

CITY OF ROBERTSDALE, ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2015

CITY OF ROBERTSDALE, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2015

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CITY OF ROBERTSDALE, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof 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.

Restatement of Prior Periods

The financial statements of the City as of September 30, 2014, dated February 16, 2015, expressed an unmodified opinion on the financial statements. As discussed in Note 11 to the financial statements, the City has adjusted its September 30, 2014, financial statements to retrospectively apply the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, include the Fire Department in the City's financial statements and for the correction of an error.

As part of our audit, we also audited the adjustments to the September 30, 2014 financial statements to retroactively apply the change in accounting principle as described in Note 11. In our opinion, such adjustments are appropriate and have been properly applied.

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 Robertsedale, 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 Robertsedale, Alabama's internal control over financial reporting and compliance.

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

January 20, 2016
Fairhope, Alabama

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CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Governmental Fund Types		
	Governmental Activites	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 580,652	\$ 973,004	\$ 1,553,656
Investments	397,377	1,056,354	1,453,731
Receivables, net	26,158	1,216,962	1,243,120
Inventories	-	218,610	218,610
Other assets	11,388	14,666	26,054
Capital assets, net	13,578,342	13,290,509	26,868,851
Total assets	<u>14,593,917</u>	<u>16,770,105</u>	<u>31,364,022</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>148,996</u>	<u>80,135</u>	<u>229,131</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>14,742,913</u>	\$ <u>16,850,240</u>	\$ <u>31,593,153</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 323,918	\$ 242,352	\$ 566,270
Customer deposits	-	688,874	688,874
Long-term liabilities			
Due within one year:			
Capital leases payable	49,854	30,553	80,407
Bonds and notes payable	314,495	485,635	800,130
Due in more than one year:			
Capital leases payable	108,477	124,502	232,979
Bonds and notes payable	7,561,426	7,830,214	15,391,640
Net pension liability	1,807,610	972,196	2,779,806
Total liabilities	<u>10,165,780</u>	<u>10,374,326</u>	<u>20,540,106</u>
DEFERRED INFLOWS OF RESOURCES	<u>171,745</u>	<u>92,370</u>	<u>264,115</u>
NET POSITION			
Net investment in capital assets	5,544,090	3,892,628	9,436,718
Restricted for:			
Debt service	397,377	1,056,354	1,453,731
Road construction and maintenance	28,303	-	28,303
Capital improvements	36,115	-	36,115
Fire department	171,287	-	171,287
Unrestricted	(1,771,784)	1,434,562	(337,222)
Total net position	<u>4,405,388</u>	<u>6,383,544</u>	<u>10,788,932</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ <u>14,742,913</u>	\$ <u>16,850,240</u>	\$ <u>31,593,153</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General	\$ 912,070	\$ 703,685	\$ -	\$ -	\$ (208,385)		\$ (208,385)
Sanitation	632,981	438,187	-	-	(194,794)		(194,794)
Police	2,298,850	433,719	-	-	(1,865,131)		(1,865,131)
Fire	109,760	-	-	-	(109,760)		(109,760)
Street	1,360,953	-	-	1,704,805	343,852		343,852
Shop	73,330	-	-	-	(73,330)		(73,330)
Senior Citizens' Center	152,210	-	-	-	(152,210)		(152,210)
Recreation	386,404	-	-	-	(386,404)		(386,404)
Public Library	424,131	-	-	-	(424,131)		(424,131)
Municipal court	195,778	-	-	-	(195,778)		(195,778)
Landscape	193,165	-	-	-	(193,165)		(193,165)
Animal control	57,273	-	-	-	(57,273)		(57,273)
Engineering, building, planning, and zoning	378,859	-	-	-	(378,859)		(378,859)
PZK Civic Center	97,057	-	-	-	(97,057)		(97,057)
Interest on long term debt	512,410	-	-	-	(512,410)		(512,410)
Total governmental activities	<u>7,785,231</u>	<u>1,575,591</u>	<u>-</u>	<u>1,704,805</u>	<u>(4,504,835)</u>		<u>(4,504,835)</u>
Business-type activities							
Electric	7,839,527	9,943,225	-	-	-	\$ 2,103,698	2,103,698
Public Building Authority	66,650	162,620	-	-	-	95,970	95,970
Water Fund	1,047,547	1,253,451	-	-	-	205,904	205,904
Sewer Fund	1,543,032	1,445,646	-	139,875	-	42,489	42,489
Natural Gas Fund	198,292	166,842	-	-	-	(31,450)	(31,450)
Total business-type activities	<u>10,695,048</u>	<u>12,971,784</u>	<u>-</u>	<u>139,875</u>	<u>-</u>	<u>2,416,611</u>	<u>2,416,611</u>
Total primary government	<u>\$ 18,480,279</u>	<u>\$ 14,547,375</u>	<u>\$ -</u>	<u>\$ 1,844,680</u>	<u>(4,504,835)</u>	<u>2,416,611</u>	<u>(2,088,224)</u>
General Revenues:							
Taxes:							
Sales					2,690,062	-	2,690,062
Property					239,199	-	239,199
Liquor and tobacco					303,296	-	303,296
Intergovernmental					78,156	-	78,156
Investment earnings					347	37	384
Other					781,179	-	781,179
Transfers					2,306,971	(2,306,971)	-
Total general revenues and transfers					<u>6,399,210</u>	<u>(2,306,934)</u>	<u>4,092,276</u>
Change in net position					1,894,375	109,677	2,004,052
Net position, beginning					4,466,135	7,152,308	11,618,443
Prior period adjustment					(1,955,122)	(878,441)	(2,833,563)
Net position, ending					<u>\$ 4,405,388</u>	<u>\$ 6,383,544</u>	<u>\$ 10,788,932</u>

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Major Fund	Nonmajor Funds	
	General	Other Governmental	Total
ASSETS			
Cash	\$ 344,965	\$ 235,705	\$ 580,670
Investments	-	397,377	397,377
Receivables			
Taxes	8,588	-	8,588
Other	17,552	-	17,552
Other assets	11,388	-	11,388
TOTAL ASSETS	\$ 382,493	\$ 633,082	\$ 1,015,575
LIABILITIES			
Accounts payable, trade	\$ 4,099	\$ -	\$ 4,099
Accrued payroll taxes and retirement	181,093	-	181,093
Appearance bonds	16,513	-	16,513
TOTAL LIABILITIES	201,705	-	201,705
FUND BALANCES			
Restricted for:			
Debt service	-	397,377	397,377
Construction and road maintenance	-	28,303	28,303
Capital improvements		36,115	36,115
Fire Department		171,287	171,287
Unassigned	180,788	-	180,788
TOTAL FUND BALANCES	180,788	633,082	813,870
TOTAL LIABILITIES AND FUND BALANCES	\$ 382,493	\$ 633,082	\$ 1,015,575

CITY OF ROBERTSDALE, ALABAMA

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2015

Fund balances as reported on page 6	\$ 813,870
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	22,337,639
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(8,759,297)
Deferred outflows or resources	148,996
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.	
Warrants and notes payable	(8,225,526)
Capital leases payable	(158,331)
Net Pension Liability	(1,807,610)
Deferred inflows of resources	(171,745)
Amortization is taken on the bond discount in the government-wide reporting, but not in fund financial statements.	(20,635)
Deferred loss on the early retirement of debt is not reported in the fund financial statements but is recognized for government-wide reporting.	200,636
Accrued interest on long-term debt is not due and payable in the current period and therefore not included in fund financial statements.	(122,213)
Bond discounts and premiums are amortized for government-wide reporting but not for fund financial statements.	<u>169,604</u>
Net Position of Governmental Activities as reported on page 4	<u><u>\$ 4,405,388</u></u>

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Major	Nonmajor	Total
	Fund	Funds	
	General	Other Governmental	
REVENUES			
Local taxes	\$ 3,232,557	\$ -	\$ 3,232,557
Licenses and permits	694,421	-	694,421
Fines and forfeitures	390,960	-	390,960
State of Alabama	86,142	331,697	417,839
Charges for services	490,210	-	490,210
Other revenues	504,102	16,309	520,411
Total revenues	5,398,392	348,006	5,746,398
EXPENDITURES			
General government	681,041	-	681,041
Police department	2,166,903	-	2,166,903
Fire department	106,183	-	106,183
Street department	1,263,028	-	1,263,028
Shop	66,413	-	66,413
Sanitation department	573,089	-	573,089
Recreation department	369,450	-	369,450
Public library	421,092	-	421,092
Municipal court	188,991	-	188,991
Landscape department	188,230	-	188,230
Animal control	54,160	-	54,160
Senior Citizens' Center	150,578	-	150,578
PZK Civic Center	75,217	-	75,217
Engineering, building, planning, and zoning	369,526	-	369,526
Capital outlay	1,178,240	-	1,178,240
Debt service payments			
Principal	140,127	292,158	432,285
Interest	55,659	334,530	390,189
Total expenditures	8,047,927	626,688	8,674,615
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,649,535)	(278,682)	(2,928,217)
OTHER FINANCIAL SOURCES (USES)			
Proceeds from capital lease financing	61,950	-	61,950
Transfers in (out)	2,557,651	(250,687)	2,306,964
Total other financial sources (uses)	2,619,601	(250,687)	2,368,914
Net change in fund balances	(29,934)	(529,369)	(559,303)
Fund balances at beginning of year	210,722	1,162,451	1,373,173
FUND BALANCES AT END OF YEAR	\$ 180,788	\$ 633,082	\$ 813,870

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, 2015

Net change in fund balances - total governmental funds, page 8 \$ (559,303)

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	1,178,240
Depreciation expense for the year	(571,345)

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

Principal payments on long term debt	386,800
Principal payments on capital leases	45,485
Proceeds from issuance of capital leases	(61,950)

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

Amortization expense for the year	(20,639)
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Some capital assets were acquired through capital contributions and reported as such in the Statement of Activities and therefore are not reported as a capital outlay in governmental funds

Capital contributions for the year	1,626,235
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Some expenditures reported in governmental funds are to be paid on a long-term basis and therefore are not reported as expenses in the Statement of Activities

Accrued interest	(122,213)
Change in deferred outflows - employer retirement contributions	(6,935)

Change in Net Position of Governmental Activities, page 5 \$ 1,894,375

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2015
 ASSETS

	Major Funds				Nonmajor Fund	Total
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
CURRENT ASSETS						
Cash	\$ 973,004	\$ -	\$ -	\$ -	\$ -	\$ 973,004
Investments	45,993	-	551,497	458,864	-	1,056,354
Receivables	1,216,962	-	-	-	-	1,216,962
Material and supply inventory (at cost)	203,207	-	12,477	193	2,733	218,610
Total current assets	2,439,166	-	563,974	459,057	2,733	3,464,930
PROPERTY, PLANT AND EQUIPMENT						
Land, land rights and construction in progress	12,029	-	-	145,951	250	158,230
Buildings and improvements	95,072	1,666,251	-	-	-	1,761,323
Vehicles and equipment	1,280,382	-	501,344	1,014,400	65,768	2,861,894
Plant and distribution system	7,839,950	-	7,429,991	9,728,905	237,899	25,236,745
	9,227,433	1,666,251	7,931,335	10,889,256	303,917	30,018,192
Accumulated depreciation	(6,593,881)	(960,507)	(3,409,236)	(5,509,410)	(254,649)	(16,727,683)
Property, plant and equipment – net	2,633,552	705,744	4,522,099	5,379,846	49,268	13,290,509
OTHER ASSETS	5,991	-	4,165	996	3,514	14,666
TOTAL ASSETS	5,078,709	705,744	5,090,238	5,839,899	55,515	16,770,105
DEFERRED OUTFLOWS OF RESOURCES	34,410	-	17,114	24,638	3,973	80,135
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 5,113,119	\$ 705,744	\$ 5,107,352	\$ 5,864,537	\$ 59,488	\$ 16,850,240

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2015

LIABILITIES AND NET POSITION

	Major Funds				Nonmajor Fund	Total
	Electric Fund	Public	Water Fund	Sewer Fund	Natural Gas Fund	
		Building Authority				
CURRENT LIABILITIES						
Accounts payable, trade	\$ 6,047	\$ -	\$ 3	\$ 507	\$ -	\$ 6,557
Retirement payable	4,879	-	2,605	2,454	944	10,882
Accrued interest payable	3,385	-	120,692	100,836	-	224,913
Customer utility deposits	688,874	-	-	-	-	688,874
Notes payable	-	-	-	19,885	-	19,885
Revenue Warrants current portion	10,000	-	261,000	194,000	-	465,000
General Obligation Warrants current portion	-	-	-	750	-	750
Capital leases payable	30,553	-	-	-	-	30,553
Total current liabilities	743,738	-	384,300	318,432	944	1,447,414
LONG TERM LIABILITIES						
Noncurrent portion of notes payable	-	-	-	45,894	-	45,894
Noncurrent portion of Revenue Warrants						
2006 Series	-	-	1,988,801	1,290,271	-	3,279,072
2009 Series	312,430	-	239,664	958,658	-	1,510,752
2014 Series	-	-	1,783,298	1,177,781	-	2,961,079
Noncurrent portion of General Obligation Warrants						
2009 Series	-	-	-	33,417	-	33,417
Capital leases payable	124,502	-	-	-	-	124,502
Net Pension Liability	417,456	-	207,627	298,915	48,198	972,196
Total long term liabilities	854,388	-	4,219,390	3,804,936	48,198	8,926,912
TOTAL LIABILITIES	1,598,126	-	4,603,690	4,123,368	49,142	10,374,326
DEFERRED INFLOWS OF RESOURCES	39,663	-	19,727	28,401	4,579	92,370
NET POSITION						
Net investment in capital assets	1,775,155	705,744	45,874	1,361,271	4,584	3,892,628
Restricted for debt service	45,993	-	551,497	458,864	-	1,056,354
Unrestricted	1,654,182	-	(113,436)	(107,367)	1,183	1,434,562
Total net position	3,475,330	705,744	483,935	1,712,768	5,767	6,383,544
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 5,113,119	\$ 705,744	\$ 5,107,352	\$ 5,864,537	\$ 59,488	\$ 16,850,240

See independent auditors' report and notes to the financial statements

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Major Funds				Nonmajor Fund	Totals
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
OPERATING REVENUES						
Utility services	\$ 9,574,974	\$ -	\$ 1,196,962	\$ 1,019,093	\$ 166,842	\$ 11,957,871
Other	368,251	162,620	56,489	426,553	-	1,013,913
Total operating revenues	<u>9,943,225</u>	<u>162,620</u>	<u>1,253,451</u>	<u>1,445,646</u>	<u>166,842</u>	<u>12,971,784</u>
OPERATING EXEPNSES						
Purchased power and natural gas	6,050,751	-	-	-	76,017	6,126,768
Depreciation and amortization	264,653	66,650	226,632	339,059	4,031	901,025
Operating, maintenance and administrative salaries	696,853	-	346,790	481,676	78,628	1,603,947
Plant operation and maintenance	185,355	-	114,947	241,506	4,741	546,549
Vehicles and equipment expenses	105,141	-	33,668	48,168	1,106	188,083
Payroll taxes	50,697	-	26,111	35,842	5,915	118,565
Employees' retirement	57,646	-	28,671	41,277	6,656	134,250
Insurance	123,699	-	44,186	82,271	8,919	259,075
Professional fees	3,780	-	-	5,561	-	9,341
All other operating expenses	274,417	-	59,295	111,968	12,279	457,959
Total operating expenses	<u>7,812,992</u>	<u>66,650</u>	<u>880,300</u>	<u>1,387,328</u>	<u>198,292</u>	<u>10,345,562</u>
INCOME (LOSS) FROM OPERATIONS	<u>2,130,233</u>	<u>95,970</u>	<u>373,151</u>	<u>58,318</u>	<u>(31,450)</u>	<u>2,626,222</u>
OTHER INCOME (EXPENSES)						
Grant proceeds	-	-	-	139,875	-	139,875
Interest earned	2	-	19	16	-	37
Interest expense	(26,535)	-	(167,247)	(155,704)	-	(349,486)
Operating transfers in (out)	(2,278,787)	(162,620)	(178,415)	280,362	32,489	(2,306,971)
Total other income (expenses)	<u>(2,305,320)</u>	<u>(162,620)</u>	<u>(345,643)</u>	<u>264,549</u>	<u>32,489</u>	<u>(2,516,545)</u>
CHANGE IN NET POSITION	<u>(175,087)</u>	<u>(66,650)</u>	<u>27,508</u>	<u>322,867</u>	<u>1,039</u>	<u>109,677</u>
Net position, beginning of year	3,969,267	772,394	665,870	1,691,430	53,347	7,152,308
Prior period adjustment	(318,850)	-	(209,443)	(301,529)	(48,619)	(878,441)
NET POSITION, END OF YEAR	<u>\$ 3,475,330</u>	<u>\$ 705,744</u>	<u>\$ 483,935</u>	<u>\$ 1,712,768</u>	<u>\$ 5,767</u>	<u>\$ 6,383,544</u>

See independent auditors' report and notes to the financial statements

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CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	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	\$ 10,058,597	\$ 162,620	\$ 1,255,634	\$ 1,445,430	\$ 166,842	\$ 13,089,123
Paid to suppliers for goods and services	(6,914,835)	-	(303,492)	(566,585)	(115,636)	(7,900,548)
Paid to personnel for services	(695,252)	-	(345,994)	(480,525)	(78,443)	(1,600,214)
Net cash provided (used) by operating activities	<u>2,448,510</u>	<u>162,620</u>	<u>606,148</u>	<u>398,320</u>	<u>(27,237)</u>	<u>3,588,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest earned	<u>2</u>	<u>-</u>	<u>19</u>	<u>16</u>	<u>-</u>	<u>37</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from borrowings	163,000	-	-	-	-	163,000
Proceeds from grant	-	-	-	139,875	-	139,875
Repayment of long term debt	(16,698)	-	-	(19,034)	-	(35,732)
Repayment of bonds	(10,000)	-	(132,000)	(108,750)	-	(250,750)
Interest paid	(38,861)	-	(153,317)	(145,655)	-	(337,833)
Purchase of property, plant and equipment	<u>(175,891)</u>	<u>-</u>	<u>(66,514)</u>	<u>(495,700)</u>	<u>(5,252)</u>	<u>(743,357)</u>
Net cash (used) by capital and related financing activities	<u>(78,450)</u>	<u>-</u>	<u>(351,831)</u>	<u>(629,264)</u>	<u>(5,252)</u>	<u>(1,064,797)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES						
Change in investments	196	-	(75,921)	(49,434)	-	(125,159)
Transfers in (out)	<u>(2,278,787)</u>	<u>(162,620)</u>	<u>(178,415)</u>	<u>280,362</u>	<u>32,489</u>	<u>(2,306,971)</u>
Net cash provided (used) by noncapital and related financing activities	<u>(2,278,591)</u>	<u>(162,620)</u>	<u>(254,336)</u>	<u>230,928</u>	<u>32,489</u>	<u>(2,432,130)</u>
INCREASE IN CASH	91,471	-	-	-	-	91,471
Cash – beginning of year	<u>779,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>779,275</u>
CASH – END OF YEAR	<u>\$ 870,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 870,746</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, 2015

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

Income (loss) from operations	\$	2,130,233	\$	95,970	\$	373,151	\$	58,318	\$	(31,450)	\$	2,626,222
Adjustments to reconcile income from operations to net cash provided (used) by operating activities												
Depreciation		261,184		66,650		197,587		310,329		4,031		839,781
Amortization		3,469		-		29,045		28,737		-		61,251
Change in pension expense as related to GASB 68		1,601		-		796		1,151		182		3,730
Change in current assets and liabilities												
Decrease (increase) in accounts receivable		115,372		-		2,183		-		-		117,555
Decrease (increase) in inventories		8,208		-		3,386		-		-		11,594
Increase (decrease) in accounts payable		2,723		-		-		(215)		-		2,508
Increase (decrease) in accrued liabilities		-		-		-		-		-		-
Increase (decrease) in utility deposits		(74,280)		-		-		-		-		(74,280)
Net cash provided (used) by operating activities	\$	<u>2,448,510</u>	\$	<u>162,620</u>	\$	<u>606,148</u>	\$	<u>398,320</u>	\$	<u>(27,237)</u>	\$	<u>3,588,361</u>

See independent auditors' report and notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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.

Component Units

Robertsdale Volunteer Fire Department – The City has full custody of the bank account and all assets of the Fire Department. The City provides a significant portion of the annual operating funds of the Fire Department. The Fire Department does not issue separate financial statements.

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, 2015

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, 2015

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.

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.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and outflows 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:

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

During the year ended September 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements create disclosure and reporting requirements that may or may not be consistent with the basis used for funding the plan. As a result, a net position liability equal to the difference between the actuarial present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position was recognized. Additionally, pension expense and deferred outflows of resources and deferred inflows of resources were recognized from changes in the components of the net pension liability. See Notes 5 and 11 for more information.

Recently Issued Accounting Principles

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued to provide guidance for determining a fair value measurement for financial reporting purposes. The requirements for GASB Statement No. 72 are effective for fiscal year 2016. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68* was issued to establish requirements for assets that are not within the scope of GASB Statement No. 68. The requirements of GASB Statement No. 73 are effective for fiscal year 2016. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans (OPEB)*, was issued to establish new accounting and financial reporting requirements for governments whose employees are provided with OPEB. The requirements of GASB Statement No. 74 are effective for fiscal year 2017. The City is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*, was issued to address new accounting and financial reporting for OPEB that is

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

provided to the employees of the state and local government employers. The requirements of GASB Statement No. 75 are effective for fiscal year 2018. The City is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued to identify the hierarchy of generally accepted accounting principles. The requirements of GASB Statement No. 76 are effective immediately and were applied retroactively resulting in no significant impact to the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued to improve financial reporting by giving users of the financial statements essential information that is not consistently or comprehensively reported to the public at the present. The requirements of GASB Statement No. 77 are effective for fiscal year 2017. The City is currently evaluating the impact that this statement may have on its 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.

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 issued. 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.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- 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, 2015, the City had no interfund payables and receivables.

CITY OF ROBERTSDALE, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 3 CAPITAL ASSETS

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

	Balance 10/1/14	Additions	Reclassifications/ Retirements	Balance 9/30/15
<u>Governmental Activities</u>				
Capital assets not subject to depreciation				
Land	\$ 2,573,950	\$ 5,000	\$ -	\$ 2,578,950
Construction in progress	675,624	2,352,258		3,027,882
Total	<u>3,249,574</u>	<u>2,357,258</u>	<u>-</u>	<u>5,606,832</u>
Capital assets subject to depreciation				
Buildings and structures	7,248,960	128,475	-	7,377,435
Vehicles and equipment	6,306,789	1,458,440	(89,961)	7,675,268
Recreational facilities	1,618,774	59,330	-	1,678,104
Total	<u>15,174,523</u>	<u>1,646,245</u>	<u>(89,961)</u>	<u>16,730,807</u>
Less accumulated depreciation	<u>(8,277,913)</u>	<u>(571,345)</u>	<u>89,961</u>	<u>(8,759,297)</u>
Net	<u>6,896,610</u>	<u>1,074,900</u>	<u>-</u>	<u>7,971,510</u>
Capital assets, net	<u>\$ 10,146,184</u>	<u>\$ 3,432,158</u>	<u>\$ -</u>	<u>\$ 13,578,342</u>
<u>Business Type Activities</u>				
Capital assets not subject to depreciation				
Land	\$ 158,230	\$ -	\$ -	\$ 158,230
Construction in progress	97,342	-	(97,342)	-
Total	<u>255,572</u>	<u>-</u>	<u>(97,342)</u>	<u>158,230</u>
Capital assets subject to depreciation				
Plant and distribution system	24,637,126	599,619	-	25,236,745
Buildings, vehicles and equipment	4,404,252	241,180	(22,215)	4,623,217
Total	<u>29,041,378</u>	<u>840,799</u>	<u>(22,215)</u>	<u>29,859,962</u>
Less accumulated depreciation	<u>(15,910,117)</u>	<u>(839,781)</u>	<u>22,215</u>	<u>(16,727,683)</u>
Net	<u>13,131,261</u>	<u>1,018</u>	<u>-</u>	<u>13,132,279</u>
Capital assets, net	<u>\$ 13,386,833</u>	<u>\$ 1,018</u>	<u>\$ (97,342)</u>	<u>\$ 13,290,509</u>

Depreciation was charged to governmental activities as follows:

General	\$ 209,927
Sanitation	59,311
Police	128,718
Engineering	8,711
Fire	3,577
Library	2,657
Staff agencies	21,840
Street	97,306
Shop	6,820
Landscape	4,707
Senior Citizens Center	1,460
Municipal court	6,579
Animal control	3,038
Recreation	16,694
Total	<u>\$ 571,345</u>

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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, 2015:

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	\$ 3,700,000
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	1,660,000
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	34,650
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	3,485,000
Note payable dated December 4, 2014, interest rate 5%, payable monthly, due January 26, 2015 and secured by equipment	<u>65,777</u>
Total Proprietary Funds	<u><u>\$ 8,945,427</u></u>

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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, 2015:

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	\$ 3,550,000
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	1,120,350
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	1,310,000
Note payable dated December 17, 2010, interest rate 5.0%, monthly payments of \$2,154 including interest, due December 2015, secured by equipment	6,356
Note payable dated May 1, 2014, interest rate 5.0%, monthly payments of \$2,145 including interest, due April, 2034, secured by land	311,413
Note payable dated December 4, 2014, interest rate 5.0%, due January 2015, secured by land	210,776
Note payable dated April 22, 2013, interest rate 4.33%, monthly payments of \$3,139 including interest, due April 2018, secured by equipment	<u>91,631</u>
Total Governmental Funds	<u><u>\$ 8,225,526</u></u>

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 LONG TERM DEBT – ALL FUNDS (continued)

	Balance 10/1/2014	Additions	Reductions	Balance 9/30/2015	Amounts due within one year
GOVERNMENTAL ACTIVITIES					
Warrants and notes payable					
General obligation warrants	\$ 7,864,600	\$ -	\$ (259,250)	\$ 7,605,350	\$ 254,100
Notes payable	747,726	-	(127,550)	620,176	60,395
Total warrants and notes payable	<u>8,612,326</u>	-	<u>(386,800)</u>	<u>8,225,526</u>	<u>314,495</u>
Deferred amount on refunding	(200,637)		18,475	(182,164)	-
Warrant premium	10,164		(1,012)	9,152	-
Warrant discount	<u>(179,768)</u>		<u>3,176</u>	<u>(176,593)</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 8,242,085</u>	<u>\$ -</u>	<u>\$ (366,161)</u>	<u>\$ 7,875,921</u>	<u>\$ 314,495</u>
BUSINESS-TYPE ACTIVITIES					
Bonds, warrants and notes payable					
Utilities revenue debt	\$ 9,095,000	\$ -	\$ (250,000)	\$ 8,845,000	\$ 464,850
Notes payable	94,314	-	(27,787)	66,525	19,885
General obligation warrants	<u>34,652</u>	<u>-</u>	<u>(750)</u>	<u>33,902</u>	<u>900</u>
Total warrants and notes payable	9,223,966	-	(278,537)	8,945,427	485,635
Deferred amount on refunding	(506,530)		49,528	(457,002)	-
Warrant discount	<u>(184,299)</u>	<u>-</u>	<u>11,723</u>	<u>(172,576)</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 8,533,137</u>	<u>\$ -</u>	<u>\$ (217,286)</u>	<u>\$ 8,315,849</u>	<u>\$ 485,635</u>

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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:

Fiscal Year	<u>PROPRIETARY FUNDS</u>		Total Debt Service
	Principal	Interest	
2016	\$ 485,635	\$ 91,346	\$ 576,981
2017	496,664	85,717	582,381
2018	512,581	83,202	595,783
2019	514,373	80,647	595,020
2020	525,900	78,364	604,264
2021 - 2025	2,905,550	360,511	3,266,061
2026 - 2030	2,631,900	639,752	3,271,652
2031 - 2035	433,850	727,828	1,161,678
2036 - 2040	438,974	154,889	593,863
TOTALS	<u>\$ 8,945,427</u>	<u>\$ 2,302,256</u>	<u>\$ 11,247,683</u>

Fiscal Year	<u>GOVERNMENTAL FUNDS</u>		Total Debt Service
	Principal	Interest	
2016	\$ 314,495	\$ 370,322	\$ 684,817
2017	425,724	353,293	779,017
2018	422,246	335,643	757,889
2019	416,915	318,811	735,726
2020	428,026	303,729	731,755
2021 - 2025	2,252,747	1,259,401	3,512,148
2026 - 2030	1,768,073	827,685	2,595,758
2031 - 2035	286,150	526,718	812,868
2036 - 2040	1,316,150	326,905	1,643,055
2041 - 2042	595,000	54,979	649,979
	<u>\$ 8,225,526</u>	<u>\$ 4,677,486</u>	<u>\$ 12,903,012</u>

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 5 RETIREMENT PLAN

General Information about 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.

RSA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained at www.rsa-al.gov.

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.

As established by state statute, all full-time employees of the City must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the City vest after 10 years of full-time employment. An employee who leaves the employment of the City is entitled to his or her contributions and the City's contributions if vesting requirements are satisfied. During its 2012 session, the Alabama Legislature passed and the Governor signed into law changes in the pension plan creating a Tier 2 employee. Employees hired prior to January 1, 2013 (Tier 1 employees) must contribute 5% of his or her gross earnings to the pension plan. Employees hired on or after that date (Tier 2 employees) will contribute on gross earnings at rate of 6%.

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.

The City's contractually required contribution rate for the year ended September 30, 2015, was 8.65% for Tier 1 employees, and 6.35% for Tier 2 employees. Effective October 1, 2015, RSA changed the rates to 8.68% for Tier 1 employees and to 5.8% for Tier 2 employees. The contribution requirements of plan members and the City is established and may be amended by RSA. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$372,130 and \$348,882 for the years ended September 30, 2015 and 2014, respectively.

(continued)

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 RETIREMENT PLAN (continued)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

(a) Total pension liability as of September 30, 2013	\$ 11,288,025
(b) Entry age normal cost for the period October 1, 2013 - September 30, 2014	\$ 329,340
(c) Actual benefit payments and refunds for the period October 1, 2013 - September 30, 2014	\$ (357,670)
(d) Total pension liability as of September 30, 2014 [(a) x 1.08] + (b) - [(c) x (1.04)]	\$ 12,148,430

Actuarial Assumptions – The total pension liability in the September 30, 2014, actuarial valuation was determined as part of actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return (net of pension plan investment expense), (b) projected salary increases ranging from 3.75% to 7.25% per year, and an inflation component of 3%. Mortality rates for RSA were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the RSA based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 5 RETIREMENT PLAN (continued)

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	25.0%	5.0%
U.S. Large Stocks	34.0%	9.0%
U.S. Mid Stocks	8.0%	12.0%
U.S. Small Stocks	3.0%	15.0%
Inter'ntl Developed Mkt Stks	15.0%	11.0%
Inter'ntl Emerging Mkt Stks	3.0%	16.0%
Real Estate	10.0%	7.5%
Cash	2.0%	1.5%

*Includes assumed rate of inflation of 2.5%

Discount Rate – The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the RSA Board of Control. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2013	\$ 11,288,025	\$ 8,135,022	\$ 3,153,003
Changes for the year:			
Service cost	329,340	-	329,340
Interest	888,735	-	888,735
Contributions - employer	-	348,882	(348,882)
Contributions - employee	-	236,177	(236,177)
Net investment income	-	990,664	(990,664)
Benefit payments, including refunds of employee contributions	(357,670)	(357,670)	-
Transfers among employers	-	15,549	(15,549)
Net changes	<u>860,405</u>	<u>1,233,602</u>	<u>(373,197)</u>
Balances at September 30, 2014	<u>\$ 12,148,430</u>	<u>\$ 9,368,624</u>	<u>\$ 2,779,806</u>

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 5 RETIREMENT PLAN (continued)

Sensitivity of the net pension liability to changes in the discount rate – The following table presents the Board’s net pension liability calculated using the discount rate of 8%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net Pension Liability	\$ 4,453,181	\$ 2,779,806	\$ 1,384,107

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2014. The auditor’s report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2015, the City recognized pension expense of \$372,130. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred outflows of Resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Employer contributions subsequent to the measurement date	229,131	-
Net difference between projected and actual earnings on plan	-	264,115
Total	\$ 229,131	\$ 264,115

(continued)

CITY OF ROBERTSDALE, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 5 RETIREMENT PLAN (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year ending June 30,	
2016	\$ (163,103)
2017	66,029
2018	66,029
2019	66,029
Total	<u>\$ 34,984</u>

Schedule of Funding Progress

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)
9/30/2014	\$8,830,067	\$ 12,032,287	\$ 3,202,220	73.4%	\$4,210,839	76.0%
9/30/2013 ⁶	\$7,769,101	\$ 10,824,143	\$ 3,055,042	71.8%	\$4,005,667	76.3%
9/30/2012 ⁵	\$6,960,115	\$ 9,823,715	\$ 2,863,600	70.9%	\$3,792,543	75.5%

⁵Reflects changes to interest smoothing methodology

⁶Reflects implementation of Board Funding Policy

*The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.
 Market value of assets as of September 30, 2014: \$9,368,624

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, 2015

NOTE 7 DEPOSIT AND INVESTMENT RISK

At September 30, 2015, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$1,453,731 (\$397,377 in governmental activities and \$1,056,354 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, 2015, 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 CAPITAL LEASES

As of September 30, 2015, the City of Robertsdale has 2 capital lease obligations through various banks for various vehicles and equipment. Total minimum lease payments are as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2016	\$ 55,985	\$ 35,460	\$ 91,445
2017	56,255	35,460	91,715
2018	56,033	35,460	91,493
2019	2,709	35,460	38,169
2020 and thereafter	-	26,595	26,595
Total minimum lease payments	170,982	168,435	339,417
Less amount representing interest	(12,651)	(13,380)	(26,031)
Present value of minimum lease payments	<u>\$ 158,331</u>	<u>\$ 155,055</u>	<u>\$ 313,386</u>

(continued)

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 CAPITAL LEASES (continued)

The assets acquired through outstanding capital leases are shown below.

	Governmental Activities	Business-Type Activities	Total
Vehicles	\$ 322,357	\$ 163,000	\$ 485,357
Equipment	61,950	-	61,950
Less: accumulated depreciation	(335,247)	(8,150)	(343,397)
Total	<u>\$ 49,060</u>	<u>\$ 154,850</u>	<u>\$ 203,910</u>

NOTE 9 LINE OF CREDIT

The City has an open line of credit with a \$1,000,000 available credit limit at an interest rate of 4.5% plus prime rate of 1.25%. There have been no draws on the line of credit as of September 30, 2015. The line of credit matures on April 30, 2016.

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 20, 2016, the date which the financial statements were available to be issued.

In October 2015, the City issued Water, Sewer and Electric Revenue Warrants Series 2015-A and Series 2015-B. The Warrants totaled \$8,285,000 with \$2,440,000, Series-A, refunding the 2006 Revenue Utilities Revenue Warrants in conjunction with \$1,345,000 of Series-B. The remaining portion of the Series-B Warrant, \$4,500,000 is to be used for capital improvements to the electrical system. The interest rate is between 2.25% and 4%.

In November 2015, the City issued General Obligation Warrants Series 2015. The Warrants refunded the remaining portion of the 2006 General Obligation Warrant in the amount of \$3,665,000. The interest rate ranges from 2% to 3.4%.

In January 2016, the City issued General Obligation Warrants Series 2016 in the amount of \$1,210,000. The Warrants partially refunded the 2009 General Obligation Warrants leaving a balance of \$120,000 in the 2009 General Obligation Warrants as of the date of issuance. The interest rate ranges from 1.5% to 3.2%.

There were no other material subsequent events which require disclosure at September 30, 2015.

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 11 PRIOR PERIOD ADJUSTMENT

Effective October 1, 2014, the Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective by recording a prior period adjustment in the amount of \$2,804,121. The prior period adjustment increased deferred outflow of resources by \$348,882 for the employer pension plan contributions made from the measurement date (September 30, 2014) through September 30, 2015, and established a net pension liability in the amount of \$3,153,003.

In 2014, the fire department qualified as a component unit of the city, but due to inadequate accounting records, the City Council elected not to reflect it as a component unit on the City's 2014 financial statements. A prior period adjustment has been made in the amount of \$131,700 to record the fire department liabilities on the City's books. The fire departments assets were previously fully depreciated, therefore a prior period adjustment is not necessary in booking the assets.

Beginning fund balance in the Electric Fund was increased \$102,258 to correct the recording of deposits on the Electric Fund for construction reimbursement projects completed in years prior to fiscal year 2015.

Beginning Unrestricted Net Position for governmental activities has been restated in the amount of \$1,955,122 and beginning Unrestricted Net Position for business-type activities has been restated in the amount of \$878,441 due to the explanations noted above.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROBERTSDALE, ALABAMA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Local taxes	\$ 3,173,787	\$ 3,232,557	\$ 58,770
Licenses and permits	691,200	694,421	3,221
Fine and forfeitures	435,000	390,960	(44,040)
State of Alabama	14,700	86,142	71,442
Charges for services	475,000	490,210	15,210
Other revenue	317,400	504,102	186,702
	<u>5,107,087</u>	<u>5,398,392</u>	<u>291,305</u>
EXPENDITURES			
General government	806,478	681,041	(125,437)
Police department	2,172,624	2,166,903	(5,721)
Fire department	124,500	106,183	(18,317)
Street department	1,395,093	1,263,028	(132,065)
Shop	65,160	66,413	1,253
Sanitation department	639,511	573,089	(66,422)
Recreation department	377,558	369,450	(8,108)
Public library	314,237	421,092	106,855
Municipal court	209,388	188,991	(20,397)
Landscape department	152,943	188,230	35,287
Animal control	56,897	54,160	(2,737)
Senior Citizens' Center	156,491	150,578	(5,913)
Staff agencies and other	9,600	-	(9,600)
Engineering, building, planning, and zoning	372,568	369,526	(3,042)
PZK Civic Center	69,400	75,217	5,817
Capital outlay	973,850	1,178,240	204,390
Debt service payments			
Principal	-	140,127	(140,127)
Interest	-	55,659	55,659
	<u>7,896,298</u>	<u>8,047,927</u>	<u>(128,625)</u>
Excess of Revenues over (under) Expenditures	<u>(2,789,211)</u>	<u>(2,649,535)</u>	<u>162,680</u>
Other financing sources (uses)			
Proceeds from issuance of debt	1,007,750	61,950	1,069,700
Transfers in (out)	430,970	2,557,651	2,126,681
	<u>1,438,720</u>	<u>2,619,601</u>	<u>1,180,881</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,350,491)</u>	<u>(29,934)</u>	<u>\$ 3,359,061</u>
FUND BALANCE - BEGINNING OF YEAR		<u>210,722</u>	
FUND BALANCE - END OF YEAR		<u>\$ 180,788</u>	

See independent auditors' report

CITY OF ROBERTSDALE, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2015
Actuarially determined contribution*	\$ 330,133
Contributions in relation to the actuarially determined contribution*	372,130
Contribution deficiency (excess)	\$ (41,997)
Covered-employee payroll**	\$ 4,365,907
Contributions as a percentage of covered-employee payroll	9%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY2015, the fiscal year is the twelve month period beginning after June 15, 2014.

**Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll). For FY 2015, the fiscal year is the twelve month period beginning after June 15, 2014.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	22 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, currently only information is available for 2015.

CITY OF ROBERTSDALE, ALABAMA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

LAST TEN YEARS ENDING SEPTEMBER 30

	<u>2014</u>
Total pension liability	
Service Cost	\$ 329,340
Interest	888,735
Benefit payments, including refunds of employee contributions	<u>(357,670)</u>
Net change in total pension liability	860,405
Total pension liability - beginning	<u>11,288,025</u>
Total pension liability - ending (a)	<u><u>\$ 12,148,430</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 348,882
Contributions - member	236,177
Net investment income	990,664
Benefit payments, including refunds of employee contributions	<u>(357,670)</u>
Transfers among employers	<u>15,549</u>
Net change in plan fiduciary net position	1,233,602
Plan net position - beginning	<u>8,135,022</u>
Plan net position - ending (b)	<u><u>\$ 9,368,624</u></u>
 Net pension liability (asset) - ending (a) - (b)	2,776,806
 Plan fiduciary net position as a percentage of the total pension liability	77.12%
 Covered-employee payroll*	\$ 4,365,907
 Net pension liability (asset) as a percentage of covered-employee payroll	63.60%

*Employer's covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY2014, the measurement period is October 1, 2013 – September 30, 2014.

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, currently only information is available for the year ended September 30, 2014.

CITY OF ROBERTSDALE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

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, 2015

ASSETS

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Cash	\$ 235,705	\$ -	\$ -	\$ 235,705
Investments	-	-	397,377	397,377
TOTAL ASSETS	\$ 235,705	\$ -	\$ 397,377	\$ 633,082

FUND BALANCES

FUND BALANCES

Restricted for:

Debt service	\$ -	\$ -	\$ 397,377	\$ 397,377
Construction and road maintenance	28,303	-	-	28,303
Capital improvements	36,115	-	-	36,115
Fire department	171,287	-	-	171,287
TOTAL FUND BALANCES	\$ 235,705	\$ -	\$ 397,377	\$ 633,082

CITY OF ROBERTSDALE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue	Capital Projects	Debt Service	Total
REVENUES				
State of Alabama	\$ 331,697	\$ -	\$ -	\$ 331,697
Other revenues	16,271	-	38	16,309
Total revenues	<u>347,968</u>	<u>-</u>	<u>38</u>	<u>348,006</u>
EXPENDITURES				
Debt service payments				
Principal	-	8,500	283,658	292,158
Interest	-	19,588	314,942	334,530
Total expenditures	<u>-</u>	<u>28,088</u>	<u>598,600</u>	<u>626,688</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>347,968</u>	<u>(28,088)</u>	<u>(598,562)</u>	<u>(278,682)</u>
OTHER FINANCIAL SOURCES (USES)				
Transfers in (out)	<u>(177,984)</u>	<u>28,088</u>	<u>(100,791)</u>	<u>(250,687)</u>
Total	<u>(177,984)</u>	<u>28,088</u>	<u>(100,791)</u>	<u>(250,687)</u>
Net change in fund balances	169,984	-	(699,353)	(529,369)
Fund balances at beginning of year	<u>65,721</u>	<u>-</u>	<u>1,096,730</u>	<u>1,162,451</u>
FUND BALANCES AT END OF YEAR	<u>\$ 235,705</u>	<u>\$ -</u>	<u>\$ 397,377</u>	<u>\$ 633,082</u>

See independent auditors' report

CITY OF ROBERTSDALE, ALABAMA

ADDITIONAL INFORMATION REQUIRED BY BOND INDENTURES

SEPTEMBER 30, 2015

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	\$ 2,130,233	\$ 373,151	\$ 58,318	\$ 2,561,702
Add:				
Depreciation and amortization	264,653	226,632	339,059	830,344
Interest income	<u>2</u>	<u>19</u>	<u>16</u>	<u>37</u>
Annual net income as prescribed by debt covenants	<u>\$ 2,394,888</u>	<u>\$ 599,802</u>	<u>\$ 397,393</u>	<u>\$ 3,392,083</u>

CUSTOMER COUNTS

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
A. Utility customer counts at September 30, 2015			
Number of customers	3,095	3,363	2,707
Number of metered customers	3,095	3,363	2,707
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 2016	\$ 27,621,690
Automobile - expires May 2016	\$ 3,000,000
Public officials errors and omissions liability - expires May 2016	\$ 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, 2015

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 10/1/14	\$ 137,962	\$ 279,413	\$ 73,748	\$ 63,108	\$ 121,652	\$ 41,332	\$ 965,420	\$ 304,442	\$ 24,617	\$ 16,229
Deposits	276,326	28	261,646	122,320	12	84,621	81,295	30	291,547	183,022
Disbursements	<u>(275,921)</u>	<u>(23)</u>	<u>(269,155)</u>	<u>(124,305)</u>	<u>(12)</u>	<u>(82,635)</u>	<u>(799,730)</u>	<u>(20)</u>	<u>(164,835)</u>	<u>(158,403)</u>
Balance 9/30/15	<u>\$ 138,367</u>	<u>\$ 279,418</u>	<u>\$ 66,239</u>	<u>\$ 61,123</u>	<u>\$ 121,652</u>	<u>\$ 43,318</u>	<u>\$ 246,985</u>	<u>\$ 304,452</u>	<u>\$ 151,329</u>	<u>\$ 40,848</u>

See independent auditors' report

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COMPLIANCE SECTION

Shareholders

J. Earl Blackmon, Jr., CPA
B. Vance Kilgore, CPA
Dennis E. Sherrin, CPA

Principals

Rachel M. Godwin, CPA
G. Allen Cave, CPA

Of Counsel

Xavier A. Hartmann, III, CPA
Rucker T. Taylor, III, CPA
Sally S. Wagner, CPA



Certified Public Accountants & Consultants

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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, 2015, and have issued our report thereon dated January 20, 2016. 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 the 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 the City of Robertsdale, Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness 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 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, Bladner & Kiefer, P.C.
Certified Public Accountants

January 20, 2016
Fairhope, Alabama