SOURCES (USES)				
Proceeds from issuance of bonds, net			1,500,000	1,500,000
Transfers in (out)	-	28,648	410,879	439,527
Total	<u>-</u>	<u>28,648</u>	<u>1,910,879</u>	<u>1,939,527</u>
Net change in fund balances	44,996	-	1,451,506	1,496,502
Fund balances at beginning of year	<u>58,079</u>	<u>-</u>	<u>133,090</u>	<u>191,169</u>
FUND BALANCES AT END OF YEAR	<u>\$ 103,075</u>	<u>\$ -</u>	<u>\$ 1,584,596</u>	<u>\$ 1,687,671</u>

See independent auditors' report

CITY OF ROBERTSDALE, ALABAMA

ADDITIONAL INFORMATION REQUIRED BY BOND INDENTURES

SEPTEMBER 30, 2013

ANNUAL NET INCOME AS PRESCRIBED BY DEBT COVENANTS

	<u>Electric Fund</u>		<u>Water Fund</u>		<u>Sewer Fund</u>		<u>Total</u>
Income (loss) from operations	\$ 2,051,023	\$	564,893	\$	(118,752)	\$	2,497,164
Add:							
Depreciation and amortization	263,458		186,903		276,867		727,228
Interest income	113		43		21,629		21,785
	<u> </u>		<u> </u>		<u> </u>		<u> </u>
Annual net income as prescribed by debt covenants	<u>\$ 2,314,594</u>	\$	<u>751,839</u>	\$	<u>179,744</u>	\$	<u>3,246,177</u>

CUSTOMER COUNTS

	<u>Electric Fund</u>		<u>Water Fund</u>		<u>Sewer Fund</u>
A. Utility customer counts at September 30, 2013					
Number of customers	3,325		3,225		2,582
Number of metered customers	3,325		3,225		2,582
Number of Natural Gas Fund customers	-		-		218

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 2014	\$ 24,053,906
Automobile - expires May 2014	3,000,000
Public officials errors and omissions liability - expires May 2014	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, 2013

SUMMARY OF DEPOSITS, WITHDRAWALS AND BALANCES OF SELECTED TRUST ACCOUNTS

	2006	2006	2006	2009	2009	2009	2013
	Warrant	Reserve	GOW	Warrant	Reserve	GOW	GOW
	Fund	Fund	Fund	Fund	Fund	Fund	Fund
Balance 10/1/12	\$ 259,745	\$ 522,967	\$ 90,960	\$ 60,190	\$ 123,223	\$ 42,131	\$ -
Deposits	521,015	52	363,864	119,809	12	83,928	1,511,854
Disbursements	<u>(519,481)</u>	<u>(54)</u>	<u>(363,833)</u>	<u>(120,378)</u>	<u>(12)</u>	<u>(84,260)</u>	<u>(60,047)</u>
Balance 9/30/13	<u>\$ 261,279</u>	<u>\$ 522,965</u>	<u>\$ 90,991</u>	<u>\$ 59,621</u>	<u>\$ 123,223</u>	<u>\$ 41,799</u>	<u>1,451,807</u>

See independent auditors' report

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.

Hartmann, Blackman & Helgore, P.C.
Certified Public Accountants

January 21, 2014
Fairhope, Alabama

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, 2013, and have issued our report thereon dated January 21, 2014. 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

January 21, 2014
Fairhope, Alabama