

CITY OF ROBERTSDALE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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CITY OF ROBERTSDALE, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2011

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CITY OF ROBERTSDALE, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

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, 2011, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Robertsdale, Alabama's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Robertsdale, Alabama, as of September 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has not presented a Management's Discussion and Analysis, which the Government Accounting Standards Board had determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2012 on our consideration of City of Robertsdale, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information on pages 25-27 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hartmann, Blackman & Kellogg, P.C.

Certified Public Accountants

February 3, 2012
Fairhope, Alabama

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Fund Types		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 430,265	\$ 1,090,882	\$ 1,521,147
Investments	133,384	967,456	1,100,840
Receivables, net	26,385	1,085,601	1,111,986
Inventories	-	140,625	140,625
Other assets	133,219	245,685	378,904
Capital assets, net	8,738,701	14,055,994	22,794,695
Total assets	<u>\$ 9,461,954</u>	<u>\$ 17,586,243</u>	<u>\$ 27,048,197</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 330,925	\$ 227,302	\$ 558,227
Customer deposits	-	673,549	673,549
Long-term liabilities			
Due within one year	204,058	247,071	451,129
Due in more than one year	6,227,442	8,790,693	15,018,135
Total liabilities	<u>6,762,425</u>	<u>9,938,615</u>	<u>16,701,040</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,450,120	5,291,721	7,741,841
Restricted for:			
Debt service	133,384	967,456	1,100,840
Unrestricted	116,025	1,388,451	1,504,476
Total net assets	<u>2,699,529</u>	<u>7,647,628</u>	<u>10,347,157</u>
Total liabilities and net assets	<u>\$ 9,461,954</u>	<u>\$ 17,586,243</u>	<u>\$ 27,048,197</u>

See independent auditors' report and notes to the financial statements.

CITY OF ROBERTSDALE, ALABAMA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General	\$ 727,494	\$ 448,192	\$ -	\$ -	\$ (279,302)		\$ (279,302)
Sanitation	557,586	378,538	-	314,653	135,605		135,605
Police	2,008,153	513,084	-	-	(1,495,069)		(1,495,069)
Fire	41,065	-	-	-	(41,065)		(41,065)
Street	1,069,677	-	-	-	(1,069,677)		(1,069,677)
Shop	51,353	-	-	-	(51,353)		(51,353)
Senior Citizens' Center	138,525	-	-	-	(138,525)		(138,525)
Recreation	262,970	-	-	-	(262,970)		(262,970)
Public Library	337,076	16,825	-	-	(320,251)		(320,251)
Municipal Court	202,270	-	-	-	(202,270)		(202,270)
Landscape	139,941	-	-	-	(139,941)		(139,941)
Animal Control	52,285	-	-	-	(52,285)		(52,285)
Building inspection	5,076	-	-	-	(5,076)		(5,076)
Engineering, Building, Planning, and Zoning	326,398	58,574	-	-	(267,824)		(267,824)
Staff agencies and other	32,844	-	-	-	(32,844)		(32,844)
Interest on long term debt	308,402	-	-	-	(308,402)		(308,402)
Total governmental activities	6,261,115	1,415,213	-	314,653	(4,531,249)		(4,531,249)
Business-type activities							
Electric	6,459,249	8,192,490	-	-	-	\$ 1,733,241	1,733,241
Public Building Authority	66,650	162,620	-	-	-	95,970	95,970
Water Fund	975,684	1,136,797	-	-	-	161,113	161,113
Sewer Fund	1,239,017	838,628	-	-	-	(400,389)	(400,389)
Natural Gas Fund	226,866	183,657	-	-	-	(43,209)	(43,209)
Total business-type activities	8,967,466	10,514,192	-	-	-	1,546,726	1,546,726
Total primary government	\$ 15,228,581	\$ 11,929,405	\$ -	\$ 314,653	\$ (4,531,249)	\$ 1,546,726	\$ (2,984,523)
General Revenues:							
Taxes:							
Sales					1,684,876	-	1,684,876
Property					254,045	-	254,045
Liquor & tobacco					301,384	-	301,384
Intergovernmental					58,998	-	58,998
Investment earnings					59,473	470	59,943
Other					190,053	-	190,053
Transfers					2,338,485	(2,338,485)	-
Total general revenues and transfers					4,887,314	(2,338,015)	2,549,299
Change in net assets					356,065	(791,289)	(435,224)
Net assets, beginning					2,343,464	8,438,917	10,782,381
Net assets, ending					\$ 2,699,529	\$ 7,647,628	\$ 10,347,157

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Major Fund	Nonmajor Funds	
	General	Other Governmental	Total
ASSETS			
Cash	\$ 372,194	\$ 58,071	\$ 430,265
Investments	-	133,384	133,384
RECEIVABLES			
Taxes	8,587	-	8,587
Other	17,798	-	17,798
Other assets	11,388	-	11,388
TOTAL ASSETS	\$ 409,967	\$ 191,455	\$ 601,422
LIABILITIES			
Accounts payable, trade	\$ 28,144	\$ -	\$ 28,144
Accrued payroll taxes and retirement	175,850	-	175,850
Appearance bonds	39,110	-	39,110
TOTAL LIABILITIES	243,104	-	243,104
FUND BALANCES			
Restricted for:			
Debt service	-	133,384	133,384
Assigned to:			
Construction and road maintenance	-	58,071	58,071
Unassigned	166,863	-	166,863
TOTAL FUND BALANCES	166,863	191,455	358,318
TOTAL LIABILITIES AND FUND BALANCES	\$ 409,967	\$ 191,455	\$ 601,422

See independent auditors' report and notes to the financial statements.

CITY OF ROBERTSDALE, ALABAMA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2011

Fund balance as reported on page 4	\$ 358,318
Net Assets reported for governmental activities in the Statement of Net Assets (page 2) are different from Fund Balance for governmental activities because:	
Capital assets used in governmental activities are financial resources and therefore are not reported in fund financial statements	14,908,237
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(6,169,536)
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.	(6,725,384)
Amortization is taken on the bond discount in the government-wide reporting, but not in fund financial statements.	(87,557)
Deferred loss on the early retirement of debt is not reported in the fund financial statements but is recognized for government-wide reporting.	142,934
Bond issuance costs are amortized for government-wide reporting but not for fund financial statements.	360,338
Accrued interest on long-term debt is not due and payable in the current-period and therefore not included in fund financial statements.	<u>(87,821)</u>
Net Assets of Governmental Activities as reported on page 2	<u><u>\$ 2,699,529</u></u>

See independent auditors' report and notes to the financial statements.

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Major Fund	Nonmajor Funds	
	General	Other Governmental	Total
REVENUES			
Local taxes	\$ 2,240,301	\$ -	\$ 2,240,301
Licenses and permits	500,575	-	500,575
Fines and forfeitures	512,053	-	512,053
State of Alabama	50,342	28,000	78,342
Charges for services	385,760	-	385,760
Other revenues	237,168	20,400	257,568
Total revenues	<u>3,926,199</u>	<u>48,400</u>	<u>3,974,599</u>
EXPENDITURES			
General government	604,409	-	604,409
Police department	1,876,110	-	1,876,110
Fire department	36,343	-	36,343
Street department	1,047,755	-	1,047,755
Shop	50,533	-	50,533
Sanitation department	507,029	-	507,029
Recreation department	227,149	-	227,149
Public library	327,817	-	327,817
Municipal court	196,860	-	196,860
Landscape department	135,233	-	135,233
Animal control	49,499	-	49,499
Senior Citizens' Center	131,415	-	131,415
Staff agencies and other	32,452	-	32,452
Capital projects	-	-	-
Engineering, building, planning, and zoning	326,399	-	326,399
Capital outlay	424,623	-	424,623
Debt service payments			
Principal	18,681	196,897	215,578
Interest	244	308,403	308,647
Total expenditures	<u>5,992,551</u>	<u>505,300</u>	<u>6,497,851</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(2,066,352)</u>	<u>(456,900)</u>	<u>(2,523,252)</u>
OTHER FINANCIAL SOURCES			
Proceeds from issuance of long-term debt	114,140	-	114,140
Transfers from other funds	1,891,862	446,623	2,338,485
Total other financial sources	<u>2,006,002</u>	<u>446,623</u>	<u>2,452,625</u>
Net Change in Fund Balaces	(60,350)	(10,277)	(70,627)
Fund balances at beginning of year	<u>227,213</u>	<u>201,732</u>	<u>428,945</u>
FUND BALANCES AT END OF YEAR	<u>\$ 166,863</u>	<u>\$ 191,455</u>	<u>\$ 358,318</u>

See independent auditors' report and notes to the financial statements.

CITY OF ROBERTSDALE, ALABAMA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds, page 6 \$ (70,627)

Amounts reported for governmental activities in the Statement of Activities (Page 3) are different from the Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds because:

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	424,623
Infrastructure contributed to the City	304,095
Depreciation expense for the year	(388,037)
Amortization expense for the year	(16,895)

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

Principal payments on long term debt	215,578
Proceeds from issuance of long term debt	(114,140)

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

Change in accrued interest	<u>1,468</u>
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Change in Net Assets of Governmental Activities, page 3 \$ 356,065

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2011

ASSETS

	Major Funds				Nonmajor Fund	Total
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
CURRENT ASSETS						
Cash	\$ 1,090,882	\$ -	\$ -	\$ -	\$ -	\$ 1,090,882
Investments	45,995	-	497,682	423,779	-	967,456
Receivables	1,085,601	-	-	-	-	1,085,601
Material and supply inventory (at cost)	125,108	-	13,588	193	1,736	140,625
Total current assets	2,347,586	-	511,270	423,972	1,736	3,284,564
PROPERTY, PLANT AND EQUIPMENT						
Land, land rights and construction in progress	12,029	-	136,923	145,951	250	295,153
Buildings and improvements	81,492	1,666,251	-	-	-	1,747,743
Vehicles and equipment	1,064,574	-	441,735	601,627	60,517	2,168,453
Plant and distribution system	7,689,035	-	6,580,820	9,017,564	232,468	23,519,887
	8,847,130	1,666,251	7,159,478	9,765,142	293,235	27,731,236
Accumulated depreciation	(5,553,388)	(693,907)	(2,734,442)	(4,452,332)	(241,173)	(13,675,242)
Property, plant and equipment – net	3,293,742	972,344	4,425,036	5,312,810	52,062	14,055,994
OTHER ASSETS	18,622	-	119,339	104,209	3,515	245,685
TOTAL ASSETS	\$ 5,659,950	\$ 972,344	\$ 5,055,645	\$ 5,840,991	\$ 57,313	\$ 17,586,243

See independent auditors' report and notes to the financial statements.

CITY OF ROBERTSDALE, ALABAMA

FUND BALANCE SHEETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2011

LIABILITIES AND NET ASSETS

	Major Funds				Nonmajor Fund	Total
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
CURRENT LIABILITIES						
Accounts payable, trade	\$ 707	\$ -	\$ -	\$ 723	\$ -	\$ 1,430
Retirement payable	4,879	-	2,605	2,454	944	10,882
Accrued interest payable	12,042	-	108,792	94,156	-	214,990
Customer utility deposits	673,549	-	-	-	-	673,549
Notes payable	31,321	-	-	-	-	31,321
Revenue Warrants current portion	8,750	-	113,250	93,000	-	215,000
General Obligation Warrants current portion	-	-	-	750	-	750
Total current liabilities	<u>731,248</u>	<u>-</u>	<u>224,647</u>	<u>191,083</u>	<u>944</u>	<u>1,147,922</u>
LONG TERM LIABILITIES						
Noncurrent portion of notes payable	85,347	-	-	-	-	85,347
Noncurrent portion of Revenue Warrants						
2006 Series	-	-	4,299,020	2,814,474	-	7,113,494
2009 Series	333,442	-	226,655	993,983	-	1,554,080
Noncurrent portion of General Obligation Warrants						
2009 Series	-	-	-	37,772	-	37,772
Total long term liabilities	<u>418,789</u>	<u>-</u>	<u>4,525,675</u>	<u>3,846,229</u>	<u>-</u>	<u>8,790,693</u>
TOTAL LIABILITIES	<u>1,150,037</u>	<u>-</u>	<u>4,750,322</u>	<u>4,037,312</u>	<u>944</u>	<u>9,938,615</u>
NET ASSETS						
Invested in capital assets, net of related debt	2,884,825	972,344	(94,550)	1,477,040	52,062	5,291,721
Restricted for debt service	45,995	-	497,682	423,779	-	967,456
Unrestricted	1,579,093	-	(97,809)	(97,140)	4,307	1,388,451
Total net assets	<u>4,509,913</u>	<u>972,344</u>	<u>305,323</u>	<u>1,803,679</u>	<u>56,369</u>	<u>7,647,628</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,659,950</u>	<u>\$ 972,344</u>	<u>\$ 5,055,645</u>	<u>\$ 5,840,991</u>	<u>\$ 57,313</u>	<u>\$ 17,586,243</u>

See independent auditors' report and notes to the financial statements.

CITY OF ROBERTSDALE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Major Funds				Nonmajor Fund	Totals
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
OPERATING REVENUES						
Utility services	\$ 7,885,137	\$ -	\$ 1,107,772	\$ 789,635	\$ 181,791	\$ 9,964,335
Other	307,353	162,620	29,025	48,993	1,866	549,857
Total operating revenues	<u>8,192,490</u>	<u>162,620</u>	<u>1,136,797</u>	<u>838,628</u>	<u>183,657</u>	<u>10,514,192</u>
OPERATING EXPENSES						
Purchased power and natural gas	4,871,142	-	-	-	93,768	4,964,910
Depreciation and amortization	291,868	66,650	195,158	263,670	5,013	822,359
Operating, maintenance and administrative salaries	625,185	-	294,924	423,244	81,364	1,424,717
Plant operation and maintenance	185,601	-	108,910	130,494	2,743	427,748
Vehicles and equipment expenses	70,596	-	33,119	25,250	10,858	139,823
Payroll taxes	47,728	-	23,024	32,675	6,272	109,699
Employees' retirement	52,970	-	24,487	35,915	6,857	120,229
Insurance	125,141	-	46,547	82,717	13,104	267,509
Professional fees	1,622	-	1,500	4,820	1,100	9,042
All other operating expenses	156,052	-	15,457	38,861	5,787	216,157
Total operating expenses	<u>6,427,905</u>	<u>66,650</u>	<u>743,126</u>	<u>1,037,646</u>	<u>226,866</u>	<u>8,502,193</u>
INCOME (LOSS) FROM OPERATIONS	<u>1,764,585</u>	<u>95,970</u>	<u>393,671</u>	<u>(199,018)</u>	<u>(43,209)</u>	<u>2,011,999</u>
OTHER INCOME (EXPENSES)						
Interest earned	389	-	44	37	-	470
Interest expense	(31,344)	-	(232,558)	(201,371)	-	(465,273)
Operating transfers in (out)	(2,335,509)	(176,172)	(229,044)	364,180	38,060	(2,338,485)
Total other income (expenses)	<u>(2,366,464)</u>	<u>(176,172)</u>	<u>(461,558)</u>	<u>162,846</u>	<u>38,060</u>	<u>(2,803,288)</u>
CHANGE IN NET ASSETS	<u>(601,879)</u>	<u>(80,202)</u>	<u>(67,887)</u>	<u>(36,172)</u>	<u>(5,149)</u>	<u>(791,289)</u>
Net assets, beginning of year	<u>5,111,792</u>	<u>1,052,546</u>	<u>373,210</u>	<u>1,839,851</u>	<u>61,518</u>	<u>8,438,917</u>
NET ASSETS, END OF YEAR	<u>\$ 4,509,913</u>	<u>\$ 972,344</u>	<u>\$ 305,323</u>	<u>\$ 1,803,679</u>	<u>\$ 56,369</u>	<u>\$ 7,647,628</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, 2011

	Major Funds				Nonmajor Fund	Total
	Electric Fund	Public Building Authority	Water Fund	Sewer Fund	Natural Gas Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 8,250,604	\$ 176,172	\$ 1,137,019	\$ 838,629	\$ 183,657	\$ 10,586,081
Paid to suppliers for goods and services	(5,452,738)	-	(250,921)	(350,733)	(140,237)	(6,194,629)
Paid to personnel for services	(625,185)	-	(294,924)	(423,244)	(81,364)	(1,424,717)
Net cash provided (used) by operating activities	<u>2,172,681</u>	<u>176,172</u>	<u>591,174</u>	<u>64,652</u>	<u>(37,944)</u>	<u>2,966,735</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest earned	389	-	44	37	-	470
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Repayment of long term debt	(28,774)	-	-	(30,084)	-	(58,858)
Repayment of bonds	(8,750)	-	(110,250)	(91,750)	-	(210,750)
Interest paid	(28,812)	-	(221,556)	(191,427)	-	(441,795)
Purchase of property, plant and equipment	(55,217)	-	(30,857)	(116,220)	(116)	(202,410)
Net cash (used) by capital and related financing activities	<u>(121,553)</u>	<u>-</u>	<u>(362,663)</u>	<u>(429,481)</u>	<u>(116)</u>	<u>(913,813)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES						
Change in investments	145	-	489	612	-	1,246
Transfers in (out)	(2,335,509)	(176,172)	(229,044)	364,180	38,060	(2,338,485)
Net cash provided (used) by noncapital financing activities	<u>(2,335,364)</u>	<u>(176,172)</u>	<u>(228,555)</u>	<u>364,792</u>	<u>38,060</u>	<u>(2,337,239)</u>
INCREASE IN CASH	<u>(283,847)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(283,847)</u>
Cash – beginning of year	1,374,729	-	-	-	-	1,374,729
CASH – END OF YEAR	<u>\$ 1,090,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,090,882</u>
Reconciliation of operating income to net cash provided (used) by operating activities						
Income (loss) from operations	\$ 1,764,585	\$ 95,970	\$ 393,671	\$ (199,018)	\$ (43,209)	\$ 2,011,999
Adjustments to reconcile income from operations to net cash provided (used) by operating activities						
Depreciation	287,019	66,650	172,829	239,003	5,013	770,514
Amortization	4,849	-	22,329	24,667	-	51,845
Change in current assets and liabilities						
Decrease (increase) in accounts receivable	58,114	13,552	222	-	-	71,888
Decrease (increase) in inventories	32,717	-	2,123	-	252	35,092
Increase (decrease) in accounts payable	(1,775)	-	-	-	-	(1,775)
Increase (decrease) in utility deposits	27,172	-	-	-	-	27,172
Net cash provided (used) by operating activities	<u>\$ 2,172,681</u>	<u>\$ 176,172</u>	<u>\$ 591,174</u>	<u>\$ 64,652</u>	<u>\$ (37,944)</u>	<u>\$ 2,966,735</u>

See independent auditors' report and notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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 U. S. generally accepted accounting principles as applicable to municipal governments. The following is a summary of the more significant policies.

A. REPORTING ENTITY

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

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

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

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

Government-wide

The basic financial statements include government-wide and fund financial statements. The previous reporting model emphasized fund types, while the new model focuses on the City as a whole and major funds. Government-wide and fund financial statements categorize primary activities as governmental or business type. In the Statement of Net Assets, 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 Assets.

(continued)

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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, 2011

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 Assets (government-wide level). Depreciation has been provided over the estimated useful lives using the straight line rates as follows:

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

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

Cost of fixed assets includes interest during the construction period.

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

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

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

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

The proprietary fund financial statements are presented on the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The City has elected to apply all applicable GASB pronouncements as well as any Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The City also elected to apply all FASB Statements and Interpretations issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

E. 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.

F. 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 plant.

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.

G. DEBT ISSUE COST

Issuance expenses on long-term debt are deferred and amortized over the terms of the related issues.

(continued)

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. PROPERTY TAX

All ad valorem taxes levied by the state, county and any municipality in Baldwin County are assessed and collected by the Revenue Commissioner of Baldwin County. The Baldwin County property tax calendar requires the Revenue Commissioner to assess and attach taxes as enforceable liens on property as of September 30 and taxes are due October 1 through December 31. Property taxes not paid by January 1 are considered as delinquent. Tax collections received by the County Revenue Commissioner are remitted to the City monthly. In accordance with implementation of GASB Statement 33, revenue is recorded based upon taxes assessed and considered available. Any taxes not considered available are recorded as deferred revenue.

I. STATEMENT OF CASH FLOWS

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

J. USE OF ESTIMATES

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

K. NET ASSET AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted 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.
- Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(continued)

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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, 2011, the City had no interfund payables and receivables.

CITY OF ROBERTSDALE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 3 CAPITAL ASSETS

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

	Balance 10/1/10	Additions	Reclassifications/ Retirements	Balance 9/30/11
<u>Governmental Activities</u>				
Capital assets not subject to depreciation				
Land	\$ 1,501,350	\$ 15,000	\$ -	\$ 1,516,350
Construction in progress	61,641	14,080	(61,641)	14,080
Total	<u>1,562,991</u>	<u>29,080</u>	<u>(61,641)</u>	<u>1,530,430</u>
Capital assets subject to depreciation				
Buildings and structures	6,795,283	406,990	-	7,202,273
Vehicles and equipment	4,531,281	292,648	61,641	4,885,570
Recreational facilities	1,289,964	-	-	1,289,964
Total	<u>12,616,528</u>	<u>699,638</u>	<u>61,641</u>	<u>13,377,807</u>
Less accumulated depreciation	<u>(5,781,499)</u>	<u>(388,037)</u>	<u>-</u>	<u>(6,169,536)</u>
Net	<u>6,835,029</u>	<u>311,601</u>	<u>61,641</u>	<u>7,208,271</u>
Capital assets, net	<u>\$ 8,398,020</u>	<u>\$ 340,681</u>	<u>\$ -</u>	<u>\$ 8,738,701</u>
<u>Business Type Activities</u>				
Capital assets not subject to depreciation				
Land	\$ 158,230	\$ -	\$ -	\$ 158,230
Construction in progress	1,202,704	-	(1,065,781)	136,923
Total	<u>1,360,934</u>	<u>-</u>	<u>(1,065,781)</u>	<u>295,153</u>
Capital assets subject to depreciation				
Plant and distribution system	22,289,400	164,706	1,065,781	23,519,887
Buildings, vehicles and equipment	3,878,492	37,704	-	3,916,196
Total	<u>26,167,892</u>	<u>202,410</u>	<u>1,065,781</u>	<u>27,436,083</u>
Less accumulated depreciation	<u>(12,904,728)</u>	<u>(770,514)</u>	<u>-</u>	<u>(13,675,242)</u>
Net	<u>13,263,164</u>	<u>(568,105)</u>	<u>1,065,781</u>	<u>13,760,841</u>
Capital assets, net	<u>\$ 14,624,098</u>	<u>\$ (568,105)</u>	<u>\$ -</u>	<u>\$ 14,055,994</u>

Depreciation was charged to governmental activities as follows:

General	\$ 88,734
Sanitation	50,557
Police	132,043
Fire	4,721
Library	9,258
Street	40,602
Shop	819
Landscape	4,707
Senior Citizens Center	7,110
Municipal Court	5,411
Staff agencies and other	392
Building Inspection	5,076
Animal Control	2,785
Recreation	35,822
Total	<u>\$ 388,037</u>

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 4 LONG TERM DEBT – ALL FUNDS

The following is a summary, for all funds, of all long term debt of the City at September 30, 2011:

PROPRIETARY FUNDS

Utilities Revenue Warrants, Series 2006 dated June 1, 2006, interest rate 3.50% to 4.625%, payable semi-annually, principal payable April 1, 2007 through April 1, 2036	\$ 7,690,000
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	1,805,000
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	39,086
Note payable dated March 2, 2010, interest rate 4.3% monthly payments of \$2,973 including interest, due March 2, 2015, secured by equipment	<u>116,668</u>
Total Proprietary Funds	<u>\$ 9,650,754</u>

GOVERNMENTAL FUNDS

General Obligation Warrants, Series 2006 dated June 1, 2006, Interest rate 3.50% to 4.625%, payable semi-annually, principal payable April 1, 2007 through April 1, 2036	\$ 5,375,000
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	1,215,914
Unsecured note payable dated September 26, 2007, interest rate 4.060% monthly payments of \$2,847 including interest, due October 2012	37,434
Note payable dated December 17, 2010, interest rate 5.0%, monthly payments of \$2,154 including interest, due December 2015, secured by equipment.	<u>97,036</u>
Total Governmental Funds	<u>\$ 6,725,384</u>

(continued)

CITY OF ROBERTSDALE, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 4 LONG TERM DEBT – ALL FUNDS (continued)

	Balance 10/1/10	Additions	Reductions	Balance 9/30/11	Amounts due within one year
GOVERNMENTAL ACTIVITIES					
Warrants and notes payable					
General obligation warrants	\$ 6,735,165	\$ -	\$ (144,251)	\$ 6,590,914	\$ 149,250
Notes payable	72,976	114,140	(52,646)	134,470	54,808
Total warrants and notes payable	6,808,141	114,140	(196,897)	6,725,384	204,058
Deferred amount on refunding	(116,479)	-	4,539	(111,941)	-
Warrant discount	(189,153)	-	7,211	(181,943)	-
	6,502,509	114,140	(185,147)	6,431,500	204,058
Other liabilities					
Obligations under capital leases	18,681	-	(18,681)	-	-
Governmental activities long-term liabilities	\$ 6,521,190	\$ 114,140	\$ (203,828)	\$ 6,431,500	\$ 204,058
BUSINESS-TYPE ACTIVITIES					
Bonds, warrants and notes payable					
Utilities revenue debt	\$ 9,705,000	\$ -	\$ (210,000)	\$ 9,495,000	\$ 215,000
Notes payable	145,442	-	(28,774)	116,668	31,321
General obligation warrants	39,836	-	(750)	39,086	750
Total warrants and notes payable	9,890,278	-	(239,524)	9,650,754	247,071
Deferred amount on refunding	(403,378)	-	32,983	(370,395)	-
Warrant discount	(252,312)	-	9,717	(242,595)	-
	9,234,588	-	(196,824)	9,037,764	247,071
Other liabilities					
Obligations under capital leases	30,084	-	(30,084)	-	-
Business-type activities long-term liabilities	\$ 9,264,672	\$ -	\$ (226,908)	\$ 9,037,764	\$ 247,071

(continued)

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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:

PROPRIETARY FUNDS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 247,071	\$ 433,741	\$ 680,812
2013	253,444	424,679	678,124
2014	264,878	415,145	680,024
2015	258,043	405,341	663,384
2016	250,900	395,495	646,395
2017 - 2021	1,399,650	1,815,874	3,215,524
2022 - 2026	1,730,700	1,483,663	3,214,363
2027 - 2031	2,172,350	1,048,178	3,220,528
2032 - 2036	2,734,300	487,647	3,221,947
2037 - 2039	339,417	35,926	375,343
TOTALS	<u>\$ 9,650,754</u>	<u>\$ 6,945,690</u>	<u>\$ 16,596,444</u>

GOVERNMENTAL FUNDS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 204,058	\$ 301,768	\$ 505,826
2013	179,674	294,522	474,196
2014	182,990	287,696	470,687
2015	189,205	280,632	469,837
2016	178,371	273,195	451,566
2017 - 2021	975,350	1,253,098	2,228,448
2022 - 2026	1,199,300	1,022,381	2,221,681
2027 - 2031	1,502,650	721,482	2,224,132
2032 - 2036	1,895,700	333,809	2,229,509
2037 - 2039	218,086	23,399	241,485
	<u>\$ 6,725,384</u>	<u>\$ 4,791,983</u>	<u>\$ 11,517,367</u>

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 5 RETIREMENT PLAN

Plan Description

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

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

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

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

Funding Policy

All full-time employees are required to contribute a percentage of their annual covered salary. Law enforcement officers are required 6% and other employees contribute 5%. The City is required to contribute at an actuarially determined rate; the current rate is 9.18% of annual covered payroll.

Annual Pension Cost

For the year ended September 30, 2011, the City's annual pension cost of \$340,383 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2010 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return, (b) projected salary increases from 4.61% to 7.75% per year, and (c) no cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.50%. The actuarial value of RSA's assets was determined using full market value. Alabama Act 98-385 requires that all unfunded liabilities be amortized over a 10 to 40 year period.

(continued)

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5 RETIREMENT PLAN (continued)

Trend Information

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2009	\$ 286,109	100%	\$ -
9/30/2010	\$ 308,947	100%	\$ -
9/30/2011	\$ 340,383	100%	\$ -

NOTE 6 RISK MANAGEMENT AND CONTINGENCIES

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

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

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

NOTE 7 DEPOSIT AND INVESTMENT RISK

At September 30, 2011, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$1,100,840 (\$133,384 in governmental activities and \$967,456 in business-type activities). The average maturity of the portfolio was 21 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.

CITY OF ROBERTSDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 7 DEPOSIT AND INVESTMENT RISK (continued)

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, 2011, 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 9 LINE OF CREDIT

The City has an open line of credit with a \$2,000,000 available credit limit. There have been no draws on the line of credit as of September 30, 2011. The line of credit matures August 1, 2012.

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 3, 2012, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ROBERTSDALE, ALABAMA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local taxes	\$ 2,157,500	\$ 2,157,500	\$ 2,240,301	\$ 82,801
Licenses and permits	470,000	495,000	500,575	5,575
Fine and forfeitures	500,000	500,000	512,053	12,053
Intergovernmental	42,500	61,760	50,342	(11,418)
Interest and rents	50,200	50,200	71,589	21,389
Charges for services	378,200	378,200	385,760	7,560
Other revenue	115,000	130,000	165,579	35,579
	<u>3,713,400</u>	<u>3,772,660</u>	<u>3,926,199</u>	<u>153,539</u>
EXPENDITURES				
General government	704,193	718,193	604,409	113,784
Sanitation	574,488	526,226	507,029	19,197
Police	1,738,431	1,758,431	1,876,110	(117,679)
Fire	36,200	26,200	36,343	(10,143)
Shop	51,071	51,071	50,533	538
Streets	709,735	714,655	1,047,755	(333,100)
Recreation	188,482	200,232	227,149	(26,917)
Municipal court	182,079	192,079	196,860	(4,781)
Landscape	132,989	131,489	135,233	(3,744)
Engineering, Building, Planning and Zoning	330,399	330,399	326,399	4,000
Animal control	71,400	52,327	49,499	2,828
Senior Citizen's Center	115,260	115,260	131,415	(16,155)
Staff and agencies	18,800	17,800	32,452	(14,652)
Public Library	294,539	294,539	327,817	(33,278)
Capital Outlay	267,000	305,313	424,623	(119,310)
Debt service				
Interest	9,000	9,000	244	8,756
	<u>5,424,066</u>	<u>5,443,214</u>	<u>5,992,551</u>	<u>(549,337)</u>
Excess of Revenues over (under) Expenditures	<u>(1,710,666)</u>	<u>(1,670,554)</u>	<u>(2,066,352)</u>	<u>(395,798)</u>
Other financing sources (uses)				
Proceeds from issuance of debt	150,000	-	114,140	114,140
Transfers in (out)	162,620	162,620	1,891,862	1,729,242
	<u>162,620</u>	<u>162,620</u>	<u>1,891,862</u>	<u>1,729,242</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,398,046)</u>	<u>\$ (1,507,934)</u>	<u>(60,350)</u>	<u>\$ 1,447,584</u>
FUND BALANCE - BEGINNING OF YEAR			<u>227,213</u>	
FUND BALANCE - END OF YEAR			<u>\$ 166,863</u>	

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROBERTSDALE, ALABAMA

SCHEDULE OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM

SEPTEMBER 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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
9/30/10 ⁶	\$6,590,430	\$9,615,251	\$3,024,821	68.5%	\$3,674,060	82.3%
9/30/09	\$6,366,387	\$8,776,513	\$2,410,126	72.5%	\$3,519,069	68.5%
9/30/08	\$6,088,787	\$7,995,622	\$1,906,835	76.2%	\$3,427,856	55.6%
9/30/07	\$5,672,196	\$7,493,943	\$1,821,747	75.7%	\$3,285,734	55.4%
9/30/06 ⁵	\$5,074,024	\$6,467,984	\$1,393,961	78.4%	\$2,938,284	47.4%
9/30/05	\$4,554,662	\$6,087,627	\$1,532,965	74.8%	\$2,705,124	56.7%
9/30/04	\$4,127,861	\$5,118,286	\$ 990,426	80.6%	\$2,323,428	42.6%
9/30/03 ⁴	\$3,809,594	\$4,607,885	\$ 798,291	82.7%	\$2,207,046	36.2%
9/30/02 ³	\$3,585,962	\$4,151,563	\$ 565,601	86.4%	\$2,009,982	28.1%
9/30/01 ²	\$3,419,733	\$3,568,626	\$ 148,893	95.8%	\$1,820,330	8.2%

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

² Reflects changes in actuarial assumptions (as of September 30, 2001). Also reflects effect of DROP if unit elected to enroll.

³ Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.

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

⁵ Reflects changes in actuarial assumptions.

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

CITY OF FAIRHOPE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

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 generally accepted accounting principles (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, 2011

	ASSETS			Total Nonmajor Governmental Funds
	Special Revenue	Capital Projects	Debt Service	
Cash	\$ 58,071	\$ -	\$ -	\$ 58,071
Investments	-	-	133,384	133,384
TOTAL ASSETS	<u>\$ 58,071</u>	<u>\$ -</u>	<u>\$ 133,384</u>	<u>\$ 191,455</u>
TOTAL LIABILITIES AND FUND BALANCE				
FUND BALANCES				
Restricted for:				
Debt service	\$ -	\$ -	\$ 133,384	\$ 133,384
Assigned to:				
Construction and road maintenance	58,071	-	-	58,071
TOTAL FUND BALANCE	<u>58,071</u>	<u>-</u>	<u>133,384</u>	<u>191,455</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 58,071</u>	<u>\$ -</u>	<u>\$ 133,384</u>	<u>\$ 191,455</u>

CITY OF ROBERTSDALE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES				
State of Alabama	\$ 28,000	\$ -	\$ -	\$ 28,000
Other revenues	20,385	-	15	20,400
Total revenues	<u>48,385</u>	<u>-</u>	<u>15</u>	<u>48,400</u>
EXPENDITURES				
Capital projects	-	29,201	-	29,201
Debt service payments				
Principal	-	-	188,397	188,397
Interest	-	-	287,702	287,702
Total expenditures	<u>-</u>	<u>29,201</u>	<u>476,099</u>	<u>505,300</u>
OTHER FINANCIAL SOURCES (USES)				
Transfers (to) from other funds	(58,424)	29,201	475,846	446,623
Total	<u>(58,424)</u>	<u>29,201</u>	<u>475,846</u>	<u>446,623</u>
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(10,039)	-	(238)	(10,277)
Fund balances at beginning of year	<u>68,110</u>	<u>-</u>	<u>133,622</u>	<u>201,732</u>
FUND BALANCES AT END OF YEAR	<u>\$ 58,071</u>	<u>\$ -</u>	<u>\$ 133,384</u>	<u>\$ 191,455</u>

CITY OF ROBERTSDALE, ALABAMA

ADDITIONAL INFORMATION REQUIRED BY BOND INDENTURES

SEPTEMBER 30, 2011

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	\$ 1,764,585	\$ 393,671	\$ (199,018)	\$ 1,959,238
Add:				
Depreciation and amortization	291,868	195,158	263,670	750,696
Interest income	<u>389</u>	<u>44</u>	<u>37</u>	<u>470</u>
Annual net income as prescribed by debt covenants	<u>\$ 2,056,842</u>	<u>\$ 588,873</u>	<u>\$ 64,689</u>	<u>\$ 2,710,404</u>

CUSTOMER COUNTS

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
A. Utility customer counts at September 30, 2011			
Number of customers	3,310	3,150	2,509
Number of metered customers	3,310	3,150	2,509
Number of un-metered customers	-	-	-
Number of Natural Gas Fund customers	-	-	230

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 Robertsedale, Alabama is the name insured on all policies.

Buildings and facilities - expires May 2013	\$ 20,250,008
Automobile - expires May 2013	3,000,000
Public officials errors and omissions liability - expires May 2013	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, 2011

SUMMARY OF DEPOSITS, WITHDRAWALS AND BALANCES OF SELECTED TRUST ACCOUNTS

	2003 Warrant Fund	2003 Reserve Fund	2006 Warrant Fund	2006 Reserve Fund	2006 GOW Fund	2009 Warrant Fund	2009 Reserve Fund	2009 GOW Fund
Balance 10/1/10	\$ 1	\$ -	\$ 261,184	\$ 522,966	\$ 90,679	\$ 61,328	\$ 123,223	\$ 42,943
Deposits	-	-	521,674	53	362,877	122,083	13	85,484
Disbursements	-	-	(522,350)	(53)	(362,714)	(122,653)	(13)	(85,885)
Balance 9/30/11	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 260,508</u>	<u>\$ 522,966</u>	<u>\$ 90,842</u>	<u>\$ 60,758</u>	<u>\$ 123,223</u>	<u>\$ 42,542</u>

See independent auditors' report.

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COMPLIANCE SECTION



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

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

We have audited the financial statements of the City of Robertsdale, Alabama as of and for the year ended September 30, 2011, and have issued our report thereon dated February 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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.

Compliance and Other Matters

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

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

Hartmann, Blackmon & Kilgore, P.C.

Certified Public Accountants

February 3, 2012
Fairhope, Alabama