

Regular Minutes of the City Council

1 Court Square
Council Chambers of Criminal Justice Building
Monday, November 6, 2017 --- Meeting at 5:30 p.m.

CALL TO ORDER THE PRE-COUNCIL MEETING: Council President Spraggins called the Pre-Council Meeting to order at 5:30 p.m. on Monday, November 6, 2017, in the Council Chambers of the Criminal Justice Building. Councilman Tapley, Councilwoman Colvin, Councilman Hardy, Councilman Brown, Council President Tommy Spraggins, and Councilman Funderburk were present.

Absent: None

Others present included: Mayor Nabors, Sandy Stanbrough, Amanda Thomas, Chief Turner, Chief McAlister, Deputy Chief Easterwood, Al Jones, Kathy Railey, Shelby Richardson, Mike Stewart, Tiffany Patterson, Dana Fuller, Rob Pridgen, Mitch Sneed with the Outlook, Captain Orr, Henry Foy, Robert Boleware, and Arthur Walker.

During the Pre-Council Meeting Council President Spraggins asked Skipper Worthy to explain the meaning of a Cafeteria Plan. Mr. Worthy explained that a cafeteria plan allows employees to purchase insurance (gap, life, health, cancer) using pre-tax dollars. By having a Cafeteria Plan the City can save money on FICA and other expenditures. Every employee has the opportunity to participate. Mr. Worthy was the previously the Cafeteria Plan Administrator for six (6) years.

Mike Stewart explained to the Council the amendment to the original railroad agreement from April 1951. Originally there were nine gas pipeline facilities that were somehow on the Railroad property. Only 1 of the original facilities is located on Railroad property. Therefore, eight (8) have been relocated, removed or are no longer active. By allowing the Mayor to execute the agreement amendment the annual permit fee will be reduced by \$3,940.00 (\$4,425.00 to \$485.00).

Al Jones explained to the Council that the parcel that is being donated to the City is too small to build on. Habitat for Humanity would like to donate the property to the City.

After no further discussion Council President Spraggins ended the Pre-Council Meeting.

CALL TO ORDER THE REGULAR COUNCIL MEETING: Council President Spraggins called the Council Meeting to order at 5:40 p.m. on Monday, November 6, 2017, in the Council Chambers of the Criminal Justice Building. Councilman Tapley, Councilwoman Colvin, Councilman Hardy, Councilman Brown, Council President Tommy Spraggins, and Councilman Funderburk were present.

Absent: None

Others present included: Mayor Nabors, Sandy Stanbrough, Amanda Thomas, Chief Turner, Chief McAlister, Deputy Chief Easterwood, Al Jones, Kathy Railey, Shelby Richardson, Mike Stewart, Tiffany Patterson, Dana Fuller, Rob Pridgen, Mitch Sneed with the Outlook, Captain Orr, Henry Foy, Robert Boleware, and Arthur Walker.

OPENING PRAYER: Rick Lavell with Marshal Street Church of God

PLEDGE OF ALLEGIANCE: Chief McAlister

APPROVAL OF MINUTES: October 16, 2017 Regular Council Meeting

Councilman Tapley made a motion to approve the October 16, 2017, Regular Council Meeting Minutes. The motion was seconded by Councilwoman Colvin. There being no discussion, the minutes were approved with the following results.
AYES: TAPLEY, COLVIN, HARDY, BROWN, SPRAGGINS AND FUNDERBURK
NAYS: NONE

APPROVAL OF THE AGENDA: November 6, 2017

Councilman Tapley made a motion to add the 2015 audit resolution to the agenda. The motion was seconded by Councilwoman Colvin. There being no discussion, the resolution was agenda was amended with the following results
AYES: TAPLEY, COLVIN, HARDY, BROWN, SPRAGGINS AND FUNDERBURK
NAYS: NONE

Councilwoman Colvin made a motion to approve the amended November 6, 2017, Regular Council Agenda. The motion was seconded by Councilman Tapley. There being no discussion, the agenda were approved with the following results.
AYES: TAPLEY, COLVIN, HARDY, BROWN, SPRAGGINS AND FUNDERBURK
NAYS: NONE

PUBLIC HEARING: None

REPORT FROM STANDING COMMITTEES:

Finance: A work session took place last Thursday and there will be another work session on Monday, November 13, 2017 at 4:00 p.m.

Public Safety Committee: No Report

Utilities Committee: No Report

Parks and Recreation Committee: No Report

Public Works Committee: No Report

Buildings and Properties Committee: No Report

REPORTS FROM SPECIAL COMMITTEES:

UNFINISHED BUSINESS:

NEW BUSINESS:

1. Resolution 18-12: A resolution to Change the Flexible Benefit Plan / Cafeteria Plan Administrator.
Councilman Funderburk made a motion to approve the afore-mentioned resolution. The motion was seconded by Councilman Hardy. There being no further discussion, the resolution was adopted with the following results.
AYES: TAPLEY, COLVIN, HARDY, BROWN, FUNDERBURK, AND SPRAGGINS
NAYS: NONE
2. Resolution 18-13: A resolution to authorize the Mayor to Execute an Amendment Agreement with Strong Capital X LLC Concerning Eight (8) Pipeline Facilities.
Councilwoman Colvin made a motion to approve the afore-mentioned resolution. The motion was seconded by Councilman Tapley. There being no further discussion, the resolution was adopted with the following results.
AYES: TAPLEY, COLVIN, HARDY, BROWN, FUNDERBURK, AND SPRAGGINS
NAYS: NONE
3. Resolution 18-14: A resolution to Accept a Donation of Land from Habitat for Humanity.
Councilman Tapley made a motion to approve the afore-mentioned resolution. The motion was seconded by Councilman Hardy. There being no further discussion, the resolution was adopted with the following results.
AYES: TAPLEY, COLVIN, HARDY, BROWN, FUNDERBURK, AND SPRAGGINS
NAYS: NONE
4. A Request to Approve the Annual Hometown Christmas Parade for Monday, December 4, 2017, at 6:00 p.m.

Councilman Tapley made a motion to approve the afore-mentioned request. The motion was seconded by Councilman Funderburk. There being no further discussion, the resolution was adopted with the following results.
AYES: TAPLEY, COLVIN, HARDY, BROWN, FUNDERBURK, AND SPRAGGINS
NAYS: NONE

5. Resolution 18-15: A Resolution to Acknowledge Receipt and Acceptance of the 2015 Fiscal Year Independent Auditor's Report from Carr, Riggs, & Ingram, LLC.
Councilwoman Colvin made a motion to approve the afore-mentioned resolution. The motion was seconded by Councilman Brown. There being no further discussion, the motion carried with unanimous consent.
AYES: TAPLEY, COLVIN, HARDY, BROWN, FUNDERBURK, AND SPRAGGINS
NAYS: NONE

COMMENTS FROM THE MAYOR: No Comment

COMMENTS FROM THE FINANCE DIRECTOR: Knowing that the 2015 Audit is done and 2016 is well underway is good.

COMMENTS FROM THE CITY CLERK:

1. Request to Reschedule the January 2018 Regular Council Meetings to Thursday, January 4, 2018, and Tuesday, January 16, 2018. All members agreed to reschedule the meetings.
2. Request to Reschedule the December 4, 2017, Regular Council Meeting to 5:00 p.m. All members agreed to change the time.
3. The Veterans Day Service will be Sunday, November 12, 2017, at 2:00 p.m. at the Sportplex.

COMMENTS FROM THE COUNCIL:

Tapley: Thank you everyone for coming out and thank you to the first responders.

Colvin: Continue to pray for us. Thank you, Henry Foy and Jake. Pray for Texas.

Hardy: Thank you everyone for your attendance. The Wildcats will host a playoff game this Friday night.

Brown: Thank you everyone and keep us in your prayers.

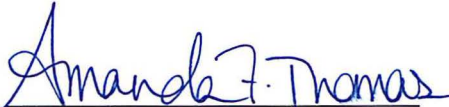
Spraggins: This is our one-year anniversary of being elected officials and echo statements by Bobby, Buffy and Eric.

Funderburk: Thank you Sandy and Mayor for the audits and budget.

ADJOURNMENT: There being no further business to come before the Council, Councilman Tapley made a motion to adjourn. The motion was seconded by Councilwoman Colvin. The meeting adjourned (6-0) at 5:54 p.m.
AYES: TAPLEY, COLVIN, HARDY, BROWN, FUNDERBURK, AND SPRAGGINS
NAYS: NONE



Presiding Officer



City Clerk

Attachments:

1. Agenda
2. 2015 FY Audit Report

City of Alexander City
Annual Financial Report
For the Fiscal Year Ended September 30, 2015



City of Alexander City
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September 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council of the
City of Alexander City
Alexander City, 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 City of Alexander City, Alabama as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component

unit. The City has not issued such reporting entity financial statements. The amounts that would have been reported as assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units are not reasonably determinable.

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the City of Alexander City, Alabama as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 4 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. In addition, as described in Note 4 to the financial statements, detail capital asset records are not maintained to support recorded asset balances and to compute depreciation in accordance with accounting principles generally accepted in the United States of America. The amount by which these departures would affect the assets, net position, and expenses of the governmental activities has not been determined. Furthermore, as discussed in Note 14 of the financial statements the City has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities are not reasonably determinable.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the governmental activities of the City of Alexander City, Alabama, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 and Note 13 to the basic financial statements, during 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statements No. 71, *Pension Transactions for Contributions Subsequent to the Measurement Date*. As a result of the adoption, the City has restated its net position of governmental activities as of October 1, 2014 to comply with the pronouncements. Furthermore, as described in Note 13, the City has restated its net position of governmental activities as of October 1, 2014 as a result of a correction of an error related to accretion of warrants. Our opinion is not modified with respect to these matters.

Basis for Qualified Opinions on Business-type Activities, Water Fund, Sewer Fund, Gas Fund, Electric Fund, and the Other Enterprise Fund

As discussed in Note 4 to the financial statements, all capital assets are not supported by detailed records, utility systems do not include all indirect and overhead costs of additions and costs of extensions donated by developers and individuals, and all retired assets have not been removed in accordance with accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities, water fund, sewer fund, gas fund, electric fund, and the other enterprise fund is not reasonably determinable. Furthermore, as discussed in Note 14 of the financial statements the City has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The

effects of this departure from accounting principles generally accepted in the United States of America on the business-type activities, water fund, sewer fund, gas fund, electric fund, and the other enterprise fund is not reasonably determinable.

Qualified Opinions on Business-type Activities, Water Fund, Sewer Fund, Gas Fund, Electric Fund, and the Other Enterprise Fund

In our opinion, except for the effects of the matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, water fund, sewer fund, gas fund, electric fund, and the other enterprise fund of the City of Alexander City, 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.

Emphasis of Matter

As discussed in Note 8 and Note 13 to the basic financial statements, during 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Governmental Accounting Standards Board Statements No. 71, Pension Transactions for Contributions Subsequent to the Measurement Date. As a result of the adoption, the City has restated its net position of business-type activities as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the general fund and the other governmental funds of the City of Alexander City, Alabama, as of September 30, 2015, and the respective changes in financial position 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, the schedule of changes in net pension liability and the schedule of employer contributions on pages 42-44 be presented to supplement the basic financial statements. Such information, although not required to be 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alexander City, Alabama's basic financial statements. The combining nonmajor

governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate 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, based on our audit, the procedures performed as described above and the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 23, 2017 on our consideration of the City of Alexander City, 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 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.

Cary Riggs & Ingram, LLC

Birmingham, Alabama
October 23, 2017

**City of Alexander City
Statement of Net Position**

	September 30, 2015		
	Primary Government		Total
	Governmental	Business-Type	
	Activities	Activities	
Assets			
Cash and cash equivalents	\$ 4,210,305	\$ 12,775,223	\$ 16,985,528
Investments			
Receivables, net of allowance for uncollectible accounts	2,425,747	3,796,913	6,222,660
Due from other funds	765,425	1,226,723	1,992,148
Inventory	390,215	987,805	1,378,020
Prepaid expenses	176,106	67,735	243,841
Restricted Assets:			
Cash and cash equivalents	1,157,267	-	1,157,267
Capital Assets:			
Land and construction in progress	2,911,196	274,689	3,185,885
Other assets, net of accumulated depreciation	15,323,733	39,980,637	55,304,370
Total Assets	27,359,994	59,109,725	86,469,719
Deferred Outflows of Resources			
Employer pension contributions subsequent to measurement date	814,450	235,121	1,049,571
Deferred loss on refundings	352,027	-	352,027
Total Deferred Outflows of Resources	1,166,477	235,121	1,401,598
Liabilities			
Accounts payable	1,348,657	1,549,561	2,898,218
Accrued payroll and related liabilities	332,077	66,749	398,826
Accrued interest	219,641	5,130	224,771
Customer deposits	-	601,519	601,519
Due to other funds	1,088,446	903,702	1,992,148
Unearned revenue	1,076,839	12,316	1,089,155
Noncurrent Liabilities:			
Net pension liability	5,344,871	1,542,993	6,887,864
Due within 1 year	2,627,766	-	2,627,766
Due in more than 1 year	18,012,270	174,481	18,186,751
Total Liabilities	30,050,567	4,856,451	34,907,018
Deferred Inflows of Resources			
Difference in projected and actual earnings on pension plan investments	688,562	198,779	887,341
Total Deferred Inflows of Resources	688,562	198,779	887,341
Net position			
Net investment in capital assets	15,296,318	40,255,326	55,551,644
Restricted For:			
Debt service	14,508	-	14,508
Capital projects	1,099,091	-	1,099,091
Infrastructure maintenance	26,551	-	26,551
Other purposes	6,471	-	6,471
Unrestricted (deficit)	(18,655,597)	14,034,290	(4,621,307)
Total net position	\$ (2,212,658)	\$ 54,289,616	\$ 52,076,958

See notes to financial statements.

**City of Alexander City
Statement of Activities**

	NET (Expense) Revenue and Changes in Net Position					
	Primary Government			Total		
	Program Revenues	Fees, Fines, and Charges for Services	Capital Grants and Contributions			
	Program Activities	Expenses	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government						
General government						
Public safety	\$ 3,802,743	\$ 979,499	\$ 11,791	\$ 1,099,713	\$ (1,711,760)	\$ (1,711,760)
Public works	838,690	2,341,071	3,750	-	(6,990,369)	(6,990,369)
Education	1,782,679	1,463,588	-	-	(3,974,784)	(3,974,784)
Education	1,278,337	1,463,588	-	-	(83,738)	(83,738)
Education	1,036,747	-	-	-	(1,036,747)	(1,036,747)
Culture, recreation and welfare	2,253,158	101,902	11,699	-	(2,138,757)	(2,138,757)
Unallocated depreciation, see Note 4	2,412,000	-	-	-	(2,412,000)	(2,412,000)
Interest on long-term debt	844,836	-	-	-	(844,836)	(844,836)
Total governmental activities	24,444,913	4,582,435	27,040	1,099,713	(18,735,705)	(18,735,705)
Business-Type Activities:						
Water	4,419,826	6,556,918	-	56,732	3,109,605	3,109,605
Water	4,719,392	2,674,240	-	-	(2,045,062)	(2,045,062)
Gas	1,940,192	2,844,066	-	-	903,874	903,874
Electric	13,388,107	15,585,973	-	-	2,197,866	2,197,866
Golf	514,406	269,436	-	-	(250,970)	(250,970)
Total business-type activities	24,955,952	27,973,623	-	56,732	3,014,403	3,014,403
Total primary government	\$ 49,410,865	\$ 35,506,078	\$ 27,040	\$ 1,156,445	\$ (18,735,705)	\$ (15,721,302)

General revenues:

Taxes	
Sales	9,217,105
Property	2,390,612
Other	1,036,494
Licenses and permits	1,867,213
Contributions for debt service	3,315
Unrestricted investment earnings	5,995
Miscellaneous	4,614
Transfers	405,747
Total	18,336,087
Change in net position	(1,624,604)

Net position - beginning of year as originally stated

Restatement	4,712,100	56,022,521	60,234,621
Net position - beginning of year restated	(5,972,540)	(1,658,300)	(7,540,841)
Net position - beginning of year restated	(1,760,440)	54,454,220	52,693,780
Net position - ending	\$ (2,212,658)	\$ 54,289,616	\$ 52,076,958

See notes to financial statements.

**City of Alexander City
Balance Sheet – Governmental Funds**

September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,865,517	\$ 2,344,788	\$ 4,210,305
Receivables, net of allowance for uncollectible accounts	2,381,794	43,953	2,425,747
Due from other funds	754,842	10,583	765,425
Inventories	390,215	-	390,215
Restricted assets:			
Cash and cash equivalents	1,099,091	58,176	1,157,267
Total Assets	\$ 6,491,459	\$ 2,457,500	\$ 8,948,959
Liabilities			
Accounts payable and accrued expenses	\$ 1,285,902	\$ 62,755	\$ 1,348,657
Due to other funds	1,073,104	15,342	1,088,446
Accrued payroll and related liabilities	332,077	-	332,077
Unearned revenue	1,156,561	-	1,156,561
Total Liabilities	3,847,644	78,097	3,925,741
Fund balance			
Nonspendable:			
Inventories and prepaid expenses	390,215	-	390,215
Restricted for:			
Capital assets and improvements	1,099,091	-	1,099,091
Road improvements	-	26,551	26,551
Debt service	-	14,508	14,508
Other purposes	6,471	-	6,471
Committed for:			
Debt service reserve	-	2,338,344	2,338,344
Tourism	182,256	-	182,256
Equipment and repair reserve	400,000	-	400,000
Economic development	75,000	-	75,000
Road improvements and repair	2,690,410	-	2,690,410
Unassigned (deficit)	(2,199,628)	-	(2,199,628)
Total Fund balance	2,643,815	2,379,403	5,023,218
Total Liabilities and Fund balance	\$ 6,491,459	\$ 2,457,500	\$ 8,948,959

See notes to financial statements.

**City of Alexander City
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

September 30, 2015

Total fund balance - governmental funds	\$ 5,023,218
Amounts reported for governmental activities in the Statement of net position are different because:	
Capital assets, net of accumulated depreciation used in governmental activities that are not financial resources and are not reported in the funds.	18,234,929
Prepaid expenses were recorded as expenditures when paid in the funds	176,106
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.	79,722
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds:	
Employer retirement contribution subsequent to measurement date	814,450
Difference between projected and actual earnings on pension plan investments	(688,562)
Deferred debt charges are reported as deferred outflows of resources and are not available to pay for current-period expenditures and therefore, are deferred on the statement of net position	352,027
Long-term liabilities of governmental funds, including net pension liability, warrants payable, net compensated absences, loss contingency related to settlement of litigation and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(26,204,548)
Net position of governmental activities	\$ (2,212,658)

See notes to financial statements.

**City of Alexander City
Statement of Revenues, Expenditures, and Changes in Fund
Balance – Governmental Funds**

	General Fund	Other Governmental Funds	Total Governmental Funds
<i>For the year ended September 30, 2015</i>			
Revenues			
Sales and use taxes	\$ 9,217,105	\$ -	\$ 9,217,105
Property taxes	1,189,266	1,201,346	2,390,612
Other taxes	842,761	193,733	1,036,494
Licenses and permits	1,867,213	-	1,867,213
Intergovernmental	1,644,917	3,315	1,648,232
Charges for services	3,570,379	-	3,570,379
Fines and forfeitures	553,529	-	553,529
Interest	4,937	1,059	5,996
Other revenues	672,787	-	672,787
Total Revenues	19,562,894	1,399,453	20,962,347
Expenditures			
General government	3,781,359	-	3,781,359
Public safety	8,815,260	-	8,815,260
Public works	3,876,469	380,070	4,256,539
Sanitation	1,230,734	-	1,230,734
Education	1,036,747	-	1,036,747
Health	129,556	-	129,556
Culture, recreation and welfare	2,144,958	-	2,144,958
Debt service:			
Debt retirement	916,824	1,445,000	2,361,824
Interest and fiscal agent fees	189,533	298,728	488,261
Capital outlay	548,101	-	548,101
Total Expenditures	22,669,541	2,123,798	24,793,339
Excess (deficiency) of revenues over expenditures	(3,106,647)	(724,345)	(3,830,992)
Other financing sources (uses)			
Transfers in	3,614,005	570,748	4,184,753
Transfers out	(877,748)	-	(877,748)
Total Other financing sources (uses)	2,736,257	570,748	3,307,005
Net change in fund balance	(370,390)	(153,597)	(523,987)
Fund balance, beginning of year	3,014,205	2,533,000	5,547,205
Fund balance, ending	\$ 2,643,815	\$ 2,379,403	\$ 5,023,218

See notes to financial statements.

**City of Alexander City
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

September 30, 2015

Net change in fund balance -- total governmental funds	\$	(523,987)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
	Capital outlay	548,101
	Current year depreciation	(2,412,000)
		(1,863,899)
Repayments of bond and capital lease principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net position.		2,361,824
Other expenses reported in the statement of activities that do not require current financial resources.		
Net amortization of bond discount/premium/deferred charge on debt refunding	(356,575)	
Difference in pension expense related to deferred outflows, deferred inflows and net pension liability	213,557	
Change in prepaid insurance	(46,104)	
Prepaid grant expenditures	21,679	
Compensated absences	(15,856)	(183,299)
Net change in net position of governmental activities	\$	(209,361)

See notes to financial statements.

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Electric Fund	Other Enterprise Golf Fund	Total
\$ 7,029,852	\$ 46	\$ 12,775,223
2,398,161	-	3,796,913
552,069	16,576	1,226,723
548,042	36,221	987,805
28,904	898	67,735
<u>10,557,028</u>	<u>53,741</u>	<u>18,854,399</u>
-	64,770	274,689
41,014	9,721	136,078
-	84,483	84,483
4,786,422	-	37,161,585
<u>653,346</u>	<u>76,755</u>	<u>2,598,491</u>
<u>5,480,782</u>	<u>235,729</u>	<u>40,255,326</u>
<u>16,037,810</u>	<u>289,470</u>	<u>59,109,725</u>
55,831	16,344	235,121
1,112,648	32,036	1,549,561
230,205	3,830	903,702
14,976	4,359	66,749
261,304	-	601,519
12,316	-	12,316
-	-	5,130
-	-	-
<u>1,631,449</u>	<u>40,225</u>	<u>3,138,977</u>
40,735	9,640	174,481
<u>366,395</u>	<u>107,260</u>	<u>1,542,993</u>
<u>407,130</u>	<u>116,900</u>	<u>1,717,474</u>
<u>2,038,579</u>	<u>157,125</u>	<u>4,856,451</u>
<u>47,201</u>	<u>13,818</u>	<u>198,779</u>
5,480,782	235,729	40,255,326
8,527,079	(100,858)	14,034,290
<u>\$ 14,007,861</u>	<u>\$ 134,871</u>	<u>\$ 54,289,616</u>

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Other	
Enterprise Golf	
Fund	Total
\$ 263,436	\$ 27,923,623
<u>263,436</u>	<u>27,923,623</u>
19,378	12,616,141
279,199	3,927,560
28,290	1,330,336
48,130	1,608,698
111,576	2,218,221
27,833	3,235,215
<u>514,406</u>	<u>24,936,171</u>
(250,970)	2,987,452
-	(28,000)
-	4,614
-	(1,781)
-	123,384
-	98,217
(250,970)	3,085,669
(40,681)	(5,509,005)
<u>307,000</u>	<u>2,202,000</u>
<u>266,319</u>	<u>(3,307,005)</u>
15,349	(221,336)
-	56,732
<u>15,349</u>	<u>(164,604)</u>
228,541	56,022,521
(109,019)	(1,568,301)
<u>119,522</u>	<u>54,454,220</u>
\$ 134,871	\$ 54,289,616

**City of Alexander City
Statement of Cash Flows**

September 30, 2015

Major Enterprise Funds

	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Other Enterprise Golf Fund	Total
Operating activities						
Receipts from customers	\$ 6,333,853	\$ 2,742,946	\$ 2,790,219	\$ 13,748,105	\$ 263,436	\$ 25,878,560
Receipts for interfund services	81,291	13,401	46,543	1,681,676	-	1,822,911
Payments to suppliers and vendors	(1,526,238)	(1,592,597)	(1,364,365)	(12,043,750)	(165,854)	(16,692,804)
Payments for interfund services	(614,492)	(578,313)	(6,227)	(10,941)	(36,148)	(1,246,121)
Payments to employees	(1,107,605)	(1,303,886)	(353,761)	(883,109)	(279,199)	(3,927,560)
Net cash provided by (used by) operating activities	3,166,809	(718,449)	1,112,409	2,491,982	(217,765)	5,834,986
Noncapital financing activities						
Net operating transfers	(2,788,265)	1,405,170	(505,511)	(1,684,718)	266,319	(3,307,005)
Contributions	(28,000)	-	-	-	-	(28,000)
Net cash provided by (used) by noncapital financing activities	(2,816,265)	1,405,170	(505,511)	(1,684,718)	266,319	(3,335,005)
Capital and related financing activities						
Acquisition and construction of capital assets	(95,193)	(569,691)	(36,965)	(11,811)	(49,394)	(763,054)
Capital contributions	56,732	-	-	-	-	56,732
Principal paid on debt maturities and long-term liabilities	-	(125,000)	-	-	-	(125,000)
Interest and fiscal fees paid on debt maturities	-	(1,781)	-	-	-	(1,781)
Net cash (used) by capital and related financing activities	(38,461)	(696,472)	(36,965)	(11,811)	(49,394)	(833,103)
Investing activities						
Interest received	1,200	414	215	2,785	-	4,614
Miscellaneous revenues	862	1,229	-	121,293	-	123,384
Net cash provided by investing activities	2,062	1,643	215	124,078	-	127,998
Net increase (decrease) in cash and cash equivalents	314,145	(8,108)	570,148	919,531	(840)	1,794,876
Cash and cash equivalents, beginning of year	1,513,152	9,300	3,346,688	6,110,321	886	10,980,347
Cash and cash equivalents, end of year	\$ 1,827,297	\$ 1,192	\$ 3,916,836	\$ 7,029,852	\$ 46	\$ 12,775,223

(Continued on the following page)
See notes to financial statements.

**City of Alexander City
Statement of Cash Flows (Continued)**

September 30, 2015

Major Enterprise Funds

	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Other Enterprise Golf Fund	Total
Operating Income (loss)	\$ 2,170,963	\$ (2,034,281)	\$ 903,874	\$ 2,197,866	\$ (250,970)	\$ 2,987,452
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	1,127,880	1,344,232	214,922	520,348	27,833	3,235,215
Change in assets, deferred outflows, liabilities and deferred inflows:						
Decrease/(Increase) in accounts receivable	(140,774)	82,107	(7,294)	(156,191)	-	(222,152)
(Increase) in prepaid expenses	12,648	3,737	7,116	15,288	445	39,234
Decrease/(Increase) in inventory of supplies	28,538	(97)	(3,183)	(8,397)	(1,638)	15,223
(Increase) in employer pension contributions subsequent to measurement date	(3,817)	(4,275)	(1,241)	(3,198)	(936)	(13,467)
Increase in accounts payable	(33,130)	(89,245)	1,648	(60,350)	20,813	(160,264)
Increase in accrued payroll and related liabilities	3,694	4,623	1,113	3,079	861	13,310
Decrease in accrued interest	-	(8)	-	-	-	(8)
Increase (decrease) in due from other funds	(25,769)	6,287	(26,475)	(102,802)	-	(148,759)
Increase (decrease) in due to other funds	31,579	400	28,141	88,549	-	148,669
Increase (decrease) in customer deposits	5,535	-	1,269	6,408	-	13,212
Increase (decrease) in compensated absences	3,177	(16,634)	(3,039)	2,824	(10,824)	(24,496)
Increase (decrease) in net pension liability	(69,991)	(78,394)	(22,767)	(58,643)	(17,167)	(246,962)
Increase (decrease) in difference between projected and actual earnings on pension plan investments	56,336	63,099	18,325	47,201	13,818	198,779
Net cash provided by (used by) operating activities	\$ 3,166,809	\$ (718,449)	\$ 1,112,409	\$ 2,491,982	\$ (217,765)	\$ 5,834,986

See notes to financial statements.

**City of Alexander City
Notes to the Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Alexander City, Alabama (City) have been prepared in conformity with accounting principles ("GAAP") generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

The Reporting Entity

The City is a municipal corporation incorporated in 1872 currently governed by a mayor-council form of government consisting of the Mayor elected at large and six council members elected from defined districts. Members of the City Council serve part-time and are responsible for adopting all legislative ordinances and setting policies of the government, including the appropriation of money. The Mayor is the full-time chief executive officer and is responsible for the day-to-day management of the city in conjunction with the managers of the departments. These financial statements present the activities of the primary government which is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Component units, although legally separate, for which the government is considered to be financially accountable are not included in these primary government financial statements. As a result, these primary government financial statements, because they do not include financial data of the component units of the government, do not purport to and do not present the financial statements of the reporting entity (primary government and component units) as defined by generally accepted accounting principles.

The decision to include a potential component unit in the City's reporting entity is based on the criteria stated in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations are Component Units" and GASB 61, "The Financial Reporting Entity: Omnibus An Amendment of GASB Statements No. 14 and No. 34," which includes the ability to appoint a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burden on the City, or the nature and significance of the relationship between the City and the organization is such that exclusion would cause the City's financial statements to be incomplete.

The City has one component unit, the Alexander City Board of Education (Board), which has been excluded from the City's financial statements.

The Board is substantially reliant upon the government because the City Council appoints the members of the Board, levies taxes on behalf of the Board and issues debt on behalf of the Board. The legal liability for the general obligation debt issued for school purposes of \$15,479,506 at September 30, 2015 remains with the government. Ad valorem tax revenues restricted for school purposes and collected by the government are used to make required debt service payments on the general obligation debt issued for school purposes. In addition, the Board makes contributions during the year toward debt service. During 2015, the government recorded \$1,201,346 of ad valorem taxes for schools. For 2015, these appropriations to the Board were \$1,036,747. The

**City of Alexander City
Notes to the Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board issues separate financial statements which may be obtained from the administrative offices at 375 Lee Street, Alexander City, Alabama 35010.

Related Organizations: The City's officials are also responsible for appointing the members of the Housing Authority of the City of Alexander City, but the City's accountability for this organization does not extend beyond making the appointments. In 2015, the City received \$62,325 in payments in lieu of property taxes from the Housing Authority of the City of Alexander City.

Government-wide and Fund Financial Statements

Financial information of the City, the primary government, and its component unit is presented as follows:

Basic Financial Statements: Government-wide financial statements consist of a statement of net position and a statement of activities.

These statements report the activities of the primary government and its component unit. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining.

In the statement of net position, the governmental and business-type activities columns are presented on a consolidated basis by column separately from the City's component unit. The statement of net position reports on the full accrual, economic resource basis, which includes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts — net investment in capital assets, restricted, and unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities as well as those of its component unit. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

Fund financial statements consist of a series of statements focusing on information about the City's major governmental and proprietary funds. Separate financial statements are presented for the governmental and proprietary funds.

City of Alexander City
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes (if levied), city-levied other taxes, licenses, fines and forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Nonmajor funds are aggregated and presented in a single column. The City's nonmajor funds are comprised of a special revenue fund and a debt service fund.

The City reports the following major enterprise funds:

The Water Fund accounts for operations, maintenance and development of the water plant and distribution system. All costs are financed through charges to customers.

The Sewer Fund accounts for the operation of the City's sanitary sewer services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

The Gas Fund accounts for operations, maintenance and development of the natural gas distribution system. All costs are financed through charges to customers.

City of Alexander City
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Electric Fund accounts for operations, maintenance and development of the electric distribution system. All costs are financed through charges to customers.

Additionally, the government reports the following non-major enterprise fund type:

Golf Fund. This fund accounts for operations and maintenance of the City owned golf course. Costs are financed through user fees to golfers and periodic transfers from the general fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The primary operating revenues of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "due to/from other funds."

Noncurrent portions of long-term loan notes receivable are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent current assets. Recognition of Governmental Fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loan note receivables are offset by fund balance reserve accounts.

**City of Alexander City
Notes to the Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Tallapoosa County, Alabama tax collector and remitted to the City net of a collection fee.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Inventories and Prepaid Items

Inventories are accounted for using the consumption method and are valued at the lower of cost (average or FIFO) or market. Inventories in governmental funds are offset by a reserve for inventories that indicates that portion of fund balance is not available for other subsequent expenditures. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as expenditures when made in the governmental funds. These payments are recorded as prepaid items in the proprietary funds and governmental activities.

Restricted Assets

The use of certain assets is restricted pursuant to debt covenants or other externally-imposed restrictions. The amount of these assets is reported as restricted net position in the basic financial statements. Restricted assets generally consist of the following: (1) resources set aside for the repayment of long-term debt pursuant to debt covenants and state law are "restricted for debt service," (2) the unexpended portion of debt proceeds that are restricted for use in construction are "restricted for capital projects," and (3) resources restricted for specific purposes pursuant to state and federal law are "restricted for other."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets that are tangible in nature, with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.

**City of Alexander City
Notes to the Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is not reflected in the capitalized value of the asset constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. No depreciation is computed in the year of acquisition. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	6-20 years
Buildings	20-30 years
Improvements other than buildings	20-25 years
Utility systems	20-50 years
Equipment	5-20 years

Deferred Revenue

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met and the government has a legal claim to the resources, the revenue is recognized.

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave because all accumulated sick leave is converted to additional years of service at retirement. The pension contribution rate includes a factor to provide for converting sick leave to additional time at retirement. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Current and long-term portions of vacation pay are accrued in the government-wide and proprietary funds statements when incurred.

Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

**City of Alexander City
Notes to the Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, except for prepaid insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease Obligations

The City leases various assets under both operating and capital lease agreements. In the government-wide financial statements, capital lease obligations are reported as liabilities in the governmental activities statement of net position.

Pensions

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

Deferred outflows and inflows of resources

The statement of net position will sometimes report separate sections for deferred outflows and inflows of resources.

The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items that qualify for reporting in this category. The first is the deferred loss on refunding debt. A deferred loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the lesser of the life of the refunded or refunding debt. The second one is related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of net pension liability in 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has one transaction that meets the definition of deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments.

**City of Alexander City
Notes to the Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances - Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Non-spendable fund balance - amounts that are not in a spendable form, or they are legally or contractually required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 7). As discussed in Note 1, restricted funds are used first as appropriate. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

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.

**City of Alexander City
Notes to the Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Fair value measurement and application;
- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City does not have a formal written investment policy; however, state law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or savings associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies; (3) certain qualified obligations of any state and their agencies; and (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1-3 above. At year-end, the City did not have any investment balances.

Custodial credit risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the carrying amount of the City's deposits in financial institutions was \$18,142,795 and the bank balance was \$19,276,418. All bank balances at September 30, 2015 are considered insured because any balances not covered by FDIC insurance were covered by the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law.

**City of Alexander City
Notes to the Financial Statements**

NOTE 3 - RECEIVABLES

Receivable balances have been disaggregated by type and presented separately in the financial statements. The following details the description and amounts of accounts receivable for the City:

	General Fund	Other Governmental Fund	Total
Taxes	\$ 2,073,475	\$ -	\$ 2,073,475
Garbage receivables	173,541	-	173,541
Other receivables	273,225	43,953	317,178
Allowance for doubtful accounts	(138,447)	-	(138,447)
Total	\$ 2,381,794	\$ 43,953	\$ 2,425,747

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the Primary Government for the year ended September 30, 2015, was as follows:

	Balance September 30, 2014	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,791,046	\$ -	\$ -	\$ 2,791,046
Construction in progress	120,150	-	-	120,150
Total capital assets, not being depreciated	2,911,196	-	-	2,911,196
Capital assets, being depreciated:				
Infrastructure	8,520,827	-	-	8,520,827
Buildings and improvements	37,016,331	43,945	-	37,060,276
Equipment	15,162,635	504,156	-	15,666,791
Total capital assets, being depreciated	60,699,793	548,101	-	61,247,894
Less Accumulated depreciation for:				
Infrastructure	1,490,699	541,773	-	2,032,472
Buildings and improvements	30,831,127	1,057,854	-	31,888,981
Equipment	11,190,335	812,373	-	12,002,708
Total accumulated depreciation	43,512,161	2,412,000	-	45,924,161
Total capital assets, being depreciated, net	17,187,632	(1,863,899)	-	15,323,733
Governmental activities capital assets, net	\$ 20,098,828	\$ (1,863,899)	\$ -	\$ 18,234,929

**City of Alexander City
Notes to the Financial Statements**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance September 30, 2014	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2015
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 274,689	\$ -	\$ -	\$ 274,689
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	274,689	-	-	274,689
Capital assets, being depreciated:				
Buildings	696,742	-	-	696,742
Improvements other than buildings	511,474	-	-	511,474
Utility system	108,442,178	129,559	-	108,571,737
Equipment	9,355,188	633,495	-	9,988,683
Total capital assets, being depreciated	119,005,582	763,054	-	119,768,636
Less Accumulated depreciation for:				
Buildings	543,490	17,173	-	560,663
Improvements other than buildings	416,418	10,573	-	426,991
Utility system	68,605,213	2,804,940	-	71,410,153
Equipment	6,987,663	402,529	-	7,390,192
Total accumulated depreciation	76,552,784	3,235,215	-	79,787,999
Total capital assets, being depreciated, net	42,452,798	(2,472,161)	-	39,980,637
Governmental activities capital assets, net	\$ 42,727,487	\$ (2,472,161)	\$ -	\$ 40,255,326

The government does not maintain detailed records of all land and capital assets in service. In addition, as discussed below, the government has not recorded certain general infrastructure assets required by accounting principles generally accepted in the United States of America.

For governmental activities, self-constructed assets do not include labor and overhead costs and some donated assets have not been recorded. Depreciation cannot be calculated by function because 1) detailed records of buildings, improvements other than buildings and most infrastructure are not maintained and 2) equipment records are not maintained by department or function. Depreciation is computed on buildings and improvements other than buildings using a 20 year average life for the groups. Depreciation is computed for recorded infrastructure using 6 - 20 year average lives. Depreciation is computed on equipment over various lives that are not consistent for similar items.

For business-type activities, the government maintains capital asset records by fund, asset type, and year acquired; however, detailed records are not maintained. Self-constructed system additions do not include labor and overhead costs and do not include all material costs. The cost of utility systems does not include all costs of donated assets from developers or individuals and no interest has been capitalized on construction projects. Depreciation is computed using an average life for each year's adding additions.

**City of Alexander City
Notes to the Financial Statements**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Finally, for governmental activities, business-type activities, and proprietary funds, assets have not been depreciated in the year of acquisition, asset lives are not reviewed, and no disposals have been recorded.

Generally accepted accounting principles require the government to retroactively report major general infrastructure assets acquired after September 30, 1980 and before October 1, 2002 in governmental activities for the year ended September 30, 2007. Infrastructure assets include roads, bridges, storm water drainage, and similar assets. These infrastructure assets are likely to be the largest asset class of the City. Neither their cost nor related depreciation has historically been reported in the financial statements. The government has not recorded these infrastructure assets and related accumulated depreciation in the governmental activities as required by U. S. generally accepted accounting principles.

Depreciation expense for all depreciable assets is charged to functions/programs of the primary government as follows:

Governmental activities:

Unallocated	\$ 2,412,000
Total governmental activities depreciation expense	\$ 2,412,000

Business-type activities:

Water	\$ 1,127,880
Sewer	1,344,232
Gas	214,922
Electric	520,348
Golf	27,833
Total business-type activities depreciation expense	\$ 3,235,215

**City of Alexander City
Notes to the Financial Statements**

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds:

Due To	Due From						Total
	General	Other Governmental	Water	Sewer	Gas	Electric	
General	\$ -	\$ 8,898	\$ 92,159	\$ 511,153	\$ 7,735	\$ 131,067	\$ 754,842
Other Governmental	10,583	-	-	-	-	-	10,583
Water	54,133	-	-	21,711	6,345	160	82,349
Sewer	101,401	6,444	-	-	2,288	-	110,133
Gas	338,656	-	27,962	-	-	98,978	465,596
Electric	551,755	-	314	-	-	-	552,069
Other Enterprise (golf)	16,576	-	-	-	-	-	16,576
Total	\$1,073,104	\$ 15,342	\$120,435	\$532,864	\$ 16,368	\$ 230,205	\$ 1,992,148

All balances resulted from the time lag before payments are made to clear balances between funds.

The composition of interfund transfers as of September 30, 2015, is as follows:

Interfund transfers:	Transfer from						Total
	General	Water	Sewer	Gas	Electric	Other Enterprise (golf)	
General	\$ -	\$ 893,265	\$ 489,830	\$ 505,511	\$ 1,684,718	\$ 40,681	\$ 3,614,005
Sewer	-	1,895,000	-	-	-	-	1,895,000
Golf	307,000	-	-	-	-	-	307,000
Other Governmental	570,748	-	-	-	-	-	570,748
Total	\$ 877,748	\$2,788,265	\$ 489,830	\$ 505,511	\$ 1,684,718	\$ 40,681	\$ 6,386,753

Transfers are used to (1) use restricted revenues collected in the other funds to the general fund to finance various programs or operations accounted for in the general fund, (2) move budgeted transfers from the enterprise funds to the general fund, (3) move revenues from the general fund to the debt service fund where debt service payments are made, and (4) move cash to the sewer fund and the other enterprise funds to cover negative cash balances in the pooled cash account.

NOTE 6 - LONG TERM DEBT

Revenue bond and warrants

In prior years, the government has issued bonds and warrants where the government pledges net revenues derived from the operation of its water, sewer, gas and electric systems. There are no revenue bonds or warrants outstanding at September 30, 2015.

**City of Alexander City
Notes to the Financial Statements**

NOTE 6 - LONG TERM DEBT (CONTINUED)

General Obligation Warrants

The government issued general obligation warrants to provide funds for the construction and improvements of major capital facilities for the city school system and to refund other general obligation warrants. General obligation warrants are also issued to construct assets used in proprietary activities. These warrants are reported in the proprietary funds if they are expected to be repaid from proprietary revenues. General obligation warrants constitute general obligations of the government for the payment of which the full faith, credit and taxing power of the government are irrevocably pledged. There are a number of limitations and restrictions contained in the various bond indentures. The government is in compliance with all significant limitations and restrictions.

The City has outstanding capital appreciation bonds issued in 2007. These bonds have no regular interest payments but are instead issued at a deep discount from their face amount and appreciate to face value at maturity. Because the proceeds of such bonds are considerably less than face value at maturity, the government must accrete the interest cost from the date of issuance to maturity. The 2007 capital appreciation bonds were issued at \$6,456,972 and have a face value of \$12,020,000. The appreciated bond balance at September 30, 2015 is \$8,116,728 and the remaining discount to be accreted is \$2,823,272.

In 2001, the City agreed to make the debt service payments on 58% of the debt issued by the Lake Martin Area Industrial Development Authority to purchase land for an industrial park to which the government would provide sewer and water services. The government issued a general obligation warrant to the Authority for \$870,000 of which \$402,238 is outstanding at September 30, 2015.

On June 13, 2011, the City issued \$11,165,000 General Obligation Refunding Warrants, Series 2011-A (2011-A) and \$6,905,000 General Obligation Refunding and Capital Improvement Warrants, Series 2011-B (2011-B). The 2011-A warrants were issued for the purpose of (1) refunding, on an advance basis, the outstanding General Obligation Warrants, Series 2003; and (2) paying the costs of issuing the 2011-A warrants. The 2011-B warrants were issued for the purpose of (1) refunding, on an advance basis, the outstanding General Obligation Warrants, Series 2001; (2) paying for certain capital improvements within the City; (3) pay the costs of an economic and industrial development incentive within the City; and (4) paying the costs of issuing the 2011-B warrants. The outstanding balances at September 30, 2015 are \$7,290,000 for the Series 2011-A and \$3,655,000 for the Series 2011-B.

**City of Alexander City
Notes to the Financial Statements**

NOTE 6 - LONG TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for general obligation warrants currently outstanding are as follows:

Governmental Activities:	G.O. Warrants		
	Principal	Interest	Total
2016	\$ 2,389,824	\$ 422,744	\$ 2,812,568
2017	2,453,899	360,345	2,814,244
2018	2,528,179	296,026	2,824,205
2019	1,977,746	200,959	2,178,705
2020	2,027,602	155,153	2,182,755
2021-2025	9,119,988	104,255	9,224,243
2026-2029	1,790,000	46,200	1,836,200
	<u>\$ 22,287,238</u>	<u>\$ 1,585,682</u>	<u>\$ 23,872,920</u>

General obligation warrants currently outstanding are as follows:

Series	Purpose	Maturity		Amount
		Date	Interest Rates	
Governmental Activities:				
G.O. Warrants, Series 2011-A, dated 6/1/11	Refunding warrants for improvements to schools	5/1/2022	2.00%-5.00%	\$ 7,250,000
	Refunding of 2001 sewer warrants, economic incentive payments and capital improvements	5/1/2021	2.00% - 5.00%	3,655,000
G.O. Warrants, Series 2011-B, dated 6/1/11		5/1/2026	4.00% - 4.37%	10,940,000
G.O. Warrants, Series 2007-Capital Appreciation	Refunding of warrant for improvements to the schools	7/1/2021	6.50%	402,238
G.O. Warrants, Series 2001, dated 2/12/01	Fund portion of land purchased for an industrial park			22,287,238
	Deferred amount on refunding			(352,026)
	Unamortized premiums			124,925
	Unamortized discounts			(1,823,272)
	Total Governmental Activities			\$ 19,236,865

**City of Alexander City
Notes to the Financial Statements**

NOTE 6 - LONG TERM DEBT (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions / Increases	Reductions / Amortization	Ending Balance	Amounts
					Due Within One Year
Governmental activities:					
General obligation warrants	\$ 24,623,068	\$ -	\$ (2,335,830)	\$ 22,287,238	\$ 2,389,824
Deferred amounts on refunding	(431,032)	-	79,005	(352,027)	-
Unamortized premiums	196,609	-	(71,683)	124,926	-
Unamortized discounts	(3,712,525)	-	889,253	(2,823,272)	-
Total general obligation warrants	20,676,120	-	(1,439,255)	19,236,865	2,389,824
Capital lease obligation	263,936	-	(25,994)	237,942	237,942
Loss contingency - litigation settlement	-	242,857	-	242,857	-
Compensated absences	554,489	-	15,856	570,345	-

Governmental activities long-term activities	\$ 21,494,545	\$ 242,857	\$ (1,449,393)	\$ 20,288,009	\$ 2,627,766
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The City's General Fund is generally responsible for liquidating the liability for compensated absences since most of the activities affecting that liability occur with General Fund departments.

Business-Type activities:					
General obligation warrants	\$ 125,000	\$ -	\$ (125,000)	\$ -	\$ -
Total warrants	125,000	-	(125,000)	-	-
Compensated absences	198,977	-	(24,496)	174,481	-
Business-type activities long-term liabilities	323,977	-	(149,496)	174,481	-
Total long-term liabilities	\$ 21,818,522	\$ 242,857	\$ (1,598,889)	\$ 20,462,490	\$ 2,627,766

**City of Alexander City
Notes to the Financial Statements**

NOTE 7 - LEASE OBLIGATIONS

Operating Leases

The City was not obligated on any significant operating leases as of September 30, 2015.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles and a fire truck. The lease agreements are treated as a capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements. Amortization of assets under capital leases is included in depreciation expense.

The assets acquired through capital leases are as follows:

	Cost Basis	Accumulated Depreciation	Total
Equipment	\$ 994,407	\$ 106,268	\$ 888,139
Total	\$ 994,407	\$ 106,268	\$ 888,139

The future of the minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2015, are as follows:

	Governmental Activities
Year ending September 30:	
2016	\$ 243,158
Total minimum lease payments	243,158
Less: Amount representing interest	(5,216)
Present value of minimum lease payments	\$ 237,942

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board

**City of Alexander City
Notes to the Financial Statements**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (continued)

of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits provided

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

**City of Alexander City
Notes to the Financial Statements**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	<u>55,883</u>
Total	<u>83,874</u>

Contributions

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

**City of Alexander City
Notes to the Financial Statements**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's contractually required contribution rate was 9.05% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 8.52% of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2015 was 9.5% of pensionable pay for Tier 1 employees, and 7.5% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$1,049,571 for the year ended September 30, 2015.

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:

<u>TPL Roll Forward</u>	
Total Pension Liability	
as of September 30, 2013 (a)	\$ 35,845,846
Entry Age Normal Cost for	
October 1, 2013 – September 30, 2014 (b)	986,615
Actual Benefit Payment and Refunds for	
October 1, 2013 – September 30, 2014 (c)	<u>(1,789,726)</u>
Total Pension Liability	
as of September 30, 2014	
<u>[(a) x (1.08)] + (b) – [(c) * (1.04)]</u>	<u>\$ 37,838,814</u>

**City of Alexander City
Notes to the Financial Statements**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%-7.25%
Investment rate of return	8.00%*

*Net of pension plan investment expense

Mortality rates for ERS 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 actuarial experience study for the period October 1, 2005 – 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 expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

* Included assumed rate of inflation of 2.50%

**City of Alexander City
Notes to the Financial Statements**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2013	\$35,845,846	\$27,855,553	\$ 7,990,293
Changes for the year:			
Service cost	986,614	-	986,614
Interest	2,796,079	-	2,796,079
Changes in assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions – employer	-	989,450	(989,450)
Contributions – employee	-	605,498	(605,498)
Net investment income	-	3,328,304	(3,328,304)
Benefit payments, including refunds of employee contributions	(1,789,726)	(1,789,726)	-
Administrative expense	-	-	-
Transfers among employers	-	(38,130)	38,130
Net Changes	1,992,967	3,095,396	(1,102,429)
Balances at September 30, 2014	\$37,838,813	\$30,950,949	\$ 6,887,864

**City of Alexander City
Notes to the Financial Statements**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the City'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 (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability	\$ 11,477,100	\$ 6,887,864	\$ 3,013,555

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 ERS 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 \$774,363. 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	-	-
Net difference between projected and actual earnings on plan investments	-	887,341
Employer contributions subsequent to the measurement date	1,049,571	-
Total	\$ 1,049,571	\$ 887,341

**City of Alexander City
Notes to the Financial Statements**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The City will recognize its deferred outflow of resources related to employer contributions made subsequent to the measurement date in pension expense during the fiscal year ended September 30, 2016. The remaining amounts reported as deferred inflows of resources related to pensions of will be recognized in pension expense as follows:

Year Ended September 30:	
2016	\$ 221,835
2017	221,835
2018	221,835
2019	221,836
2020	-
Thereafter	-
Total	\$ 887,341

NOTE 9 - POWER SALES CONTRACT

The government is a member of the Alabama Municipal Electric Authority ("Authority"). Pursuant to a contract dated May 1, 1986 and amended July 1, 1996, the government has agreed to purchase all of its electric requirements for resale through December 31, 2035 from the Authority except for the government's allocation of electricity from the Southeastern Power Administration. The government has committed to maintain electric rates at amounts which will produce revenues sufficient to pay all amounts due under the contract and has pledged the electric revenues and any other revenues of the government which may be lawfully pledged to secure its obligation. Further, the government has entered into a "Guaranty and Indemnity Agreement" with Alabama Power Company which requires the government to pay its proportionate share of any shortfall by the Authority of funds to pay any obligations due under contracts with Alabama Power Company.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Management believes such disallowances, if any, will be immaterial.

The City has various claims and potential lawsuits outstanding at any point in time. Except for the matter referred to below, in the event of an unfavorable outcome, it is the opinion of management that these matters are without merit, will be covered by insurance or will not have a material adverse effect of the City's financial statements.

On September 8, 2015 a class action lawsuit was filed against the City as the defendant. After a vigorous discovery period, both parties to the lawsuit entered into mediation and agreed to settle

**City of Alexander City
Notes to the Financial Statements**

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

the class action claim. The total settlement was \$680,000 of which the City is obligated to pay \$242,857. The remaining balance is covered by the City's insurer. The City's portion of the settlement has been accrued as a long-term liability in the government-wide Statement of Net Position. On September 15, 2017, the City paid its portion of the settlement.

NOTE 11 - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The government does not have coverage on assets involved in the distribution of water, sewer, gas and electricity (i.e. pipe underground and transmission lines). There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through the date these financial statements were available to be issued.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENTS

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended September 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effect on net position of contributions made by the City and during the measurement period (fiscal year ended September 30, 2014). As a result, beginning net position of the Governmental Activities for the year ended September 30, 2015 decreased by \$5,432,540 and beginning net position of Business-type activities for the year ended September 30, 2015 decreased by \$1,568,301.

The City also recorded a prior period adjustment due to an error in recording accretion related to the City's Capital Appreciation Warrants. The effect of the error was to increase long term liabilities. As a result, beginning net position of the Governmental Activities was decreased by \$540,000 for the year ended September 30, 2015.

**City of Alexander City
Notes to the Financial Statements**

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS

The City provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits.

The City has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition and display of OPEB expenses and related liabilities, note disclosures and required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

City of Alexander City
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual-General Fund

<i>Year Ended September 30, 2015</i>	Original and Final	Actual on the Budgetary Basis*	Variance with Final Budget
Revenues			
Sales and use taxes	\$ 7,350,000	\$ 9,217,105	\$ 1,867,105
Property taxes	1,084,000	1,189,266	105,266
Other taxes	816,000	842,761	26,761
Licenses and permits	1,706,850	1,867,213	160,363
Intergovernmental	197,100	1,644,917	1,447,817
Charges for services	3,337,250	3,570,379	233,129
Fines and forfeitures	753,200	553,529	(199,671)
Interest	13,000	4,937	(8,063)
Other revenues	680,550	672,787	(7,763)
Total revenues	\$ 15,937,950	\$ 19,562,894	\$ 3,624,944
Expenditures			
General government	\$ 3,951,066	\$ 3,781,359	\$ 169,707
Public safety	9,010,962	8,815,260	195,702
Public works	2,076,011	1,979,428	96,583
Sanitation	1,243,956	1,230,734	13,222
Education	635,000	1,036,747	(401,747)
Health	134,600	129,556	5,134
Culture, recreation and welfare	1,856,965	2,144,958	(287,993)
Debt service:			
Debt retirement	-	916,824	(916,824)
Interest and fiscal agent fees	-	189,533	(189,533)
Capital outlay	2,351,590	2,445,142	(93,552)
Total expenditures	\$ 21,260,239	\$ 22,669,541	\$ (1,409,302)
Excess of revenues over expenditures	\$ (5,322,289)	\$ (3,106,647)	\$ 2,215,642
Other financing sources (uses)			
Transfers in	3,510,112	3,614,005	103,893
Transfers (out)	(525,000)	(877,748)	(352,748)
Total other financing sources (uses)	2,985,112	2,736,257	(248,855)
Net change in fund balance	\$ (2,337,177)	\$ (370,390)	\$ 1,966,787
Fund balance, beginning		3,014,205	
Fund balance, ending		\$ 2,643,815	

* For budgetary purposes, the City includes street paving expenditures along with capital outlay. However, in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, this is included with Public Works expenditures. Public works expenditures and capital outlay have been adjusted by \$1,897,041 to reflect the budgetary grouping for the purposes of this budget to actual comparison.

**City of Alexander City
Schedule of Changes in Net Pension Liability
As of Measurement Date**

	<u>2014</u>
Total pension liability	
Service Cost	\$ 986,615
Interest	2,796,079
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,789,726)</u>
Net change in total pension liability	1,992,968
Total pension liability - beginning	35,845,846
Total pension liability - ending (a)	<u>\$ 37,838,814</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 989,450
Contributions - employee	605,498
Net investment income	3,328,304
Benefit payments, including refunds of employee contributions	<u>(1,789,726)</u>
Transfers among employers	<u>(38,130)</u>
Net change in plan fiduciary net position	3,095,396
Plan net position - beginning	27,855,553
Plan net position - ending (b)	<u>\$ 30,950,949</u>
Net pension liability (asset) - ending (a) - (b)	\$ 6,887,865
Plan fiduciary net position as a percentage of total pension liability	81.80%
Covered employee payroll *	\$ 11,060,696
Net pension liability as a percentage of covered employee payroll	62.27%

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

See notes to required supplementary information
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**City of Alexander City
Schedule of Employer Contributions
As of Fiscal Year End**

	<u>2015</u>
Actuarially determined contribution	\$ 1,018,084
Contributions in relation to actuarially determined contribution	<u>1,018,084</u>
Contribution deficiency (excess)	(0)
Covered payroll *	11,943,039
Contributions as a percentage of covered payroll	8.52%

* Employer's covered payroll for the year ending 2015 is the total payroll for the 12 month period underlying the financial statement.

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**City of Alexander City
Notes to Required Supplementary Information**

NOTE 1 – BUDGETARY INFORMATION

a. Budgets and budgetary accounting

The City adopts annual budgets for the general, special revenue and capital projects funds and such budgets are prepared on a basis consistent with generally accepted accounting principles. Any revisions that alter the total expenditures must be approved by the City Council. The budget of the general fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.

Budget information presented in the financial statements is based on the budget as adopted by the City Council on December 23, 2014

Expenditures exceeded appropriations for the general fund by \$1,409,302 for the year ended September 30, 2015.

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY

The total pension liabilities presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

NOTE 3 – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The City's employer contribution rates for fiscal year ended September 30, 2015 were 9.33% for Tier 1 employees (hired before January 1, 2013) and 7.03% for Tier 2 employees (hired after January 1, 2013).

**City of Alexander City
Notes to Required Supplementary Information**

NOTE 4 – ACTUARIAL ASSUMPTIONS

The actuarially determined contribution rates in the schedules of employer contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in the schedules for Governmental and Business-Type Activities:

Actuarial Cost Method	Entry age
Asset Valuation Method	5-year smoothed market
Amortization Method	Level percent closed
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Inflation	3.00%
Investment Rate of Return:	8%*
Projected Salary Increases:	3.75% - 7.25%, including inflation

SUPPLEMENTARY INFORMATION

**City of Alexander City
Combining Balance Sheets—
Nonmajor Governmental Funds
September 30, 2015**

	Special Revenue Street		Debt Service	Total
	Maintenance	Gasoline		
	Tax Fund		Fund	
Assets				
Cash	\$	-	\$ 2,344,788	\$ 2,344,788
Restricted Cash		58,176	-	58,176
Taxes receivable		29,445	14,508	43,953
Due from other funds		10,583	-	10,583
Total assets	\$	98,204	\$ 2,359,296	\$ 2,457,500
Liabilities				
Accounts payable and accrued expenses	\$	62,755	\$ -	\$ 62,755
Due to other funds		8,898	6,444	15,342
Total liabilities		71,653	6,444	78,097
Fund balance				
Restricted for:				
Road improvements		26,551	-	26,551
Debt service		-	14,508	14,508
Committed to:				
Debt service reserve		-	2,338,344	2,338,344
Total fund balance		26,551	2,352,852	2,379,403
Total liabilities and fund balance	\$	98,204	\$ 2,359,296	\$ 2,457,500

City of Alexander City
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
September 30, 2015

	Special Revenue Street Maintenance Gasoline Tax Fund	Debt Service Fund	Total
Revenues			
Property taxes	\$ -	\$ 1,201,346	\$ 1,201,346
Shared state gasoline tax	151,750	-	151,750
Board of Education contributions	-	3,315	3,315
Shared county tax	41,983	-	41,983
Interest	436	623	1,059
Total Revenues	194,169	1,205,284	1,399,453
Expenditures			
Public works	380,070	-	380,070
Debt service principal	-	1,445,000	1,445,000
Debt service interest and fiscal agent fees	-	298,728	298,728
Total expenditures	380,070	1,743,728	2,123,798
Other financing sources (uses)			
Transfers in	-	570,748	570,748
Total other financing sources (uses)	-	570,748	570,748
Net change in fund balance	(185,901)	32,304	(153,597)
Fund balance, beginning	212,452	2,320,548	2,533,000
Fund balance, ending	\$ 26,551	\$ 2,352,852	\$ 2,379,403



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October 23, 2017

To the City Council
Alexander City, Alabama

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alexander City (the "City") for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City adopted the provisions of GASB 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*, as well as GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68 effective for the year ended September 30, 2015*. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels, and an analysis of the collectability of individual customer accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the compensated absence accrual is based on employee hours earned and prevailing hourly rates used to compute this liability.

City Council
Alexander City, Alabama
October 23, 2017
Page 2

We evaluated the key factors and assumptions used to develop the compensated absence accrual in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the deferred loss on debt refundings is based on amortization periods, interest rates and maturity assumptions used to compute these deferrals. We evaluated the key factors and assumptions used to develop the deferred outflows in determining that it is reasonable in relation to the financial statements taken as a whole.

The estimate of deferred outflows/inflows of resources, net pension liability, and pension expense are prepared by the RSA's actuaries based on the information provided by participating employers. We evaluated the key factors and assumptions used to develop the calculation of deferred outflows/inflows of resources, net pension liability and pension expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the City's pension plan in Note 8 to the financial statements contains actuarial assumptions and valuations that may differ from actual results.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The attached schedules of *Proposed Adjusting Journal Entries* summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial to the financial statements taken as a whole.

Furthermore, the attached *Adjusting Journal Entries Report* includes entries detected as a result of audit procedures that have been corrected by management. The report also includes entries provided by management during the course of the audit (identified as "PBC").

Disagreements with Managements

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

City Council
Alexander City, Alabama
October 23, 2017
Page 3

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedule, the schedule of changes in net pension liability and the schedule of employer contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

City Council
Alexander City, Alabama
October 23, 2017
Page 4

Restriction on Use

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

Very truly yours,

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

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

City of Alexander City
Proposed Adjusting Journal Entries - Governmental Activities
9/30/2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Financial Statement Effect—Amount of Over- (Under-) statement of:						Change in Fund Balance/ Net Position
			Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	
To adjust accrued interest payable	F	Error		-53,852				-53,852	53,852
To adjust cash reconciliation difference at 9/30/215	F	Error	14,090					-14,090	14,090
Total			14,090	-53,852	0	0	0	-67,942	67,942
Less audit adjustments subsequently booked									
Net unadjusted AD—current year (iron curtain method)			14,090	-53,852	0	0	0	-67,942	67,942
Effect of unadjusted AD—prior years									
Combined current year and prior year AD (rollover method)			14,090	-53,852	0	0	0	-67,942	67,942
Financial statement caption totals			27,359,894	4,856,451			23,992,095	24,444,913	-452,218
Current year AD as % of F/S captions (iron curtain method)			0.05%	-1.11%	0.00%	0.00%	0.00%	-0.28%	-15.02%
Current and prior year AD as % of F/S captions (rollover method)			0.05%	-1.11%	0.00%	0.00%	0.00%	-0.28%	-15.02%

City of Alexander City
Proposed Adjusting Journal Entries - General Fund
9/30/2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Financial Statement Effect—Amount of Over- (Under-) statement of:						Change in Fund Balance/ Net Position
			Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	
To adjust for receivable from County not considered to be "available" as it was not collected within 60 days of year end.	F	Error	36,148					36,148	36,148
To adjust cash reconciliation difference at 9/30/215	F	Error	14,090					-14,090	14,090
Total			50,238	0	0	0	36,148	-14,090	50,238
Less audit adjustments subsequently booked									
Net unadjusted AD—current year (iron curtain method)			50,238	0	0	0	36,148	-14,090	50,238
Effect of unadjusted AD—prior years									
Combined current year and prior year AD (rollover method)			50,238	0	0	0	36,148	-14,090	50,238
Financial statement caption totals			6,491,459				19,562,894	22,669,541	-370,390
Current year AD as % of F/S captions (iron curtain method)			0.77%	0.00%	0.00%	0.00%	0.18%	-0.06%	-13.56%
Current and prior year AD as % of F/S captions (rollover method)			0.77%	0.00%	0.00%	0.00%	0.18%	-0.06%	-13.56%

City of Alexander City
Proposed Adjusting Journal Entry - Other Governmental Funds
9/30/2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Financial Statement Effect—Amount of Over- (Under-) statement of:						Change in Fund Balance/ Net Position
			Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	
To adjust personal property taxes to actual	F	Error	-1,523					-1,523	-1,523
Total			-1,523	0	0	0		-1,523	-1,523
Less audit adjustments subsequently booked									
Net unadjusted AD—current year (iron curtain method)			-1,523	0	0	0		-1,523	-1,523
Effect of unadjusted AD—prior years									
Combined current year and prior year AD (rollover method)			-1,523	0	0	0		-1,523	-1,523
Financial statement caption totals			2,457,500				1,399,453		-153,597
Current year AD as % of F/S captions (iron curtain method)			-0.06%	0.00%	0.00%	0.00%	-0.11%	0.00%	0.99%
Current and prior year AD as % of F/S captions (rollover method)			-0.06%	0.00%	0.00%	0.00%	-0.11%	0.00%	0.99%

City of Alexander City
Proposed Adjusting Journal Entry - Water Fund
9/30/2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Financial Statement Effect—Amount of Over- (Under-) statement of:						Change in Fund Balance/ Net Position	
			Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.		
To adjust inventory to actual	F	Error	-9,631						9,631	-9,631
Total			-9,631	0	0	0			9,631	-9,631
Less audit adjustments subsequently booked										
Net unadjusted AD—current year (iron curtain method)			-9,631	0	0	0			9,631	-9,631
Effect of unadjusted AD—prior years										
Combined current year and prior year AD (rollover method)			-9,631	0	0	0			9,631	-9,631
Financial statement caption totals			19,366,720					4,412,955		-506,500
Current year AD as % of F/S captions (iron curtain method)			-0.05%	0.00%	0.00%	0.00%	0.00%	0.22%	1.64%	
Current and prior year AD as % of F/S captions (rollover method)			-0.05%	0.00%	0.00%	0.00%	0.00%	0.22%	1.64%	

City of Alexander City
Proposed Adjusting Journal Entry - Sewer Fund
9/30/2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Financial Statement Effect—Amount of Over- (Under-) statement of:						Change in Fund Balance/ Net Position
			Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	
To adjust accrued interest on Sewer debt at 9-30-2015.	F	Error		5,130				5,130	-5,130
Total			0	5,130	0	0	0	5,130	-5,130
Less audit adjustments subsequently booked									
Net unadjusted AD—current year (iron curtain method)			0	5,130	0	0	0	5,130	-5,130
Effect of unadjusted AD—prior years									
Combined current year and prior year AD (rollover method)			0	5,130	0	0	0	5,130	-5,130
Financial statement caption totals				1,310,368				4,710,302	-629,249
Current year AD as % of F/S captions (iron curtain method)			0.00%	0.39%	0.00%	0.00%	0.00%	0.11%	0.82%
Current and prior year AD as % of F/S captions (rollover method)			0.00%	0.39%	0.00%	0.00%	0.00%	0.11%	0.82%

City of Alexander City
Proposed Adjusting Journal Entry - Gas Fund
9/30/2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Financial Statement Effect—Amount of Over- (Under-) statement of:						Change in Fund Balance/ Net Position
			Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	
To adjust allowance for doubtful accounts to management's estimate	F	Error						6,739	-6,739
Total								6,739	-6,739
Less audit adjustments subsequently booked									
Net unadjusted AD—current year (iron curtain method)								6,739	-6,739
Effect of unadjusted AD—prior years									
Combined current year and prior year AD (rollover method)								6,739	-6,739
Financial statement caption totals								7,811,426	1,940,182
Current year AD as % of F/S captions (iron curtain method)				0.00%	0.00%	0.00%	0.00%	0.00%	-0.35%
Current and prior year AD as % of F/S captions (rollover method)				0.09%	0.00%	0.00%	0.00%	0.00%	-1.69%

Client: 55-03121.000 - City of Alexander City
 Engagement: 55-03121.0 - City of Alexander City
 Period Ending: 9/30/2015
 Trial Balance: 3300 - Government Fund Trial Balance
 Worksheet: Adjusting Journal Entries Report
 Fund Level: All
 Index: All

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
Estimate of 2015 depreciation expense based on 2014 amounts, just rounded up for estimate posting.			
401-56147-44620	Depreciation Expense	1,111,000.00	
404-56147-44620	Depreciation Expense	1,282,000.00	
405-56147-44620	Depreciation Expense	211,000.00	
425-56147-44620	Depreciation Expense	526,000.00	
		27,000.00	
401-00000-16385	Allow Depr./Vtr./Dist.Syst.		1,111,000.00
404-00000-16389	Allow Depr./Sewer System		1,282,000.00
405-00000-16379	Allow Depr./Gas System		211,000.00
409-00000-16369	Allow Depr./Elect System		526,000.00
455-00000-10599	Allow Depr./equip./mach.		27,000.00
Total		3,157,000.00	3,157,000.00
Adjusting Journal Entries JE # 2			
To reclass capital assets in proprietary funds.			
404-00000-16321	Sanitary Sewer System	589,891.00	
455-00000-16051	Operational Equip./mach.	49,294.07	
404-55265-45200	Add/Imp Other Than Bldgs		371,995.00
404-55256-45500	Operational Equip/mach		197,656.00
455-53366-45500	Operational Equip/mach		49,394.07
401-00000-10321	Water Dist.system		
401-50163-46200	Add/Imp Other Than Bldgs		
401-50165-46300	Add/Imp Other Than Bldgs		
405-00000-18331	Sanitary Gas System		
405-56565-45300	Add/Imp Other Than Bldgs		
409-00000-18331	Electric System		
409-56762-46300	Add/Imp Other Than Bldgs		
409-56763-46300	Add/Imp Other Than Bldgs		
409-56765-46400	Furniture & Fixtures		
409-56766-46500	Operational Equip/mach		
Total		619,085.07	619,085.07
Adjusting Journal Entries JE # 4			
To reclassify capital lease payments			
001-52372-47000	Interest on Notes	1,445.05	
001-52372-47000	Principal on Notes	25,993.07	
001-52368-45500	Operational Equip/mach		27,438.02
Total		27,438.02	27,438.02
Adjusting Journal Entries JE # 5			
PBC - "Client has already posted"			
To adjust accrued payroll			
001-51111-41200	Personnel Benefits	9,198.95	
001-51113-41100	Salaries & Wages	21,055.51	
107-53310-41100	Salaries & Wages	6,474.70	
107-53310-41200	Personnel Benefits	110.63	
106-53613-41100	Salaries & Wages	245.39	
109-53015-41200	Personnel Benefits	34.66	
401-58114-41100	Salaries & Wages	2,768.69	
401-58114-41200	Personnel Benefits	874.60	
404-00000-20305	Accrued Salaries Payable	6,214.03	
404-00000-20306	Accrued Benefits Payable	2,162.07	
405-56511-41100	Salaries & Wages	777.97	
405-56511-41200	Personnel Benefits	334.34	
409-00000-20305	Accrued Salaries Payable	7,598.85	
409-56715-41300	Personnel Benefits	472.19	
455-53311-41100	Salaries & Wages	508.53	
455-53311-41200	Personnel Benefits	352.74	
001-40000-23305	Accrued Salaries Payable		21,055.51
001-40000-23306	Accrued Benefits Payable		9,199.05
107-00000-23305	Accrued Salaries Payable		6,474.70
107-00000-23306	Accrued Benefits Payable		110.63

City of Alexander City
 Proposed Adjusting Journal Entry - Electric Fund
 9/30/2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Financial Statement Effect—Amount of Over- (Under)- statement of:						Change in Fund Balance/ Net Position
			Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	
To adjust allowance for doubtful accounts to management's estimate	F	Error	-10,571					10,571	-10,571
Total			-10,571	0	0	0	0	10,571	-10,571
Less audit adjustments subsequently booked									
Net unadjusted AD—current year (iron curtain method)			-10,571	0	0	0	0	10,571	-10,571
Effect of unadjusted AD—prior years			-10,571	0	0	0	0	10,571	-10,571
Combined current year and prior year AD (rollover method)			-10,571	0	0	0	0	10,571	-10,571
Financial statement caption totals			16,037,810					13,388,107	637,226
Current year AD as % of F/S captions (iron curtain method)			-0.07%	0.00%	0.00%	0.00%	0.00%	0.08%	-1.66%
Current and prior year AD as % of F/S captions (rollover method)			-0.07%	0.00%	0.00%	0.00%	0.00%	0.08%	-1.66%

Account	Debit	Credit
Total	118,565.03	118,565.03
Adjusting Journal Entries, JE # 14		
To equal the recorded balance of the 30-15		
001-3236-4620	135,715.00	
001-3236-4620	118,852.91	
001-3236-4620	2,328.80	
001-3236-4620	5,000.00	
001-0000-2021		118,852.91
001-0000-2021		135,715.00
001-0000-2021		2,328.80
001-0000-2021		5,000.00
Total	302,271.28	302,271.28
Adjusting Journal Entries, JE # 15		
To equal fund balance to actual per P/F S		
001-4111-4210	537.00	
001-4111-4210		537.00
001-0000-2100		537.00
Total	537.00	537.00
Adjusting Journal Entries, JE # 16		
To record beginning deferred outflow of resources for PFA contributions based on GASB 31		
401-0000-1900	62,819.00	
401-0000-1900	70,300.00	
401-0000-1900	70,300.00	
401-0000-1900	42,833.00	
401-0000-1900		62,819.00
401-0000-2100		70,300.00
401-0000-2100		70,300.00
401-0000-2100		42,833.00
401-0000-2100		15,400.00
401-0000-2100		62,819.00
401-0000-2100		70,300.00
401-0000-2100		70,300.00
401-0000-2100		42,833.00
401-0000-2100		15,400.00
Total	218,644.00	218,644.00
Adjusting Journal Entries, JE # 17		
To record beginning deferred pension liability		
401-0000-2100	597,200.00	
401-0000-2100	668,189.00	
401-0000-2100	160,011.00	
401-0000-2100	425,038.00	
401-0000-2100		597,200.00
401-0000-2100		668,189.00
401-0000-2100		160,011.00
401-0000-2100		425,038.00
Total	1,788,955.00	1,788,955.00
Adjusting Journal Entries, JE # 28		
To record current year activity		
401-0000-2029	69,891.00	
401-0000-2029	48,163.00	
401-0000-2029	1,100.00	
401-0000-2029	71,204.00	
401-0000-2029	65,606.00	
401-0000-2029	22,767.00	
401-0000-2029	15,972.00	
401-0000-2029	58,643.00	
401-0000-2029	4,106.00	
401-0000-2029	12,000.00	
401-0000-2029		69,891.00
401-0000-2029		70,300.00
401-0000-2029		71,204.00
401-0000-2029		65,606.00
401-0000-2029		22,767.00
401-0000-2029		15,972.00
401-0000-2029		58,643.00
401-0000-2029		4,106.00
401-0000-2029		12,000.00
Total	425,414.00	425,414.00

Account	Debit	Credit
001-0000-2029	69,891.00	
001-0000-2029	48,163.00	
001-0000-2029	1,100.00	
001-0000-2029	71,204.00	
001-0000-2029	65,606.00	
001-0000-2029	22,767.00	
001-0000-2029	15,972.00	
001-0000-2029	58,643.00	
001-0000-2029	4,106.00	
001-0000-2029	12,000.00	
001-0000-2029		69,891.00
001-0000-2029		70,300.00
001-0000-2029		71,204.00
001-0000-2029		65,606.00
001-0000-2029		22,767.00
001-0000-2029		15,972.00
001-0000-2029		58,643.00
001-0000-2029		4,106.00
001-0000-2029		12,000.00
Total	425,414.00	425,414.00

Adjusting Journal Entries JE # 21
To record deferred revenues for contributions subsequent to measurement date

401-00000-1000	Deferred Outflow - Pension Contributions	66,636.00
74-000-0000	Deferred Outflow - Pension Contributions	74,633.00
404-00000-1000	Deferred Outflow - Pension Contributions	11,111.00
405-00000-1000	Deferred Outflow - Pension Contributions	5,981.00
406-00000-1000	Deferred Outflow - Pension Contributions	16,344.00
401-54110-1000	Personal Benefits	66,636.00
404-52710-1000	Personal Benefits	74,633.00
405-55110-1000	Personal Benefits	11,111.00
406-52710-1000	Personal Benefits	5,981.00
409-33111-1000	Pension Benefits	16,344.00
	Total	233,131.00

Adjusting Journal Entries JE # 22
PBC - Adjust for contributions for Hamp Lyons project

001-00000-3900	Contributions Received	18,000.00
001-00000-3900	Contributions Received	13,000.00
001-00000-3900	Contributions PBC	18,000.00
	Total	49,000.00

Adjusting Journal Entries JE # 23
PBC - To record grant receivables, revenues and grant AR collected in FY15

001-00000-3900	Receivables	2,959.79
001-00000-3900	Receivables	3,742.22
001-00000-3900	State Grant-AR-Post-AWOS	3,745.00
001-00000-1201	Grants Receivable	6,750.01
001-00000-1201	Grants Receivable	5,000.00
	Total	22,207.02

Adjusting Journal Entries JE # 24
PBC - To record grant receivables, revenues and deferred revenues AR IP2015

001-00000-1201	Grants Receivable	89,643.43
001-00000-2902	Deferred Revenue-grants	78,878.36
001-00000-2902	Deferred Revenue-grants	2,625.69
001-00000-3900	ATRP-Share Grant	1,116.83
001-00000-3900	ATRP-Share Grant	6,319.21
001-00000-3900	ATRP-Share Grant	8,942.43
	Total	185,525.95

Adjusting Journal Entries JE # 25
PBC - To record cash received and grant revenue to ATRIP 1 amount paid directly by State

001-54110-4000	Advocacy Other Than Blog	18,000.00
001-00000-3900	ATRP-Share Grant	16,000.00
	Total	34,000.00

Adjusting Journal Entries JE # 26
PBC - To record cash received and grant revenue to ATRIP 3 amount paid directly by State

001-54110-4000	Advocacy Other Than Blog	12,473.14
001-00000-3900	ATRP-Share Grant	1,247.31
	Total	13,720.45

Adjusting Journal Entries JE # 27
PBC - To correct allocation under 2014 state tax ordinance 2014-19 for debt service contribution overpaid.

001-00000-1001	General Fund - Operating Cash	64,116.68
201-00000-3901	Comm - General Fund	64,116.68
001-53581-4800	Appts To Dept Service Ac	64,116.68
201-00000-1001	Sci Bond Service Cash Acct	134,837.36
	Total	267,077.40

Adjusting Journal Entries JE # 28
PBC - To correct allocation under 2014 state tax ordinance 2014-19 for Rec Center funds overpaid.

001-00000-1001	General Fund - Operating Cash	136,837.35
001-00000-3901	Comm - General Fund	136,837.35
001-53581-4800	Appts To Dept Service Ac	136,837.35
001-00000-1001	Sci Bond Service Cash Acct	273,674.70
	Total	583,367.75

Adjusting Journal Entries JE # 29
PBC - To correct allocation of revenue of FY14 Other AR revenue account for CER water dumps.

001-00000-1001	General Fund - Operating Cash	121,800.00
404-00000-3405	Street Fees	171,850.00
001-00000-3405	Other Street Charge Fees	171,850.00
	Total	465,500.00

PBC - To transfer grant receipts posted to budget in error in FY16 to record as grant revenue

001-00000-1001	General Fund - Operating Cash	39,722.00
155-54110-4000	Advocacy Other Than Blog	39,722.00
001-00000-3900	ATRP-Share Grant	31,122.00
001-00000-1001	Sci Bond Service Cash Acct	37,440.00
	Total	148,006.00

Adjusting Journal Entries JE # 31
PBC - To adjust ambulance revenue

001-00000-1001	General Fund - Operating Cash	1,811.70
001-00000-1001	General Fund - Operating Cash	3,000.10
001-00000-3401	Ambulance Fees	5,930.10
	Total	10,741.90

Adjusting Journal Entries JE # 32
PBC - Client has already posted

001-00000-1001	General Fund - Operating Cash	1,479.57
404-55241-4700	Handling Charges	9,232.68
404-55241-4700	Handling Charges	3,838.42
405-55241-4700	Handling Charges	1,862.15
409-57141-4700	Handling Charges	24,016.68
001-00000-1001	General Fund - Operating Cash	1,479.57
001-00000-1001	General Fund - Operating Cash	9,232.68
404-55241-4700	Street Cash Account	3,838.42
405-55241-4700	Street Cash Account	1,862.15
409-57141-4700	Street Cash Account	24,016.68
	Total	42,233.90

Adjusting Journal Entries JE # 34
PBC - Client has already posted

001-00000-1001	General Fund - Operating Cash	76.46
401-00000-1001	Water Cash Account	471.11
404-00000-1001	Street Cash Account	188.02
405-00000-1001	City Cash Account	1,241.10
001-00000-3900	ATRP-Share Grant	76.46
401-00000-3900	Water Cash Account	471.11
404-00000-3900	Street Cash Account	188.02
405-00000-3900	City Cash Account	1,241.10
	Total	3,078.25

Adjusting Journal Entries JE # 35
PBC - Client has already posted

001-00000-1001	General Fund - Operating Cash	5,706.09
602-00000-1001	Payroll Cash Account	4,643.60
602-00000-1001	Payroll Cash Account	1,201.00
	Total	11,550.69

Adjusting Journal Entries JE # 36
PBC - To adjust cash for net amount of tax payments booked to what actually cleared bank.

602-00000-1004	AP Payroll Cash Account	15,400.70
602-00000-3100	Contributions	11,420.70
	Total	26,821.40

Adjusting Journal Entries JE # 37
PBC - Credit Card Charges for Year, disburse out of Account 200201 Account Other Fund Account

001-51141-0700	Handling Charges	2,501.37
001-00000-1001	General Fund - Operating Cash	2,501.37
001-00000-1001	General Fund - Operating Cash	2,501.37
	Total	7,504.11

Adjusting Journal Entries JE # 38
PBC - To adjust cash for net amount of tax payments booked to what actually cleared bank.

001-00000-1001	General Fund - Operating Cash	314.92
001-00000-1001	General Fund - Operating Cash	314.92
	Total	629.84

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Adjusting Journal Entries, JE # 33

To adjust transfer accounts to agree to related accounts

01-00000-3177	Commo-gas Fund		0.02	
01-00000-3178	Commodities		0.04	
01-00000-3179	Contributions Int.C.		0.06	
Total			0.08	

Adjusting Journal Entries, JE # 42

To correct accruals for interest on bonds

404-00000-1031	Depreciated Equipm.	569,691.00		
404-00000-1031	Salary Sewer System		569,691.00	
Total		569,691.00		569,691.00

Adjusting Journal Entries, JE # 41

To adjust for depreciation on assets

401-5614-4400	Allow. Dep. Equip	469,452.20		
404-00000-1039	Allow. Dep. Sewer System	16,890.19		
404-5117-4400	Depreciation Expense		63,232.00	
405-00000-1039	Allow. Dep. Gas System	9,238.00		
405-5117-4400	Depreciation Expense		19,240.00	
405-00000-1039	Allow. Dep. Equip	11,029.90		
405-5117-4400	Depreciation Expense		633.20	
401-00000-1034	Allow. Dep. Equip		6,926.99	
401-00000-1034	Allow. Dep. Equip		4,712.00	
401-00000-1037	Allow. Dep. Equip		4,262.00	
401-00000-1037	Allow. Dep. Equip		20,817.75	
401-00000-1038	Allow. Dep. Equip		10,961	
404-00000-1039	Allow. Dep. Equip		8,911.63	
404-00000-1039	Allow. Dep. Equip		60,771.00	
404-00000-1039	Allow. Dep. Equip		18,337.00	
404-00000-1039	Allow. Dep. Equip		14,452.00	
405-00000-1039	Allow. Dep. Equip		3,644.00	
405-00000-1039	Allow. Dep. Equip		6,374.00	
405-00000-1039	Allow. Dep. Equip		272.00	
405-00000-1039	Allow. Dep. Equip		24,860.00	
409-00000-1028	Allow. Dep. Equip		5,143.00	
409-00000-1028	Allow. Dep. Equip		56,143.00	
409-00000-1048	Allow. Dep. Equip		1,924.00	
409-5117-4400	Depreciation Expense		12,884.00	
405-00000-1039	Allow. Dep. Equip		3,662.00	
405-00000-1039	Allow. Dep. Equip		14,810.00	
405-00000-1039	Allow. Dep. Equip		10,912.00	
Total		1,932,228.43		1,932,228.43

Adjusting Journal Entries, JE # 42

To correct misposting of PDC entry #23

001-00000-3001	Suspense Item	2,629.90		
001-00000-3001	Cont. Grants		2,629.90	
Total		2,629.90		2,629.90

Adjusting Journal Entries, JE # 43

To transfer funds to eliminate deficit claim on cash in the Sewer and Golf Funds

001-31104-1000	Transfer to Golf Fund	307,000.00		
001-31104-1000	Transfer to Sewer Fund	1,895,000.00		
404-00000-1001	Sewer Cash Account		1,895,000.00	
404-00000-1001	Golf Cash Account		307,000.00	
001-00000-1001	General Fund - Operating Cash		307,000.00	
401-00000-1001	Water Cash Account		1,895,000.00	
404-00000-3173	Commodities Fund		307,000.00	
404-00000-3173	Commodities Fund		307,000.00	
Total		4,404,000.00		4,404,000.00

Adjusting Journal Entries, JE # 46

To adjust for calendar not booked during the year

001-00000-1001	Retainee Check	36,963.87		
001-00000-1001	General Fund - Operating Cash		36,963.87	
Total		36,963.87		36,963.87

Total Adjusting Journal Entries

Total All Journal Entries

		17,294,643.16		17,294,643.16
		17,294,643.16		17,294,643.16



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Mayor and City Council
City of Alexander City

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alexander City (the "City"), as of and for the year-ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2015-001, 2015-005, 2015-006, 2015-008, 2015-009, 2015-011, 2015-012, 2015-013, 2015-014, 2015-015, 2015-017

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2015-002, 2015-003, 2015-004, 2015-007, 2015-010, 2015-016.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-013 and 2015-016.

Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Birmingham, Alabama
October 23, 2017

City of Alexander City
Schedule of Findings and Responses
For the Year-Ended September 30, 2015

2015-001: Lack of internal controls over financial reporting process

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement.

Condition: The City does not have effective controls and procedures to ensure that all accounting transactions are identified and properly recorded in the books and records and that all account balances have been adjusted to reflect appropriate year-end balances.

Cause: The City's controls related to the financial reporting process are either inadequately designed or have not been implemented.

Effect: Management is unable to prepare fairly stated financial statements in accordance with accounting principles generally accepted in the United States (US GAAP). CRI noted multiple instances where transactions and / or significant assets and liabilities had not been recorded in the City's accounting records prior to submitting those records to us for audit. Failure to record these items resulted in material adjustments to the City's financial statements necessary for presentation in accordance with US GAAP.

Recommendation:

The following is our recommended summary of the required financial closing and reporting procedures for all funds:

- a. Reconcile all general ledger accounts to subsidiary records and make necessary adjustments, such as--
 - (1) Cash reconciliations that reconcile from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover potential bank errors.
 - (2) A reconciliation of accounts receivable from the general ledger to the accounts receivable subsidiary ledgers should be prepared to verify that all transactions have been recorded accurately and timely and that any adjustments to, or write-offs of, accounts receivable have been approved by the appropriate levels of management.
 - (3) Inventory quantities should be adjusted to agree with physical inventory counts using the lower of cost or market if necessary.
 - (4) All fixed asset additions, disposals, or transfers should be recorded.
 - (5) Prepaid and intangible assets should be properly recorded and amortized.
 - (6) Depreciation on fixed assets should be calculated and recorded.

2015-001: Lack of internal controls over general ledger (continued)

- (7) Principal payments and interest expense on debt, loans, or notes payable should be recorded.
 - (8) A reconciliation of accounts payable from the general ledger to the outstanding accounts payable registers should be prepared to determine that all additions to, and payments of, accounts payable are correctly recorded and to determine whether there are any disputed items. Also, a periodic review of the City's vendor list should be performed to ensure valid payments are being made for goods and services.
 - (9) Accrued liabilities such as accrued salaries, payroll taxes, compensated absences, and customer utility deposits should be recorded and reconciled to supporting documentation. Customer deposit detail should also be maintained in one subsidiary ledger to enable effective reconciliation
- b. Determine that all transactions have been recorded and posted. Review the transactions for completeness by scanning the ending balances and the transactions posted to each general ledger account to detect unusual entries or unexpected ending balances.
 - c. Complete all payroll processes, including--
 - (1) Reconciliation of payroll subsidiary records to the general ledger
 - (2) Preparation and timely filing payroll tax forms and reports, such as Forms 1099, 941, 940, W-2, and W-3.
 - d. Maintain year-end documents such as the following in order to have a record of historical transactions for the year (they may also be useful during the audit):
 - (1) Accounts receivable--
 - (a) Sales and billing journals.
 - (b) Cash receipts journal.
 - (c) Customer ledgers.
 - (d) Customer statements.
 - (e) Aged accounts receivable trial balance.
 - (f) Invoice register.
 - (2) Accounts payable--
 - (a) Check register.
 - (b) Aged accounts payable trial balance.
 - (c) Forms 1099.

2015-001: Lack of internal controls over general ledger (continued)

(3) Inventory-

- (a) Inventory valuation report.
- (b) Item costing report.
- (c) Inventory unit activity report.
- (e) Inventory obsolescence report.

(4) Payroll-

- (a) Payroll check register.
- (b) Quarterly earnings report.
- (c) Yearly earnings report.
- (d) Payroll tax reports.
- (e) State quarterly report forms.
- (f) Federal forms (940, 941, W-2, and W-3).

(5) General ledger-

- (a) Trial balance.
- (b) Trial balance by report classification.
- (c) Adjusting and closing journal entries.
- (d) Reclassification entries.

- e. Internal reviews of reconciliations, journal entries, supporting schedules, subsidiary journals, and any other documentation necessary to keep accurate books and records should be performed by appropriate levels of management to ensure the accounting function is operating effectively and appropriately. Generally, reviews should be performed by personnel one level above a preparer of a document.
- f. Improvements to the accounting and financial statement reporting procedures should include training for personnel, current and relevant reference materials, and consultation with professionals.

Management's response:

Management is aware of this finding and is in the process of correcting the issues in this area.

2015-002: Develop and Use an Accounting and Finance Procedures Manual

- Criteria:** The City should have a detailed, comprehensive accounting and financial reporting procedures manual in order to have consistency across accounting transactions.
- Condition:** The City does not have an accounting and financial reporting procedures manual in place.
- Cause:** The City has not devoted resources to the development of a comprehensive manual.
- Effect:** The City does not have effective written documentation for these functions of the finance department and other municipal staff, which could lead to error or omissions in the City's financial statements.

Recommendation:

We recommend that management establish a detailed comprehensive and instructional accounting and financial reporting procedures manual, outlining policies and procedures to be followed. Established standard procedures can effectively assist with the following:

- a. Establishing consistent City accounting practices.
- b. Assigning accounting and bookkeeping responsibilities.
- c. Reducing the likelihood of coding errors.
- d. Preparing timely and accurate monthly financial statements.
- e. Management review.
- f. Providing the City with a source of standardized reference information for continuity and training new employees in the event of untimely turnover.

The manual should include, along with a chart of accounts, detailed explanations of account content, appropriate descriptions of all accounting procedures and routines, and definitions of job authority and responsibility. Management should periodically review each department's compliance with standard procedures. Management should also make certain all applicable employees are aware of the accounting procedures manual and adhere to its contents.

The goal of any accounting and financial procedures manual should be to outline the policies and procedures that the accounting staff should follow in order to produce accurate and reliable financial reports that will aid the organization's leadership team in its decision-making. In addition, the manual should document how the City will ensure compliance with regulatory standards.

Management's response:

Management is aware of finding and will consider appropriate steps to correct the issue.

2015-003: Records retention policy

Criteria: The City should have a record retention policy that delineates procedures for retaining, filing, and securing records.
Condition: The City does not have a formal record retention policy in place.
Cause: The City does not have a comprehensive record retention plan.
Effect: The City has not been able to produce certain documents, at least in part, to support its financial statements due to the City lacking a record retention policy.

Recommendation:

We believe that the City should develop and adhere to a formal record retention policy. The City's legal counsel and City Council should be involved in the development process of this policy.

Some important provisions of a document retention policy include the following:

- a. Identity of the types of documents, including email, covered under the policy.
- b. Specification of a retention period for each type of document.
- c. Procedures for storing documents and disposing of them after the specified retention period.
- d. Designation of an individual responsible for enforcement and monitoring new developments that might affect the policy.
- e. Specification of how the policy will be communicated to employees, such as in the employee handbook, by employees' initial and annual or periodic signed acknowledgment of the policy, etc.

In addition, the City should establish a central repository and registry for retained documents.

The goal of any records retention policy is to identify documents that must be retained permanently or temporarily and to provide guidance for the routine and timely disposal of documents which need not be retained for legal or administrative reasons and have no historical value.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-004: Limit Access to Sensitive Information Technology (IT) systems

Criteria: The City should have structured procedures to limit access to financially sensitive information technology (IT) systems.
Condition: The City does not have formal structured procedures to restrict unauthorized access to financially sensitive IT systems.
Cause: The City has inadequately designed controls and policies in place and does not have an effective accounting and finance procedure manual.
Effect: The City has no formal procedures to restrict unauthorized access, creating an opportunity for unauthorized employees to gain access to financially sensitive IT systems.

Recommendation:

The City should develop formal procedures to restrict unauthorized access to financially sensitive IT systems. This could prevent unauthorized employees from gaining access to financially sensitive information. We recommend that the City create an access approval hierarchy and adopt a method of limiting IT access to prevent unauthorized IT access. For instance, authorized users could be put on notice that they are not to allow unauthorized persons to have access to sensitive reports, and the reports could be marked with the names of those authorized to receive them or marked "Confidential" or with similar wording indicating their confidential nature and that they are restricted to authorized personnel. Also, distribution by secure email to the authorized recipients might lessen the chance of the reports becoming available to others.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-005: Identifying, analyzing, and recording decentralized business-type activities

- Criteria:** Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.
- Condition:** The City uses a decentralized accounting system related to business-type activities, which may lead to delay or errors in accurately capturing, analyzing, and recording financial information.
- Cause:** The City uses a decentralized accounting system for business-type activities that does not automatically integrate with the general ledger software package (Springbrook). In many instances, manual entries are required to record transactions of business-type activities in the City's general ledger.
- Effect:** Transactions that occur in business-type funds (e.g., billings and customer deposits) are vulnerable to delay or error in recording due to segregated financial modules and records.

Recommendation:

Improvements should be made to ensure timely awareness and analysis of transactions initiated by non-Finance personnel. Specifically, we recommend that the City implement formal processes to ensure that all of its transactions are accurately captured, analyzed, and recorded in the City's financial records on a timely basis.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-006: Calculation of gross pay

- Criteria:** Management is responsible for the design, implementation, and maintenance of internal control to help ensure that the gross pay of City personnel is calculated properly.
- Condition:** Gross pay was calculated incorrectly in some instances.
- Cause:** The City has inadequately designed controls and policies in place and does not have an effective accounting and financial reporting procedure manual that specifically details the accounting procedures related to the payroll function. The payroll calculation was not reviewed by an employee other than the preparer.
- Effect:** Such calculation errors can cause an over or under payment of wages.

Recommendation:

During our test of payroll, we noted errors in the calculation of gross pay. We recommend that as a routine procedure, the accuracy of the payroll calculation be reviewed by an employee other than the preparer.

Management's response:

The Human Resources department has communicated with Department heads and has implemented controls that have resolved this matter.

2015-007: Lack of personnel file documentation

- Criteria:** Management is responsible for maintaining personnel files that contain comprehensive documentation for each employee.
- Condition:** The employees' personnel files are missing certain documentation in some instances.
- Cause:** The City has inadequately designed controls and policies in place related to personnel file documentation.
- Effect:** Lack of documentation can lead to improper pay, benefits, and other personnel issues.

Recommendation:

We observed eight instances where employees' current job grade and pay rate do not agree with their personnel file documentation. We recommend that personnel files contain updated comprehensive data on each employee, such as, evidence of approved current pay rates, current job grade, signed and dated employment applications, employee evaluations, date of hire, signed withholding forms, and other pertinent employment documents.

Management's response:

Management is aware of the finding and has taken action to correct the issue. The HR department has updated all employees' personnel files with Employee Status Change Forms.

2015-008: Preparation of GAAP financial statements (prior year finding still applicable)

- Criteria:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with US GAAP.

The absence of appropriate controls over the preparation of the financial statements is considered a material weakness because more than a remote likelihood exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

- Condition:** The City cannot produce accounting data and financial information necessary to prepare financial statements that are fairly presented in accordance with US GAAP.

Cause: The City lacks appropriate resources to prepare US GAAP-based financial statements.

Effect: Management is unable to prepare fairly stated financial statements in accordance with accounting principles generally accepted in the United States (US GAAP). CRI noted multiple instances where transactions and / or significant assets and liabilities had not been recorded in the City's accounting records prior to submitting those records to us for audit. Failure to record these items resulted in material adjustments to the City's financial statements necessary for presentation in accordance with US GAAP.

Recommendation:

The City should evaluate its professional needs in the Finance department to determine the resources necessary to provide the level of preparation, review and approval necessary to facilitate the preparation of financial statements that are fairly presented in accordance with US GAAP.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-009: Lack of segregation of duties

- Criteria:** To properly segregate duties, no one person should be involved in multiple functions for financial transactions, such as authorization, execution, recording, reconciling, and reporting.
- Condition:** The City's employees perform incompatible functions in multiple areas that result in a lack of segregation of duties.
- Cause:** The City has inadequately designed controls and policies in place resulting in a lack of segregation of duties.
- Effect:** Lack of segregation of duties may result in the misstatement of financial information as well as loss of City resources through error or theft.

Recommendation:

Segregation of accounting duties is an essential element of effective internal controls, involving the separation of custody of assets from related recording of transactions. Due to the limited number of people working in the Finance department, certain critical duties are combined and assigned to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on employees' daily activities and to maintain the best control system possible. We suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-010: Lack of journal entry approval

- Criteria:** Manual journal entries alter the balances of general ledger accounts without necessarily involving the movement of cash. As such, journal entries should be properly supported by relevant documentation and must be approved by a knowledgeable individual other than the preparer of the entry.
- Condition:** Manual journal entries made into the City's general ledger are not properly approved on a consistent basis.
- Cause:** The City has inadequately designed controls and policies in place related to manual journal entry approval.
- Effect:** Lack of manual journal entry approval may result in the misstatement of financial information.

Recommendation:

We recommend the adoption of a policy whereby all non-standard journal entries must be approved by an appropriate designated member of management who is knowledgeable in the accounting area. All manual entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. All journal entries should also be accompanied by full explanation and by reference to adequate supporting data.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-011: No detailed fixed asset records are maintained (prior year finding still applicable)

- Criteria:** Accurate records of municipal fixed assets are necessary to properly safeguard such assets and to properly report them in the City's financial statements.
- Condition:** The City does not maintain adequate detailed records of all capital assets in service. For the governmental activities, there is a detailed list of equipment but it is not sorted by department and has not been verified by a physical inventory. There is no supporting documentation for the costs of buildings, improvements other than buildings, and infrastructure. Purchased assets have been capitalized but some costs of self-constructed assets have not. The value of most donated assets has not been recorded. For equipment, depreciation by asset has been computed over various lives that are not consistent for similar items. For all other asset types, depreciation is computed in one amount on the total of buildings, improvements other than buildings, and infrastructure using an average life for the group. Depreciation cannot be determined by department or function as is required by US GAAP. For the business-type activities, there are records of additions by fund, asset type and year but not by individual asset. Depreciation is computed using an average life for each year's additions. While system additions that are constructed by outside contractors are capitalized, self-constructed system additions do not include the cost of labor and overhead. Further, the cost of utility systems does not include all costs of extensions donated by developers or individuals and no interest has been capitalized on construction projects. Finally, for both governmental and business-type activities, assets are not depreciated in the year of acquisition and no disposals are recorded.
- Cause:** The City has inadequately designed controls and procedures in place related to fixed asset records.
- Effect:** Lack of detailed fixed asset records may result in the misstatement of financial information.

Recommendation:

We recommend that procedures be established to develop a capital asset accounting system. The initial costs and acquisition date of all assets should be determined. A fixed asset file for each asset containing invoices, construction costs summaries, asset useful life, date placed in service, and other relevant data should be prepared. Depreciation should be calculated using the appropriate estimated lives and the general ledger should be adjusted to the system balances. Monthly entries of changes to capital assets should then be made and reconciled to the general ledger. A work order system should be established to account for the costs of self-constructed assets. Procedures should be established to determine the value of donated assets and to obtain Council acceptance if required.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-012: Capitalization of infrastructure assets – (prior year finding still applicable)

- Criteria:** Governmental accounting standards require that general infrastructure assets acquired after September 30, 1980 and prior to October 1, 2002 be capitalized and depreciated by the year-ended September 30, 2007. Infrastructure, which includes roads, bridges, sidewalks, storm drainage systems, etc. must be identified by the City, inventoried, and valued.
- Condition:** The City did not retroactively record its infrastructure as required by US GAAP.
- Cause:** The City has inadequately designed controls and policies in place related to capitalization of infrastructure assets.
- Effect:** Because neither the cost of infrastructure assets nor the related depreciation has been recorded, the financial statements are materially misstated. As a result, the opinion on the governmental activities is adverse.

Recommendation:

We recommend that the City allocate the resources required to perform an inventory of infrastructure assets and to complete the retroactive recording of the City's infrastructure.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-013: Tracking of federal award assets – (prior year finding still applicable)

- Criteria:** Federal grants that provide funds for asset acquisition require that the grant recipients keep accurate records of all acquisitions and dispositions of equipment and property acquired with federal awards. There are usually restrictions on asset use, transfer, and disposition. In addition, periodic inventories of the assets are required.
- Condition:** While departments have grant files containing asset information, there is no control list of assets acquired with Federal awards and inventories have not been performed.
- Cause:** The City has inadequately designed controls and policies in place. The controls do not adequately ensure compliance with Federal award requirements for equipment and real property management.
- Effect:** Because the required records are not being maintained, this could have a material effect on the financial statements, future grants, and could result in penalties being imposed on the City.

Recommendation:

We recommend that the City develop a control list of all assets acquired with Federal awards and determine the restrictions and requirements for each asset. According to OMB Circular A-133, these records should contain a description (including serial number or other identification number), source of funds, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition date. In addition, a periodic inventory of these assets should be made.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-014: Budget process – (prior year finding still applicable)

- Criteria:** Monitoring processes should be developed to assist in tracking budgeted versus expended amounts.
- Condition:** Departments should not be allowed to overspend their budgets without Council approval.
- Cause:** The City has inadequately designed controls and policies in place related to budget adherence.
- Effect:** Overspending of budgets could result have an adverse effect on the City's cash flows.

Recommendation:

We recommend that management consider developing reports to compare budgeted amounts to actual expenditures for the month and year-to-date. These reports should also include the remaining budget available. Exception reports could also be developed to identify those departments and line items that are projected to exceed the budgeted amounts. Management would then have information to take appropriate action to solve a potential problem or recommend amendments to the budget.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-015: Bank reconciliation process (prior year finding still applicable)

- Criteria:** All transactions should be recorded in the independently balanced general ledger accounts and bank accounts should be reconciled.
- Condition:** In a prior year, the City converted to a new accounting software system that allowed the City to use one shared bank account (pooled cash) for checks and deposits for all of the City's funds. In certain funds, the City has continued to use separate independent bank accounts along with a shared pooled bank account. The City uses spreadsheets outside of the general ledger software package to reconcile the fund's independent bank account along with its shared portion of the pooled cash account. The use of a spreadsheet outside of the City's general ledger framework could cause errors and omissions related to the bank reconciliation process.
- Cause:** The City has inadequately designed controls and policies in place related to bank reconciliations.
- Effect:** The method of bank reconciliation the City uses introduces inefficiencies and errors in cash bookkeeping. In 2015, correcting entries were made but unadjusted immaterial differences are still carried as reconciling items in the cash reconciliation spreadsheets.

Recommendation:

We recommend that all cash activity be recorded in the general ledger and the cash balances be reconciled to the monthly bank statements and adjustments be made on a timely basis. One consistent method of cash management should be adopted by the City – either separate independent bank accounts for all funds or one pooled cash bank account with appropriate bookkeeping for the pooled cash method.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-016: Timely filing with Electronic Municipal Market Access

- Criteria:** As part of the City's compliance with municipal bond requirements, the City must file financial disclosure documents and other information with the Electronic Municipal Market Access (EMMA) repository.
- Condition:** The City is delinquent with its Electronic Municipal Market Access (EMMA) filings.
- Cause:** The City has inadequately designed controls and policies in place related to compliance with municipal bond requirements.
- Effect:** The City will not be in compliance with the Electronic Municipal Market Access (EMMA) filings.

Recommendation:

We recommend implementing procedures to maintain compliance with filing requirements with EMMA.

Management's response:

Management is aware of finding and is in the process of correcting the issue.

2015-017: Lakewinds Golf Course revenue collections

- Criteria:** Management is responsible for the design, implementation, and maintenance of internal control relevant to the transactions of the municipal golf course.
- Condition:** The City does not have effective controls and procedures to ensure that all accounting transactions are identified and properly recorded in the books and records.
- Cause:** The City has inadequately designed controls and policies in place related to golf course revenue collections.
- Effect:** Lack of internal controls and procedures may result in the misstatement of financial information or loss of municipal resources.

In a separate consulting engagement, we reviewed the internal control processes and procedures surrounding the collection, depositing, and recording of revenues at the City's municipal golf course. As a result of that engagement, we identified deficiencies in the control environment that have reportedly existed for the past several years related to the areas outlined below which should be remediated as indicated:

- A) Collections from the Lakewinds Golf Course that were remitted to a revenue clerk at City Hall were held in an unlocked location pending instructions and detail for posting to the general ledger rather than being immediately deposited.

Recommendation

All collected funds should be deposited at the time they are received. The general ledger posting can be made or corrected as necessary afterward.

- B) Employees have been allowed to cash personal checks out of collected funds of all types – golf course collections as well as others.

Recommendation

All collected funds should be deposited intact in the same manner received without exception.

- C) A "petty cash" teller drawer has been maintained at City Hall that contains varying amounts of cash and used as additional funds for change. The cash in this drawer is not included in the general ledger nor are any controls in place over these monies.

Recommendation

Consideration should be given as to whether such a drawer is necessary and, if so, the cash in the drawer should be reflected on the general ledger with proper counts made routinely and subjected to accounting controls as well as physical controls.

- D) Charges paid by credit cards are automatically deposited in the City's bank account. However, the recording of the credit card activity has been incomplete, resulting in the under-recording of revenues.

2015-017: Lakewinds Golf Course revenue collections (continued)

Recommendation

Credit card collections should be recorded on the City's general ledger at least monthly. The bank account should be reconciled to the general ledger each month to verify that all revenues and other activity are properly and fully recorded.

- E) There has been no reconciliation of Golf Course revenues per the general ledger to the course revenue reports.

Recommendation

A reconciliation of revenues should be prepared each month as a part of the month-end closing procedures. Any discrepancies or differences should be immediately investigated and resolved.

- F) Revenue clerks' teller drawers are not locked or secured during the day, making them susceptible to misappropriation and diminishing / eliminating accountability for each clerk's funds.

Recommendation

All cash and checks should be maintained in lockable drawers at all times. If a clerk is not at his or her station, the drawer should be locked.

- G) Revenue clerks routinely work from one another's cash drawer, eliminating personal accountability for collected funds.

Recommendation

Each clerk should be responsible for his or her own cash drawer with no co-mingling of funds or access allowed to other clerks.

- H) At the end of the day, each clerk counts his or her own cash drawer as a part of the process of making the daily deposit.

Recommendation

Cash drawers should be counted by another clerk and reconciled to the collections report in the presence of the clerk who is responsible for the drawer. These counting and reconciliation procedures should be documented in writing by having both parties sign the count sheet.

Management's response:

Management is aware of finding and is in the process of correcting the issues.

