

CITY OF TROY, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

CITY OF TROY, ALABAMA

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SEPTEMBER 30, 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Troy, Alabama, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 of 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 as basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Troy, Alabama, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2014, on our consideration of the City of Troy, 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 in considering the City of Troy, Alabama's internal control over financial reporting and compliance.

Troy, Alabama
March 14, 2014

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Management's Discussion and Analysis

As management of the City of Troy, Alabama, we offer readers of the City of Troy's financial statements this narrative overview and analysis of the financial activities of the City of Troy for the fiscal year ended September 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

The components of the general purpose external financial statements include Management's Discussion and Analysis (MD&A), Basic Financial Statements, and Other Required Supplementary Information (RSI). The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Financial Highlights

- The assets of the City of Troy exceeded its liabilities at the close of the fiscal year by \$89,514,766 (*net position*).
- Net position restricted for future growth of \$16,069,512 is investments in government backed securities in a nonexpendable trust account established by City Ordinance No. 123 and Alabama Act 96-459, that was funded from the net proceeds of the sale of the hospital in 1996. The City can only spend ninety percent of the earnings. Ten percent of the earnings are retained in the trust. The nonexpendable trust can only be spent if approved by a vote of two-thirds (2/3) of the qualified electors in the City of Troy who cast a vote in an election in which such a question appears on the ballot.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,489,779 or 18 percent of total normal General Fund expenditures for the fiscal year.
- The City of Troy's governmental activities indebtedness remained level during the current fiscal year. New notes payable used to finance new equipment was offset by scheduled debt retirement payments.
- The City of Troy signed guarantees on \$17,500,000 in general obligation debt on behalf of the Troy Hospital Health Care Authority. In addition to the guarantees, the City has a 1% sales tax in which the proceeds are being utilized to support the operations of the Hospital.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Troy's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Troy.

Government-wide Financial Statements

The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales and use taxes, and transfers from business-type activities finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water, sewer and electric services offered by the City of Troy.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. The City of Troy, like all other governmental entities in Alabama, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Troy can be divided into two categories: governmental funds and proprietary funds.

The fund financial statements are on Exhibits 3 through 9 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 to basic financial statements for more detailed information on the elements of the financial statements. Table 1 summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements				
	Government-wide	Fund Financial Statements		
	Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary	Activities of the City that are operated similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	- Statement of net position	- Balance sheet - Statement of revenues, expenditures and changes in fund balance	- Statement of net position - Statement of revenues, expenses and changes in net position - Statement of cash flows	- Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	- Revenues for which cash is received during or soon after the end of the year - Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The City of Troy adopts an annual budget for its General Fund, as required by the General Statutes. The budget incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Condensed Financial Information

Condensed Statement of Net Assets

The assets of the City of Troy exceeded its liabilities at the close of the fiscal year by \$89,514,766. The City's net position increased by \$1,820,620 for the fiscal year ended September 30, 2013. However, the largest portion (68%) of total net position reflects the City's current and future investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Troy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Troy's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion (18%) of the City of Troy's net position represents resources that are subject to external restrictions on how they may be used.

Table 2 presents the City's condensed statement of net assets as of September 30, 2013, and 2012, derived from the government-wide Statement of Net Assets.

**Table 2: The City of Troy, Alabama Condensed Statement of Net Assets
As of September 30**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 22,687,512	\$ 25,479,825	\$ 14,380,770	\$ 19,393,588	\$ 37,068,282	\$ 44,873,413
Capital assets	67,048,591	63,208,006	40,304,424	36,132,962	107,353,015	99,340,968
Total Assets	\$ 89,736,103	\$ 88,687,831	\$ 54,685,194	\$ 55,526,550	\$ 144,421,297	\$ 144,214,381
Deferred Outflows:						
Deferred los and bond discounts	\$ 603,218	\$ 606,242	\$ 525,099	\$ 606,904	\$ 1,128,317	\$ 1,213,146
Liabilities:						
Long-term liabilities outstanding	\$ 26,718,524	\$ 28,515,048	\$ 18,050,000	\$ 20,224,986	\$ 44,768,524	\$ 48,740,034
Other liabilities	5,848,090	4,285,968	5,418,234	4,707,379	11,266,324	8,993,347
Total Liabilities	\$ 32,566,614	\$ 32,801,016	\$ 23,468,234	\$ 24,932,365	\$ 56,034,848	\$ 57,733,381
Net Position						
Net Investment in capital assets	\$ 38,485,265	\$ 35,299,200	\$ 22,082,760	\$ 21,511,811	\$ 60,568,025	\$ 56,811,011
Restricted	17,062,331	17,719,058	3,088,872	3,266,237	20,151,203	20,985,295
Unrestricted	2,225,111	3,474,799	6,570,427	6,423,041	8,795,538	9,897,840
Total Net Position	\$ 57,772,707	\$ 56,493,057	\$ 31,742,059	\$ 31,201,089	\$ 89,514,766	\$ 87,694,146

Condensed Statement of Activities

Table 3 presents the City's condensed statement of activities for the fiscal years ended September 30, 2013, and 2012, derived from the government-wide Statement of Activities. Over time, increases and decreases in net position measures whether the City's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased by \$1,279,650 or 2%, and the net position of the business-type increased by \$540,970 or 2%.

Several particular aspects of the City's financial operations influenced the total unrestricted governmental net position:

- Revenues increased due to the improving economic conditions in the City
- Continued low cost of debt due to the City's high bond rating.
- Capital and operating grants were obtained to finance new capital projects and public services.

**Table 3: City of Troy, Alabama Condensed Statement of Activities
For the Fiscal Year Ended September 30**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 1,972,369	\$ 1,558,009	\$ 18,680,134	\$ 18,349,729	\$ 20,652,503	\$ 19,907,738
Operating grants and contributions	598,789	457,049	-	-	598,789	457,049
Capital grants and contributions	1,287,240	3,619,593	979,670	1,458,839	2,266,910	5,078,432
General Revenues:						
Property taxes	1,347,623	1,360,869	-	-	1,347,623	1,360,869
Sales and other taxes	11,858,362	12,104,434	-	-	11,858,362	12,104,434
Investment earnings	112,183	591,928	61,033	95,942	173,216	687,870
Other	1,067,717	644,671	66,879	11,132	1,134,596	655,803
Total Revenues	18,244,283	20,336,553	19,787,716	19,915,642	38,031,999	40,252,195
Expenses:						
General government	1,926,076	3,352,266	-	-	1,926,076	3,352,266
Public safety - police and fire	7,930,418	6,955,415	-	-	7,930,418	6,955,415
Grounds, public works, recycling	4,027,500	3,913,553	-	-	4,027,500	3,913,553
Seniors and nutrition	549,686	472,280	-	-	549,686	472,280
Library and recreation	3,531,720	3,212,004	-	-	3,531,720	3,212,004
Public transportation	525,921	470,300	-	-	525,921	470,300
Municipal courts	482,367	370,170	-	-	482,367	370,170
Healthcare - Hospital Authority	2,807,309	2,833,482	-	-	2,807,309	2,833,482
Economic Dev and other programs	131,253	1,655,389	-	-	131,253	1,655,389
Interest on long-term debt	1,666,867	1,577,902	-	-	1,666,867	1,577,902
Water, sewer and electric	-	-	12,632,262	10,338,993	12,632,262	10,338,993
Total Expenses	23,579,117	24,812,761	12,632,262	10,338,993	36,211,379	35,151,754
Increase (Decrease) in Net Position Before Transfers	(5,334,834)	(4,476,208)	7,155,454	9,576,649	1,820,620	5,100,441
Operating Transfers In (Out)	6,614,484	7,157,730	(6,614,484)	(7,157,730)	-	-
Increase (Decrease) Net Position	1,279,650	2,681,522	540,970	2,418,919	1,820,620	5,100,441
Net Position, October 1	56,493,057	53,811,535	31,201,089	28,782,170	87,694,146	82,593,705
Net Position, September 30	\$ 57,772,707	\$ 56,493,057	\$ 31,742,059	\$ 31,201,089	\$ 89,514,766	\$ 87,694,146

Overall Analysis

Financial highlights for the City as a whole during the fiscal year ended September 30, 2013, include the following:

Governmental activities. Governmental activities increased the City's net position overall by \$1,279,650. Key elements of this increase are as follows:

- Capital and Operating grants were obtained for \$1,886,029 to construct a Senior Nutrition Center, continue the Airport Improvement and Expansion Project, resurface South Brundidge Street, and fund other programs.

Business-type activities: Business-type activities increased the City of Troy's net position by \$540,970. Key elements of this increase are as follows:

- Capital grants were received for \$979,670 to fund Water and Sewer System improvements.
- Long term debt of \$1.375 million was retired out of earnings.

Fund Analysis

Governmental Funds

The focus of the City of Troy's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the City of Troy's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Troy. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,489,779. Unreserved fund balance represents 18 percent of total normal General Fund expenditures. The Fund Balance of all governmental funds decreased by \$2,083,556 due to capital outlay expenditures and retirement of debt. Total fund balance is made up of approximately \$16.5 million in a restricted trust account.

Proprietary Funds

The City of Troy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$6,570,427.

Budget Variances in the General Fund

Budgeted expenditures are based on the estimated revenue receipts as estimated by the City Council. Original expenditures are budgeted for less than total expected resources available. No variances between the original and final budget or between final and actual budget are expected to significantly affect future services or liquidity. For additional information on the budget variances, refer to the budgetary comparison schedule for the General Fund in the Required Supplementary Information.

The City of Troy does not amend the budget during the year. All expenditures/revenues outside the budget are approved by the Council on an individual basis.

- The City had a positive variance of \$557,499 in total revenue budgeted. \$784,629 of this total was from operating and capital grants that were received, but they were not all budgeted for because their approval was not known at the time the budget was prepared.
- Expenses were within tolerable variances except capital outlay projects that were not included on the budget as adopted because they were not known at the time.
- Capital outlay variances were offset by grants, operating transfers, and new debt issues.

Capital Asset and Long-Term Debt Activity

Capital Assets Activity

The City of Troy's investment in capital assets for its governmental and business-type activities as of September 30, 2013, totaled \$107,353,015 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, electric, water, and sewer distribution systems, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction of new buildings of approximately \$1.2 million
- Street resurfacing projects of \$3.2 million
- Purchase of public safety vehicles of \$650,000
- Electric system expansion and upgrades of \$4.9 million

Additional information on the City's capital assets can be found in Note 3 to basic financial statements.

Long-term Debt Activity

As of September 30, 2013, the City of Troy had total bonded debt outstanding of \$44,530,000. Of this, \$25,720,000 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The City's constitutional debt limit as it relates to the incurrence of general obligation debt is twenty percent (20%) of the assessed value of property in the City. However, the following, among other indebtedness, are under existing law not chargeable to the City's constitutional debt limit (a) obligations issued for the purpose of acquiring, providing or constructing schools, water works and sewers; (b) obligations incurred for street or sidewalk improvements where the costs thereof, in whole or in part, are to be assessed against the property abutting such improvements; (c) subject to certain conditions, tax anticipation notes; (d) certain lease obligations; (e) obligations issued to refund other outstanding obligations; and (f) revenue obligations issued for the purpose of extending, enlarging or improving water, electric, gas or sewer systems and payable solely from the revenues of one or more of such systems. By virtue of the exemption granted for the construction of schools, certain debt issues are also not subject to the 20% constitutional debt limit. In addition, pursuant to Section 94.01 of the Constitution of Alabama of 1901 ("Amendment 772"), other general obligation guaranteed bonds and guarantees are also not subject to the 20% constitutional debt limit. However, Amendment 772 imposes a separate constitutional debt limit of 50% for debt issued pursuant to Amendment 772.

Additional information regarding the City of Troy's long-term debt can be found in Note 5 to basic financial statements.

Economic Conditions and Outlook

The local economic outlook for the upcoming years appears very positive, but near-term financial challenges exist because of the continued economic recession around the country. City managers already note fairly aggressive growth in the demand for public services, and given this reality, operating and spending requirements will continue to exert significant pressure on budgetary resources. City leaders must continue to be intentional and conservative when planning, and exercise strong prioritization of spending in 2014 and 2015 because of budgetary constraints.

Budget Highlights for the Fiscal Year Ending September 30, 2014

Governmental Activities: Property taxes are expected to slow due to overall economic conditions and slow down in the housing market. In addition though, sales taxes are expected to increase as a result of the newly located retail outlets within the City. The City will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to stay the same. Increases in employee compensation, including funding compensation and benefits adjustments, are offset by decreases in other expenditures.

Business – type Activities: Water, electric and sewer rates are established by ordinance and were increased in January of 2012. The City will continue to manage higher energy costs through fuel charges and energy cost adjustments.

Contact the City's Financial Management

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City Clerk/Treasurer, City of Troy, Post Office Box 549, Troy, Alabama 36081.

BASIC FINANCIAL STATEMENTS

CITY OF TROY, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 4,064,644	\$ 2,668,019	\$ 6,732,663
Receivables:			
Taxes	2,017,387	-	2,017,387
Utility bills	-	6,328,127	6,328,127
Grants	119,424	-	119,424
Interest receivable	-	12,364	12,364
Inventory	-	1,169,953	1,169,953
Restricted assets - cash, receivables and investments	16,486,057	4,202,307	20,688,364
Fixed assets (net of accumulated depreciation)	67,048,591	40,304,424	107,353,015
Total Assets	\$ 89,736,103	\$ 54,685,194	\$ 144,421,297
Deferred Outflows			
Deferred loss on bond refunding and unamortized bond discount and premium	\$ 603,218	\$ 525,099	\$ 1,128,317
Liabilities			
Accounts payable	\$ 1,348,317	\$ 3,157,765	\$ 4,506,082
Other payables	701,947	-	701,947
Accrued interest payable	168,973	379,222	548,195
Bonds and notes due within one year (net)	1,844,802	760,000	2,604,802
Accrued compensated absences	1,784,051	522,835	2,306,886
Customer deposits	-	598,412	598,412
Bonds and notes due in more than one year (net)	26,718,524	18,050,000	44,768,524
Total Liabilities	\$ 32,566,614	\$ 23,468,234	\$ 56,034,848
Net Position			
Net investment in capital assets	\$ 38,485,265	\$ 22,082,760	\$ 60,568,025
Restricted for:			
Capital projects	583,357	-	583,357
Debt service	409,462	3,088,872	3,498,334
Future growth	16,069,512	-	16,069,512
Unrestricted net position	2,225,111	6,570,427	8,795,538
Total Net Position	\$ 57,772,707	\$ 31,742,059	\$ 89,514,766

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CITY OF TROY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Government Activities:							
General Government - Executive	\$ 1,926,076	\$ 29,995	\$ 67,086	\$ 883,026	\$ (945,969)		\$ (945,969)
Police and Fire	7,930,418	270,377	106,035	30,323	(7,523,683)		(7,523,683)
Public Works, and Recycling	4,027,500	741,392		75,383	(3,210,725)		(3,210,725)
Seniors and Nutrition	549,686		61,611	123,940	(364,135)		(364,135)
Library and Recreation	3,531,720	472,490	28,231	73,000	(2,957,999)		(2,957,999)
Public Transportation	525,921	66,789	335,826	101,568	(21,738)		(21,738)
Municipal Courts	482,367	391,326			(91,041)		(91,041)
Healthcare - Transfer to Hospital Authority	2,807,309				(2,807,309)		(2,807,309)
Economic Development and other programs	131,253				(131,253)		(131,253)
Interest on long-term debt	1,666,867				(1,666,867)		(1,666,867)
Total Governmental Activities	23,579,117	1,972,369	598,789	1,287,240	(19,720,719)	-	(19,720,719)
Business-type Activities:							
Water	2,288,876	2,135,308		418,805		265,237	265,237
Sewer	2,597,631	1,974,259		560,865		(62,507)	(62,507)
Electric	6,409,778	14,570,567				8,160,789	8,160,789
Interest on bonds	1,335,977	-	-	-	-	(1,335,977)	(1,335,977)
Total Business-type Activities	12,632,262	18,680,134	-	979,670	-	7,027,542	7,027,542
Total Primary Government	\$ 36,211,379	\$ 20,652,503	\$ 598,789	\$ 2,266,910	\$ (19,720,719)	\$ 7,027,542	\$ (12,693,177)
General Revenues:							
Property taxes					1,347,623		1,347,623
General sales, use, and gasoline taxes					9,697,692		9,697,692
Utility and franchise taxes					753,835		753,835
Beer, tobacco and lodging tax					682,325		682,325
Licenses and permits					724,510		724,510
Investment earnings					112,183	61,033	173,216
Special item - gain (loss) on sale of fixed assets					79,324	66,879	146,203
Other revenues					988,393		988,393
Total General Revenues					14,385,885	127,912	14,513,797
Transfers					6,614,484	(6,614,484)	-
Change in Net Position					1,279,650	540,970	1,820,620
Net Position - Beginning of Year					56,493,057	31,201,089	87,694,146
Net Position - End of Year					\$ 57,772,707	\$ 31,742,059	\$ 89,514,766

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CITY OF TROY, ALABAMA
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Permanent Fund	Capital Projects	Debt Service	Other Governmental Funds	Total
Assets						
Cash	\$ 2,991,703	\$ 1,827,700	\$ 409,903	\$ -	\$ 663,038	\$ 5,892,344
Property and other taxes receivable	2,001,252	-	-	-	16,135	2,017,387
Grants receivable	-	-	-	-	119,424	119,424
Restricted cash	-	-	-	416,545	-	416,545
Investments	-	14,241,812	-	-	-	14,241,812
Total Assets	\$ 4,992,955	\$ 16,069,512	\$ 409,903	\$ 416,545	\$ 798,597	\$ 22,687,512
Liabilities						
Accounts payable	\$ 1,085,466	\$ -	\$ 56,353	\$ 7,083	\$ 199,415	\$ 1,348,317
Other payables	417,710	-	-	-	151,687	569,397
Total Liabilities	1,503,176	-	56,353	7,083	351,102	1,917,714
Fund Balances						
Restricted:						
Roads and improvements	-	-	353,550	-	182,914	536,464
Corrections	-	-	-	-	-	-
Principal Retained	-	16,069,512	-	-	-	16,069,512
PATS Grant	-	-	-	-	46,893	46,893
Committed:						
Municipal Construction Project	-	-	-	-	-	-
Debt Service Funds	-	-	-	409,462	-	409,462
Assigned:						
Library Operations	-	-	-	-	41,452	41,452
Industrial Development	-	-	-	-	147,024	147,024
Unassigned	3,489,779	-	-	-	29,212	3,518,991
Total Fund Balances	3,489,779	16,069,512	353,550	409,462	447,495	20,769,798
Total Liabilities and Fund Balances	\$ 4,992,955	\$ 16,069,512	\$ 409,903	\$ 416,545	\$ 798,597	\$ 22,687,512

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CITY OF TROY, ALABAMARECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2013

Total Fund Balances - Governmental Fund Types:		\$ 20,769,798
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		67,048,591
Deferred Costs on the issuance of debt are not financial resources and, therefore, are not reported in the funds.		0
Other Post Employment Benefit Accruals are not due and payable and are not reported in the funds.		(132,550)
Long-term liabilities, including accrued absences and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
	Accrued Interest Payable	(168,973)
	Compensated Absences	(1,784,051)
	Current Debt	(1,844,802)
	Long Term Debt	(26,718,524)
	Deferred Loss and Bond Disc	603,218
		<u>(29,913,132)</u>
Net Assets of Government Activities		<u><u>\$ 57,772,707</u></u>

CITY OF TROY, ALABAMA

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

	General Fund	Permanent Fund	Capital Projects	Debt Service	Other Governmental	Total
Revenues:						
Taxes	\$ 11,876,876	\$ -	\$ 407,664	\$ -	\$ 202,563	\$ 12,487,103
Charges for services	1,041,764	-	-	-	539,883	1,581,647
Licenses and permits	724,510	-	-	-	-	724,510
Fines and costs	-	-	-	-	390,722	390,722
Investment income	29,568	79,036	1,485	75	2,019	112,183
Operating and capital grants	1,367,629	-	-	-	518,400	1,886,029
Other revenues	66,486	-	-	559,148	355,140	980,774
Total Revenues	15,106,833	79,036	409,149	559,223	2,008,727	18,162,968
Expenditures:						
General Government - Executive	1,078,363	-	-	-	-	1,078,363
Police and Fire	7,537,595	-	-	-	-	7,537,595
Public Works, and Recycling	3,052,462	-	-	-	-	3,052,462
Seniors and Nutrition	459,216	-	-	-	-	459,216
Library and Recreation	-	-	-	-	2,862,483	2,862,483
Public Transportation	-	-	-	-	518,441	518,441
Municipal Courts	-	-	-	-	476,461	476,461
Health and Welfare - Troy Hospital	2,807,309	-	-	-	-	2,807,309
Economic Development and other programs	109,686	-	-	-	27,538	137,224
Debt Service	-	-	-	2,380,059	165,332	2,545,391
Capital Outlay	3,619,977	-	2,455,928	-	843,746	6,919,651
Total Expenditures	18,664,608	-	2,455,928	2,380,059	4,894,001	28,394,596
Excess of Revenues Over (Under) Expenditures	(3,557,775)	79,036	(2,046,779)	(1,820,836)	(2,885,274)	(10,231,628)
Other Financing Sources (Uses):						
Proceeds from debt	1,411,508	-	-	-	-	1,411,508
Proceeds from sale of assets	104,785	-	-	-	17,295	122,080
Operating transfers in	7,152,636	-	491,122	1,857,925	2,743,510	12,245,193
Contributed capital	-	-	-	-	-	-
Operating transfers out	(5,092,557)	(490,955)	-	-	(47,197)	(5,630,709)
Total Other Financing Sources (Uses)	3,576,372	(490,955)	491,122	1,857,925	2,713,608	8,148,072
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	18,597	(411,919)	(1,555,657)	37,089	(171,666)	(2,083,556)
Fund Balance - Beginning of Year	3,471,182	16,481,431	1,909,207	372,373	619,161	22,853,354
Fund Balance - End of Year	\$ 3,489,779	\$ 16,069,512	\$ 353,550	\$ 409,462	\$ 447,495	\$ 20,769,798

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CITY OF TROY, ALABAMA
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2013**

Net Changes in Fund Balances - Total Governmental Funds \$ (2,083,556)

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. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Depreciation expense	3,040,290	
Capital outlays capitalized	<u>(6,925,622)</u>	3,885,332

In the Statement of Activities, only the gain on the sale of the fixed assets is reported while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost basis of the fixed assets sold. (42,756)

The change in accrued compensated absences does not require the use of financial resources and therefore is not reported as expenditures in governmental funds. This is the amount the accrual decreased for the current period. 53,614

The change in accrued other postemployment benefits does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This is the amount the accrual increased for the current period. -

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Net proceeds from debt	(1,411,508)	
Principal paid less amortization of issue costs	<u>878,524</u>	<u>(532,984)</u>

Change in Net Assets of Governmental Activities \$ 1,279,650

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CITY OF TROY, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

Current Assets:

Cash - gross revenue and maintenance accounts	\$ 2,668,019
Accounts receivable - customers	6,328,127
Interest receivable	12,364
Inventories	1,169,953
Total Current Assets	<u>10,178,463</u>

Restricted Assets - Cash and Investments:

Bond and interest redemptions	918,037
Bond proceeds for construction project	1,113,435
Debt service reserve	2,170,835
Total Restricted Assets - Cash and Investments	<u>4,202,307</u>

Net Property, Plant and Equipment: 40,304,424

Other Assets:

Unamortized bond issuance cost	<u>-</u>
--------------------------------	----------

Total Assets **\$ 54,685,194**

Deferred Outflows

Deferred loss on bond refunding and unamortized bond discount	<u>\$ 525,099</u>
---	-------------------

Current Liabilities (Payable from Current Assets):

Accounts payable and other accrued expenses	\$ 3,157,765
Accrued compensated absences	522,835
Total Current Liabilities (Payable from Current Assets)	<u>3,680,600</u>

Current Liabilities (Payable from Restricted Assets):

Water, electric and sewer revenue bonds payable in one year	760,000
Accrued interest payable on bonds	379,222
Total Current Liabilities (Payable from Restricted Assets)	<u>1,139,222</u>

Long-term Liabilities:

Customers' deposits	598,412
Water, electric and sewer revenue bonds not due in one year	18,050,000
Total Long-term Liabilities	<u>18,648,412</u>

Total Liabilities **\$ 23,468,234**

Net Position:

Net investment in capital assets	22,082,760
Restricted for:	
Debt service	3,088,872
Unrestricted net position	6,570,427
Total Net Position	\$ 31,742,059

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CITY OF TROY, ALABAMASTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**Operating Revenues:**

Electric tolls	\$ 32,271,107
ECA and fuel charge revenue	4,158,671
Less: electric power purchases	(21,914,723)
Water tolls	2,135,308
Sewer charges	1,974,259
Fees and taps	25,229
Other income	30,283
Total Operating Revenues	<u>18,680,134</u>

Operating Expenses:

Personnel	3,045,812
Contractual services	3,454,060
Materials and supplies	1,922,380
Depreciation	2,854,658
Other expenses	19,375
Total Operating Expenses	<u>11,296,285</u>

Operating Income

7,383,849

Nonoperating Revenues (Expenses):

Grant revenue	979,670
Interest income	61,033
Interest on bonds	(1,335,977)
Gain (Loss) on sale of fixed assets	66,879
Total Nonoperating Revenues (Expenses)	<u>(228,395)</u>

Net Income Before Contributions and Transfers

7,155,454

Transfers to general government

(6,614,484)

Changes in Net Assets

540,970

Net Position - Beginning of Year

31,201,089**Net Position - End of Year**\$ 31,742,059

CITY OF TROY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Cash Flows from Operating Activities:	
Receipts from customers	\$ 40,098,181
Payments to suppliers	(27,719,181)
Payments to employees for wages and benefits	(3,045,812)
Other receipts (payments)	30,283
Net Cash Provided (Used) by Operating Activities	<u>9,363,471</u>
Cash Flows from Noncapital Financing Activities:	
Amounts transferred to general government	(6,614,484)
Cash Flows from Capital and Related Financing Activities:	
Proceeds from sale of property and equipment	66,879
Proceeds from capital debt	-
Proceeds from grants	979,670
Purchases of capital assets	(6,982,194)
Principal payments on capital debt	(1,375,000)
Interest paid on capital debt	(896,756)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,207,401)</u>
Cash Flows from Investing Activities:	
Interest received	<u>61,033</u>
Net Increase (Decrease) in Cash and Equivalents	(5,397,381)
Cash and Equivalents - Beginning of Year	<u>12,267,707</u>
Cash and Equivalents - End of Year	<u><u>\$ 6,870,326</u></u>

SUPPLEMENTARY INFORMATION

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 7,383,849
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	2,854,658
(Increase) decrease in:	
Accounts receivable	(466,393)
Accrued interest	(12,364)
Inventories	(366,990)
Increase (decrease) in:	
Accounts payable and expenses	24,471
Compensated absences	(42,310)
Customer deposits	(11,450)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 9,363,471</u></u>

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

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CITY OF TROY, ALABAMA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The accompanying financial statements of the City of Troy, Alabama (the "City") have been prepared in conformity with United States of America generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

NOTE 1 - Summary of Significant Accounting Policies

In 2003, the City implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, entity-wide financial statements, required supplementary information, and the elimination of the effects of the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that entity-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and entity-wide financial reporting as complementary components of a single comprehensive financial reporting model.

(A) Financial Reporting Entity:

The City of Troy, Alabama, was incorporated in 1843. The City operates under the Mayor - Council form of government. As required by United States of America generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Troy and its component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Component units - In conformity with United States of America generally accepted accounting principles, the financial statement of a component unit has been included in the financial reporting entity as a blended component unit.

Blended Component Unit - The City of Troy Public Library is governed by a separate board appointed by the City Council. For financial reporting purposes, the Library is reported as one of the City's Special Revenue Funds due to its financial reliance on support from the City.

CITY OF TROY, ALABAMA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

(B) Basis of Presentation:

Government-Wide Financial Statements

The Government-wide financial statements (statement of net assets and the statement of activities) display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which report fees, fines, and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions, which finance annual operating activities, including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The nonmajor governmental funds consist of the State Gas Tax, Library, Capital Improvements, Public Transportation, Municipal Court, and Recreation special revenue funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Permanent Fund - This fund is used to account for the "City of Troy Investment Trust Fund," which has been reserved for future growth of the City. This trust was created on October 1, 1995 by Ordinance No. 123 passed by the City Council and Act 96-459 as passed by the Alabama State Legislature.

Capital Projects Fund - This fund is used to account for major capital projects.

Debt Service Fund - This fund is used to account for the general obligation debt service activity.

(B) Basis of Presentation (continued)

The City reports the following major proprietary funds:

Water, Electric and Sewer Systems - This fund accounts for the provision of water, electric and sewer services 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, and billing and collection.

(C) Basis of Accounting:

In accordance with Alabama General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

As permitted by United States of America generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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 principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF TROY, ALABAMA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

(D) Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items:

Cash and Cash Equivalents

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

The enterprise fund, for purposes of the statement of cash flows, considers both restricted and unrestricted cash on deposit in demand deposit accounts and time deposit accounts to be cash equivalents. Time certificates of deposit held in banks are carried at cost, which approximates market value. As of September 30, 2013, the carrying amount of the City's deposits with financial institutions in all funds was \$19,070,000. All of the account balances are covered either by federal depository insurance or the "SAFE" program administered by the Alabama state treasurer or are invested in government backed securities.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2013, none of the City's bank balance was exposed to custodial credit risk.

Investments

Investments of Alabama Municipalities are controlled by Alabama Law sections 11-81-19 and 11-81-21 and these statutes authorize the City to invest in certain obligations. Allowable "direct" investments of excess funds that would be in compliance with current state law would be:

- A. Direct obligations of the Department of the Treasury of the United States such as Treasury Bonds, Notes, and Bills.
- B. Obligations of the Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing and Urban Development, or Federal Housing Administration. (Does not include Federal National Mortgage Association)
- C. U.S. Dollar denominated deposit accounts and certificates of deposit with banks or savings associations which are qualified under Chapter 14A of Title 41. (These are banks participating in the "SAFE Program" that secures deposits in excess of \$250,000.)
- D. Pre-refunded public obligations which are not callable, which are fully secured as to principal, interest, and redemption premium by direct obligations of the Department of the Treasury. The pre-refunding fund must be verified as sufficient by an independent certified public accountant and also be rated, based on the escrow, in the highest rating category of Standard & Poor's Corporation and Moody's. (These would be State & Local bonds that have been defeased from the issuer's prospective but are still outstanding and all necessary debt service has been provided for in an escrow fund held by a trustee.)

CITY OF TROY, ALABAMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

(D) Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items, Cont:

E. Interests in a common or collective trust fund maintained by any national or state chartered bank, trust company, or savings association having trust powers, or in any open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 so as long as 65% of these common or collective funds are invested in items approved in items A-D above and not more that 35% is invested solely in obligations issued or guaranteed by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, including participation certificates of these agencies, and also mortgage related securities of FNMA, FHLMC, Federal Land Banks, Student Loan Marketing Association, and Federal Home Loan banks, or repurchase agreements fully collateralized by obligations, securities, or investments otherwise authorized by E as long as the common or collective trust takes possession of the collateral supporting the repurchase agreement.

Investments consist primarily of U.S. Treasury Bonds and U.S. Government Agency Notes and are stated at market. At September 30, 2013, investments consisted of the following investments, all of which were in the Investment Trust Fund, accounted for as a governmental fund type and reported as a permanent fund on the financial statements:

Investment Type	Fair Market	Investment Maturities (in Years)			
	Value	Under 1	1 to 5	6 to 10	More than 10
Alabama Municipal Bonds	695,209	-	-	-	695,209
Corporate Obligations	275,250	-	-	275,250	-
U.S. Government Agencies	13,231,450	38,721	2,775,241	2,583,923	7,833,565
Totals	14,201,909	38,721	2,775,241	2,859,173	8,528,774

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

Credit Risk- State law limits investments as described above, the City does not have a formal investment policy that would further limit its investment choices.

Concentration of Credit Risk- The City places no limit on the amount the City may invest in any one issuer.

Interfund Transactions

Interfund transactions are reflected as transfers.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles of zero. The City considers accounts receivable to be fully collectible.

Inventory

Inventory of the Water, Electric and Sewer Systems is valued at the lower of cost or market on the first-in, first-out method. Inventory consisted of materials and supplies necessary for maintenance of the Water, Electric and Sewer Systems.

Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

CITY OF TROY, ALABAMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

(D) Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items, Cont:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. The City maintains infrastructure asset records with all other capital assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital 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 of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Passenger Vehicles	7
Large Vehicles	15
Furniture and Fixtures	10
Buildings and Improvements	30
Streets and Sidewalks	12
Computers	5
Small Equipment	7
Large Equipment	15
Book Inventory	10
Water, Sewer and Electric System	20 - 40

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. Liabilities for all vacation and a portion of sick leave amounts are reported in governmental funds only if they have matured.

Long-term Obligations

In the government-wide financial statements and 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

(D) Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items, Cont:

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

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net assets.

Net Position/Fund Equity

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is classified as a net investment in capital assets, restricted; and unrestricted.

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents net assets of the City not restricted for any project or other purpose.

In 2011 the Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions became effective. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The City has adopted to follow this Statement and use the following fund balance categories below:

Nonspendable fund balance is associated with inventories, prepaids, long-term loans, and notes receivable, these are assets that are not readily available to fund current operational expenditures.

Restricted fund balance classification includes amounts that can be spent only for the specific purposes as stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action or resolution of the City Council (the City's highest level of decision-making authority).

Assigned fund balance classification includes amounts that are intended to be used by the government for specific purposes as determined by the City Council but do not meet the criteria to be classified as restricted or committed.

(D) Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items, Cont:

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Debt Service

The restricted for debt service portion of net position represents funds being held by the bond trustee reserved for the payment of revenue bond obligations of the City. At September 30, 2013, the City has a debt service reserve of \$3,498,334.

Designated for Capital Improvements

Certain appropriations for capital improvements which have not been started or completed have been carried forward as designations of fund balance for completion in subsequent budget years.

Capitalization of Interest Revenue and Expense - Proprietary Funds

It is the policy of the City to capitalize, during the period of significant construction only, interest on projects of the Water, Electric and Sewer Systems proprietary fund. During the fiscal year ended September 30, 2013, there were no interest costs required to be capitalized.

Accumulated Unpaid Employee Benefits

At September 30, 2013, the Governmental Fund liability amounted to \$1,784,051 and the Enterprise Fund liability amounted to \$522,835. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable, if any.

Restricted Assets

Restricted assets are liquid assets that have third party limitations on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project.

The governmental and enterprise funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt. The City also considers cash proceeds from bonds issued designated for construction projects to be restricted assets.

(E) Use of Estimates:

The preparation of financial statements in conformity with United States of America 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.

NOTE 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the year ended September 30, 2013 expenditures over revenues for governmental funds were \$2,083,556. The excess expenditures were mainly due to capital outlay expenditures and debt service payments that were funded by cash reserves on hand from prior year.

CITY OF TROY, ALABAMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 2 - Stewardship, Compliance, and Accountability, Cont:

Reclassifications and Eliminations

Internal balances - amounts reported in the fund financial statements as interfund receivables and payable are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities, except for the net amount of transfers between governmental and business-type activities, which are reported as transfers - internal activities.

The effect of interfund services between funds is not eliminated in the statement of activities.

NOTE 3 - Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

Primary Government	Beginning			Ending
Governmental Activities:	Balance	Additions	Reductions	Balance
Capital Assets Not Being Depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	3,726,883	14,539	-	3,741,422
Right of ways and easements	7,743,986	60,150	-	7,804,136
Total Capital Assets Not Being Depreciated	\$ 11,470,869	\$ 74,689	\$ -	\$ 11,545,558
Capital Assets Being Depreciated:				
Autos and trucks	\$ 5,152,132	\$ 1,440,029	\$ (392,754)	\$ 6,199,407
Furniture and fixtures	378,379	92,952	-	471,331
Buildings and improvements	46,622,441	1,217,172	-	47,839,613
Equipment	3,987,017	659,263	(64,089)	4,582,191
Books	1,893,407	-	-	1,893,407
Street and drainage improvements	43,071,231	3,215,684	-	46,286,915
Total Capital Assets Being Depreciated	\$101,104,607	\$ 6,625,100	\$ (456,843)	\$ 107,272,864
Less Accumulated Depreciation for:				
Autos and trucks	\$ 3,329,262	\$ 594,366	\$ (354,000)	\$ 3,569,628
Furniture and fixtures	151,822	20,779	-	172,601
Buildings and improvements	16,165,105	1,473,337	-	17,638,442
Equipment	3,321,236	259,474	(64,089)	3,516,621
Books	1,753,174	44,819	-	1,797,993
Street improvements	24,427,032	647,514	-	25,074,546
Total Accumulated Depreciation	49,147,631	3,040,289	(418,089)	51,769,831
Total Capital Assets Being Depreciated, net	51,956,976	3,584,811	(38,754)	55,503,033
Governmental Activities Capital Assets, net	\$ 63,427,845	\$ 3,659,500	\$ (38,754)	\$ 67,048,591

CITY OF TROY, ALABAMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 3 - Capital Assets, Cont:

	Beginning Balance	Additions	Reclass/ Reductions	Ending Balance
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Row and easements	382,943	-	-	382,943
Land	198,095	-	-	198,095
Total Capital Assets Not Being Depreciated	\$ 581,038	\$ -	\$ -	\$ 581,038
Capital Assets Being Depreciated:				
Automotive equipment	\$ 1,819,380	\$ 691,012	\$ (254,593)	\$ 2,255,799
Furniture and fixtures	1,111,420	275,674	-	1,387,094
Buildings	2,387,739	13,156	-	2,400,895
Equipment	1,179,668	-	-	1,179,668
Electric distribution system	23,780,817	4,882,925	-	28,663,742
Water distribution system	16,000,386	331,589	-	16,331,975
Sewer distribution system	24,455,205	870,531	-	25,325,736
Total Capital Assets Being Depreciated	\$ 70,734,615	\$ 7,064,887	\$ (254,593)	\$ 77,544,909
Less Accumulated Depreciation for:				
Automotive equipment	\$ 940,126	\$ 320,364	\$ (215,829)	\$ 1,044,661
Furniture and fixtures	882,375	110,207	-	992,582
Buildings	893,119	111,479	-	1,004,598
Equipment	641,972	92,496	-	734,468
Electric distribution system	10,581,821	751,332	-	11,333,153
Water distribution system	7,379,121	605,280	-	7,984,401
Sewer distribution system	13,864,160	863,500	-	14,727,660
Total Accumulated Depreciation	35,182,694	2,854,658	(215,829)	37,821,523
Total Capital Assets Being Depreciated, net	35,551,921	4,210,229	(38,764)	39,723,386
Business-type Activities Capital Assets, net	\$ 36,132,959	\$ 4,210,229	\$ (38,764)	\$ 40,304,424
Governmental Activities - Depreciation Expense:				
General Government - Executive			\$ 854,053	
Police and Fire			466,457	
Grounds, Public Works, and Recycling			1,065,914	
Seniors and Nutrition			84,848	
Library and Recreation			552,308	
Public Transportation			13,396	
Municipal Courts			1,738	
Other Programs			1,575	
Total Depreciation Expense - Governmental Activities			\$ 3,040,289	
Business-type Activities - Depreciation Expense:				
Utility systems and equipment			\$ 2,854,658	
Total Depreciation Expense - Business-type Activities			\$ 2,854,658	
Total Depreciation Expense			\$ 5,894,947	

NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 4 - Long-Term Debt

Long-term liability activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General obligation bonds	\$ 26,820,000	\$ -	\$ 1,100,000	\$ 25,720,000	\$ 1,270,000
General obligation notes payable	1,735,036	1,411,508	309,038	2,837,506	290,465
	28,555,036	1,411,508	1,409,038	28,557,506	1,560,465
Less: Deferred loss on refunding	240,727	-	25,895	214,832	-
Bond discount	405,501	-	17,114	388,387	-
Total Bonds and Notes Payable	27,908,808	1,411,508	1,366,029	27,954,287	1,560,465
Other Liabilities:					
Compensated absences	1,837,666	-	53,615	1,784,051	-
Long-term Liabilities	\$ 29,746,474	\$ 1,411,508	\$ 1,419,644	\$ 29,738,338	\$ 1,560,465
Business-type Activities:					
Bonds and Notes Payable:					
Water, electric and sewer bonds	\$ 20,185,000	\$ -	\$ 1,375,000	\$ 18,810,000	\$ 760,000
	20,185,000	-	1,375,000	18,810,000	760,000
Plus: Bond premium	2,953	-	2,953	-	-
Less: Deferred loss on refunding	282,235	-	32,266	249,969	-
Bond discount	287,636	-	12,506	275,130	-
Total Bonds and Notes Payable	19,618,082	-	1,333,181	18,284,901	760,000
Other Liabilities:					
Customer Deposits	609,862	-	11,450	598,412	-
Long-term Liabilities	\$ 20,227,944	\$ -	\$ 1,344,631	\$ 18,883,313	\$ 760,000

Bonds payable at September 30, 2013 are comprised of the following individual issues:

Primary Government

Governmental Activities:

\$5,940,000 General Obligation Warrants, Series 2005, due in installments varying from \$165,000 to \$450,000 from August 1, 2006 through August 1, 2025; interest 3.20% to 5.00%	3,340,000
\$5,850,000 General Obligation Warrants, Series 2010, due in installments varying from \$210,000 to \$415,000 from 2013 to 2032; interest 2% to 4.5%.	5,640,000
\$5,315,000 General Obligation Warrants, Series 2011A, due in installments varying from \$565,000 to \$1,520,000 from 2024 to 2031; interest 4.25% to 5.0%.	5,315,000

NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 4 - Long-Term Debt, Continued

\$4,005,000 General Obligation Warrants, Series 2011B, due in installments varying from \$135,000 to \$285,000 from 2014 to 2034; interest 2.0% to 5%.	4,005,000
\$8,480,000 General Obligation Warrants, Series 2012, due in installments varying from \$530,000 to \$960,000 from 2013 to 2023; interest 1.8% to 2.6%.	7,420,000
	<u>\$ 25,720,000</u>

Business-type Activities

Revenue Bonds:

\$1,620,000 Subordinated Water, Electric, Sewer Revenue Warrant, Series 2009-CWSRF/ARRA-DL, due in varying installments through 2030; interest at 3.5%	1,445,000
\$205,000 Subordinated Water, Electric, Sewer Revenue Warrant, Series 2009-DWSRF/ARRA-DL, due in varying installments through 2030; interest at 3.5%	185,000
\$7,885,000 Water, Electric, and Sewer Revenue Bonds, Series 2004, due in varying installments through June 1, 2014; interest at 2.0% to 4.5%	210,000
\$17,870,000 Water, Electric, and Sewer Revenue Warrants, Series 2011, due in varying installments through 2029: interest at 2.0% to 4.75%	16,970,000
	<u>\$ 18,810,000</u>
Total General Obligation and Revenue Bonds	\$ 44,530,000
Plus Unamortized bond premium	-
Less Unamortized bond discount and deferred loss	(1,128,318)
Net General Obligation and Revenue Bonds	<u>\$ 43,401,682</u>

The annual requirements to amortize all long-term bonded debt outstanding as of September 30, 2013, including interest payments of \$21,735,851 are as follows:

For the Year Ending September 30,	General Obligations			Revenue Obligations		
	Principal	Interest	Total Payments	Principal	Interest	Total Payments
2014	1,270,000	929,635	2,199,635	760,000	800,855	1,560,855
2015	1,295,000	895,661	2,190,661	560,000	776,756	1,336,756
2016	1,330,000	860,960	2,190,960	580,000	759,668	1,339,668
2017	1,370,000	825,235	2,195,235	595,000	741,955	1,336,955
2018	1,410,000	785,610	2,195,610	610,000	723,480	1,333,480
2019-2023	7,635,000	3,306,754	10,941,754	3,400,000	3,290,743	6,690,743
2024-2028	6,115,000	2,063,862	8,178,862	4,145,000	2,541,086	6,686,086
2029-2033	5,010,000	655,666	5,665,666	4,805,000	1,493,168	6,298,168
2034-2035	285,000	14,250	299,250	3,355,000	270,507	3,625,507
	<u>\$ 25,720,000</u>	<u>\$ 10,337,633</u>	<u>\$ 36,057,633</u>	<u>\$ 18,810,000</u>	<u>\$ 11,398,218</u>	<u>\$ 30,208,218</u>

NOTE 4 - Long-Term Debt, Continued

Notes payable at September 30, 2013 are comprised of the following individual issues:

Primary Government

Governmental Activities:

Troy Bank & Trust, due in 120 monthly payments of \$7,269, including interest at a rate of 2.25%, collateralized by equipment	740,974
First National Bank of Brundidge, due in monthly payment of \$12,777, including interest at 3.25%, collateralized by equipment	249,377
South Alabama Electric Coop, due in June of 2016, interest free collateralized by spec building	600,000
South Alabama Electric Cooperative, due in monthly installments of \$7,083 interest free until 2021	616,250
Total General Fund	<u><u>\$ 2,206,601</u></u>

The annual requirements to amortize all long-term note debt outstanding as of September 30, 2013, including interest payments of \$88,457 are as follows:

Maturing September 30,	Principal	Interest	Payments
2014	290,465	20,955	311,420
2015	296,865	15,877	312,742
2016	159,566	12,660	172,226
2017	761,296	10,930	772,226
2018	163,030	9,195	172,225
2019-2021	535,379	18,840	554,219
	<u><u>\$ 2,206,601</u></u>	<u><u>\$ 88,457</u></u>	<u><u>\$ 2,295,058</u></u>

Other Long-Term Debt Related:

Revenue Obligations - There is \$918,036 on deposit in bond and interest redemption accounts and \$2,170,835 on deposit in debt service reserve accounts to service the revenue bonds of the Water, Electric and Sewer System. All requirements of the revenue bond indentures have been complied with.

NOTE 5 - Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 5 - Interfund Transactions, Continued

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 7,105,440	\$ 5,052,685
Debt Service	1,857,925	-
Permanent Fund	-	490,955
Capital Improvements	491,122	-
Library	623,967	-
Recreation	1,806,429	-
Public Transportation	161,340	-
Municipal Court	111,902	-
<u>Proprietary Funds:</u>		
Water, Electric and Sewer	-	6,614,485
Total Transfers	<u>\$ 12,158,125</u>	<u>\$ 12,158,125</u>

NOTE 6 - Customers' Deposits - Proprietary Fund

No restricted bank account is maintained to hold customers' deposits. The deposits at September 30, 2013, which total \$598,412, are included in the operating cash and constitute a portion of the current assets shown in these statements.

NOTE 7 - Accumulated Patronage Capital Credits

The City has accumulated patronage capital credits on the books of the Alabama Electric Cooperative, Andalusia, Alabama, totaling \$238,449 at September 30, 2013. This amount is not included in these statements because the eventual redemption of these capital credits is unknown. The City accumulated these patronage capital credits by purchasing electricity from the South Alabama Electric Cooperative. The City began purchasing power from the South Alabama Electric Cooperative in 1965.

NOTE 8 - Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial insurance coverage to effectively manage risk.

NOTE 9 - Litigation

There are no claims that have been determined to have a possible unfavorable outcome that would require payment by, or result in a loss to, the City of Troy. Therefore, no disclosure of ongoing litigation is required.

NOTE 10 - Guarantees and Commitments

As of October 1, 2013, the City is obligated under an agreement with Troy University to provide a debt service payment of \$325,000 on their behalf, on June 1, 2014.

The City has guaranteed debt in the amount of \$345,000 for Pike County Economic Development Corporation.

The City has guaranteed debt of \$17,500,000 on behalf of the Troy Hospital Health Care Authority.

NOTE 11 - Property Taxes

Pike County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation on the behalf of the cities in its jurisdiction. The following dates are applicable to property taxes:

Lien date	Oct. 1
Levy date	Oct. 1
Due date	Dec. 31
Collection date	Oct. 1 - Dec. 31

All property taxes are recognized in compliance with National Council on Governmental Accounting Interpretation No. 3, which states that such revenue should be recorded when it becomes measurable and available. Available means due, past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

NOTE 12 - Pension and Retirement Plan

Employees of the City participate in the Employees' Retirement System operated by the State of Alabama (ERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for qualified persons employed by the state, state police, and on an elective basis, cities, counties, towns and quasi-public organizations. The pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for ERS.

Employee participation requires contributions of 5% for non safety employees and 6% for safety employees, of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 13.64% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the ERS.

For 2013 the City's annual pension cost of \$1,294,003 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2012 actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included: (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75 - 7.25% per year, and (c) no cost of living adjustment. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the City's assets was determined using the 5-year smoothed market value of investments.

Six Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2007	\$ 1,087,820	100%	\$ -
9/30/2008	\$ 1,185,806	100%	\$ -
9/30/2009	\$ 1,385,856	100%	\$ -
9/30/2010	\$ 1,408,849	100%	\$ -
9/30/2011	\$ 1,470,408	100%	\$ -
9/30/2012	\$ 1,294,003	100%	\$ -

NOTE 12 - Pension and Retirement Plan, Continued

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded (Assets in Excess of AAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2007	\$ 27,816,463	\$ 39,789,372	\$ 11,972,909	69.90%	\$ 8,977,326	133.40%
9/30/2008	\$ 28,502,786	\$ 41,844,377	\$ 13,341,591	68.10%	\$ 9,502,454	140.40%
9/30/2009	\$ 28,867,382	\$ 44,453,375	\$ 15,585,993	64.90%	\$ 9,611,424	162.20%
9/30/2010	\$ 28,653,159	\$ 45,743,284	\$ 17,090,125	62.60%	\$ 9,910,199	172.40%
9/30/2011	\$ 28,009,265	\$ 47,323,140	\$ 19,913,875	59.30%	\$ 9,964,586	193.80%
9/30/2012	\$ 27,028,394	\$ 45,646,473	\$ 18,618,079	59.20%	\$ 9,290,128	200.40%

NOTE 13 - Other Post Employment Benefits

Plan Description: The City of Troy provides medical/dental benefits to eligible retirees. All active employees who retire directly from the City and meet the eligibility criteria of 10 years of service and attainment of age 60 or 25 years of service at any age, may continue to remain under the current health coverage until age 65. The retiree is required to pay the full active participant contribution rate for the coverage elected and the City does not directly subsidize the cost of coverage for any retirees. The OPEB cost to the City consists solely of an "Implicit Rate Subsidy".

Funding Policy: The contribution requirements of plan members and the City is based on a "pay-as-you-go" financing requirement and may be amended by the Mayor and City Council at any time. Retirees currently pay 100% of the single coverage and/or family coverage. There is no direct subsidy by the City for retirees.

Annual OPEB Cost: The City's postemployment benefits accrual, the Annual Required Contribution (ARC), include both the value of the benefits earned during the year (Service Cost) and an amortization of the Unfunded Actuarial Accrued Liability (UAAL). The City's Service Cost for the year was determined to be \$108,654 and the UAAL based on a 30 year amortization was \$147,191 for a total ARC of \$255,845. The annual OPEB Cost reflects an adjustment for the obligation including both an interest adjustment and amortization of the prior year OPEB obligation. For 2012 these were both \$0 so the total annual OPEB Cost is equal to the ARC of \$255,845.

Net Other Post-employment Benefit Obligation (NOO): The table below shows the City's NOO for the fiscal year ending September 30, 2012:

Annual OPEB Cost (AOC)	\$ 255,845
Net OPEB Payments*	<u>(79,262)</u>
Change in Net OPEB Obligation	\$ 176,583
Beginning Net OPEB Obligation	-
Ending Net OPEB Obligation	<u><u>\$ 176,583</u></u>

* - The net OPEB payments include the implicit rate subsidy of \$79,262 and actual employer contributions of \$0

NOTE 13 - Other Post Employment Benefits, Continued

The following table shows the City's annual post employment benefits cost, percentage of the cost contributed, and the net unfunded post employment benefits liability.

<u>Fiscal Year</u>	<u>Annual Cost</u>	<u>Contributed Percentage</u>	<u>Net OPEB Obligation</u>
9/30/2012	\$ 255,845	30.98%	\$ 176,583

Funded Status and Funding Progress: In the fiscal year September 30, 2013 the City made no contributions to its post employment benefits plan. This plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 1, 2011, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$2,557,694, which is defined as that portion, as determined by a particular actuarial cost method (the City used the Projected Unit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan has not been funded, the entire AAL of \$2,557,694 is unfunded. The covered payroll was \$9,749,860 and the unfunded AAL as a percentage of covered payroll was 26.23%.

Actuarial Methods and Assumptions: Actuarial valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the City and the employees) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility consistent with the long-term perspective of the calculations.

The ARC for the plan was determined as part of the November 15, 2012 actuarial valuation using the projected unit cost method. The actuarial assumptions included a level dollar, open basis amortization of the UAAL over a 30 year period, a discount rate of 4%, and a healthcare cost trend rate of 7.5% for FY 2012 grading to 5% for FY 2016.

There is no separate, audited GAAP-basis postemployment benefit report available.

NOTE 14 - Cash and Equivalents, Cash Flow Statement

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, deposits, short-term investments and cash and investments with fiscal agents. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Proprietary fund cash and equivalents consist of the following:

Petty cash	\$ 980
Revenue and maintenance accounts	2,667,040
Reserved for principal and interest redemption	918,036
Reserved for debt service	2,170,835
Reserved for capital projects	1,113,435
Total Proprietary Fund Cash and Equivalents	<u>\$ 6,870,326</u>

NOTE 15 - Discretely Presented Component Unit (Troy Hospital Healthcare Authority)

The Troy Hospital Health Care Authority (Hospital) is a legally separate organization whose board was appointed by the City. The City is not able to impose its will on the component unit because the City cannot remove member's of the Hospital's governing board at will, does not modify the budget of the Hospital, or overrule the decisions made by the Hospital's board. In addition, the Hospital's board not the City, makes decisions about the day-to-day operations of the organization. However, a financial burden relationship exists because the City has guaranteed loans and appropriates sales tax funds to the Hospital. These payments are reflected as Health and Welfare expenditures from the primary government to the component unit. Because the Hospital has a December 31 fiscal year-end, which is different from the City's fiscal year-end, transfers between the primary government and the component unit are different on each unit's financial statements.

The following presentation includes summarized financial statements of the Troy Hospital Healthcare Authority. Complete audited financial statements from the component unit can be obtained from the administrative office at the following address - The Troy Hospital Healthcare Authority, 1330 Hwy 231 South, Troy, Alabama 36081

TROY HOSPITAL HEALTH CARE AUTHORITY	
STATEMENT OF NET ASSETS - DECEMBER 31, 2012	
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 670,944
Patient accounts receivable, net of allowance for contractual and bad debt	1,906,719
Accounts receivable - other	454,363
Supplies inventory	736,194
Prepaid expenses	324,551
Total current assets	4,092,771
Capital assets:	
Land	950,000
Depreciable capital assets, net of accumulated depreciation	12,615,365
Total Capital assets, net of accumulated depreciation	13,565,365
Total assets	\$ 17,658,136
<u>LIABILITIES</u>	
Current liabilities (payable from current assets):	
Accounts payable and accrued expenses	2,749,783
Current maturities of long-term debt	235,428
Current portion of long-term capital lease obligations	432,794
Total current liabilities (payable from current assets)	3,418,005
Long-term liabilities:	
Long-term debt, net of current maturities	14,425,059
Capital lease obligations, net of current portion	841,958
Total long-term liabilities	15,267,017
Total liabilities	18,685,022
Net assets:	
Invested in capital assets, net of related debt	2,162,506
Unrestricted net assets	(3,189,392)
Total net assets	(1,026,886)
Total liabilities and net assets	\$ 17,658,136

NOTE 15 - Discretely Presented Component Unit (Troy Hospital Healthcare Authority) Continued

TROY HOSPITAL HEALTH CARE AUTHORITY	
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS	
FOR THE YEAR ENDED DECEMBER 31, 2012	
Operating revenues:	
Net patient service revenue, net of provision for bad debts and contractals	\$ 25,499,763
Other operating revenues	460,101
Total operating revenues	<u>25,959,864</u>
Operating expenses:	
Salaries and wages	13,684,541
Employee benefits	2,475,960
Supplies	3,269,297
Purchased services and physician fees	3,490,070
Repairs and maintenance	651,888
Physician recruiting	170,681
Leases and rentals	552,133
Other operating expenses	1,571,975
Depreciation and amortization	1,303,965
Total operating expenses	<u>27,170,510</u>
Operating income (loss)	<u>(1,210,646)</u>
Nonoperating revenues (expenses):	
Gain/(Loss) on sale of fixed asset	-
Interest income	5,941
Interest expense	(632,948)
Total nonoperating revenues (expenses)	<u>(627,007)</u>
Excess of expenses over revenues before transfers	<u>(1,837,653)</u>
Other financing sources:	
Transfers in from City of Troy	2,815,709
Net increase (decrease) in net assets	<u>978,056</u>
Net assets at beginning of year	<u>(2,004,942)</u>
Net assets at end of year	<u><u>\$ (1,026,886)</u></u>

NOTE 16 - Subsequent Events

The City has evaluated events subsequent to the balance sheet date through the date of the auditors' report, which is the date through which the report was available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TROY, ALABAMA
BUDGET TO ACTUAL COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 12,128,154	\$ 12,128,154	\$ 11,876,876	\$ (251,278)
Charges for services	1,076,780	1,076,780	1,041,764	(35,016)
Licenses and permits	693,700	693,700	724,510	30,810
Investment income	50,000	50,000	29,568	(20,432)
Operating and capital grants	583,000	583,000	1,367,629	784,629
Other	17,700	17,700	66,486	48,786
Total Revenues	<u>14,549,334</u>	<u>14,549,334</u>	<u>15,106,833</u>	<u>557,499</u>
Expenditures:				
General Government - Executive	1,564,545	1,564,545	1,078,363	486,182
Police and Fire	7,058,945	7,058,945	7,537,595	(478,650)
Public Works, and Recycling	2,759,840	2,759,840	3,052,462	(292,622)
Seniors and Nutrition	439,635	439,635	459,216	(19,581)
Library and Recreation	-	-	-	-
Public Transportation	-	-	-	-
Municipal Courts	-	-	-	-
Health and welfare - payment to Troy Regional Medical Center	2,900,000	2,900,000	2,807,309	92,691
Economic development and other programs	149,000	149,000	109,686	39,314
Debt Service	-	-	-	-
Capital Outlay	1,645,500	1,645,500	3,619,977	(1,974,477)
Total Expenditures	<u>16,517,465</u>	<u>16,517,465</u>	<u>18,664,608</u>	<u>(2,147,143)</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,968,131)	(1,968,131)	(3,557,775)	(1,589,644)
Other Financing Sources (Uses):				
Proceeds from debt	730,000	730,000	1,411,508	681,508
Proceeds from sale of assets	20,000	20,000	104,785	84,785
Operating transfers in	7,262,485	7,262,485	7,152,636	(109,849)
Contributed capital	-	-	-	-
Operating transfers out	(4,765,024)	(4,765,024)	(5,092,557)	(327,533)
Total Other Financing Sources (Uses)	<u>3,247,461</u>	<u>3,247,461</u>	<u>3,576,372</u>	<u>328,911</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	1,279,330	1,279,330	18,597	(1,260,733)
Fund Balance - Beginning of Year	<u>3,471,182</u>	<u>3,471,182</u>	<u>3,471,182</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,750,512</u>	<u>\$ 4,750,512</u>	<u>\$ 3,489,779</u>	<u>\$ (1,260,733)</u>

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CITY OF TROY, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION AND OTHER POST EMPLOYMENT BENEFITS
 SEPTEMBER 30, 2013

1. SCHEDULE OF FUNDING PROGRESS - EMPLOYEES RETIREMENT SYSTEM OF ALABAMA - CITY OF TROY:

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded (Assets in Excess of AAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2006	1	\$ 26,025,017	\$ 37,491,928	\$ 11,466,911	69.40%	\$ 8,973,474	127.80%
9/30/2007		\$ 27,816,463	\$ 39,789,372	\$ 11,972,909	69.90%	\$ 8,977,326	133.40%
9/30/2008		\$ 28,502,786	\$ 41,844,377	\$ 13,341,591	68.10%	\$ 9,502,454	140.40%
9/30/2009		\$ 28,867,382	\$ 44,453,375	\$ 15,585,993	64.90%	\$ 9,611,424	162.20%
9/30/2010	2	\$ 28,653,159	\$ 45,640,347	\$ 16,987,188	62.80%	\$ 9,910,199	171.40%
9/30/2010	2,3	\$ 28,653,159	\$ 45,743,284	\$ 17,090,125	62.60%	\$ 9,910,199	172.40%
9/30/2011	4	\$ 28,009,265	\$ 47,231,749	\$ 19,222,484	59.30%	\$ 9,964,586	192.90%
9/30/2012	3,5	\$ 27,028,394	\$ 45,646,473	\$ 18,618,079	59.20%	\$ 9,290,128	200.40%

- 1 - Reflects changes in actuarial assumptions
- 2 - Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011
- 3 - Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning 10/1/2011 and by an additional 0.25% beginning 10/1/2012
- 4 - Reflects changes in actuarial assumptions
- 5 - Reflects changes to interest smoothing methodology

2. SCHEDULE OF FUNDING PROGRESS OTHER POST EMPLOYMENT BENEFITS:

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded (Assets in Excess of AAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2011		\$ -	\$ 2,557,694	\$ 2,557,694	0.00%	\$ 9,749,860	26.23%

CITY OF TROY, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2013

A. Budgets and Budgetary Accounting

The procedures established by the City Council in adopting the budgetary data reflected in the financial statements are as follows:

1. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.

The Mayor is authorized to transfer budgeted amounts between departments within any fund and approve reductions of budgeted amounts. All other unencumbered appropriations lapse at year-end. Encumbered amounts are re-appropriated in the ensuing fiscal year budget.

Budgets are adopted for all governmental fund types and are prepared on a basis consistent with United States of America generally accepted accounting principles. Budget amounts are as originally adopted.

Basis of Accounting

The City's budget is prepared on the modified accrual basis for all budgeted funds, including the major fund, General, as presented in the Budget to Actual Comparison Statement - General Fund of the Required Supplemental Information.

B. Pension Plan Information and Actuarial Assumptions

Valuation Date	9/30/2012
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Open
Remaining amortization period	30 Years
Asset Valuation method	5-year smoothed market
Actuarial Assumptions:	
Net investment rate of return	8.00%
Projected Salary Increases	3.75 -7.25%
Inflation	3.00%
Cost of Living Adjustments	None

C. Other Post Employment Benefits Information and Actuarial Assumptions

Valuation Date	10/1/2011
Actuarial Cost Method	Projected Unit Cost
Amortization Method	Level Dollar, Open
Remaining amortization period	30 Years
Discount Rate	4.00% (1% real rate of return plus 3% inflation)
Healthcare Cost Trend Rate	7.5% for FY 2012 grading to 5% level in FY 2016

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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**

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Troy, Alabama, as of, and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Troy, Alabama's basic financial statements and have issued our report thereon dated March 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Troy, Alabama's internal control over financial reporting 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 of Troy, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Troy, Alabama's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

March 14, 2014
Troy, Alabama

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**STATEMENT OF INDEPENDENT AUDITORS'
QUALIFICATIONS PURSUANT TO
YELLOW BOOK STANDARDS**

Gibson & Carden, L.L.C., Certified Public Accountants hereby affirms that it meets the auditing standards generally accepted in the United States of America regarding continuing professional education and peer review as defined by Government Auditing Standards (the Yellow Book). We affirm that all staff assigned to the audit of the City of Troy for the year ended September 30, 2013 met both the 2-year, 80 hour continuing professional education requirement and the 2-year, 24 hour governmental auditing and accounting continuing professional education requirement.

In addition, our firm has met the requirement to have an on-site peer review once every three years. Our review was conducted on September 8, 2012 and we received a "PASS" report.

CITY OF TROY, ALABAMA
 Other Governmental Fund Balance Sheet
 Combining Worksheets
 SEPTEMBER 30, 2013

	2013						Other Governmental Total
	Gas Tax Fund	Library	Recreation	PATS	Municipal Court	Industrial Dev Board	
Assets							
Cash	\$ 166,779	\$ 65,808	\$ 110,123	\$ 10,106	\$ 163,198	\$ 147,024	\$ 663,038
Property and other taxes receivable	16,135	-	-	-	-	-	16,135
Grants receivable	-	-	45,000	74,424	-	-	119,424
Restricted cash	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Total Assets	\$ 182,914	\$ 65,808	\$ 155,123	\$ 84,530	\$ 163,198	\$ 147,024	\$ 798,597
Liabilities							
Accounts payable	\$ -	\$ 11,718	\$ 129,414	\$ 30,756	\$ 27,527	\$ -	\$ 199,415
Other payables	-	12,638	25,709	6,881	106,459	-	\$ 151,687
Deferred revenues	-	-	-	-	-	-	-
Total Liabilities	-	24,356	155,123	37,637	133,986	-	351,102
Fund Balances							
Restricted:							
Roads and improvements	182,914	-	-	-	-	-	\$ 182,914
Corrections	-	-	-	-	-	-	-
Principal Retained	-	-	-	-	-	-	-
PATS Grant	-	-	-	46,893	-	-	46,893
Committed:							
2010 Bond Issue Proceeds	-	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-	-
Assigned:							
Library Operations	-	41,452	-	-	-	-	41,452
Industrial Development	-	-	-	-	-	147,024	147,024
Unassigned	-	-	-	-	29,212	-	29,212
Total Fund Balances	182,914	41,452	-	46,893	29,212	147,024	447,495
Total Liabilities and Fund Balances	\$ 182,914	\$ 65,808	\$ 155,123	\$ 84,530	\$ 163,198	\$ 147,024	\$ 798,597

CITY OF TROY, ALABAMA

Other Non Major Funds Combining Statement

Special Revenue Funds

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2013						
	Gas Tax Fund	Library	Recreation	PATS	Municipal Court	Industrial Dev Board	Other Governmental Total
Revenues:							
Taxes	\$ 176,710	\$ 25,853	\$ -	\$ -	\$ -	\$ -	\$ 202,563
Charges for services	-	10,406	462,688	66,789	-	-	539,883
Licenses and permits	-	-	-	-	-	-	-
Fines and costs	-	-	-	-	390,722	-	390,722
Investment income	238	2	-	-	-	1,779	2,019
Operating and capital grants	-	8,598	73,000	436,802	-	-	518,400
Other	-	787	122,200	-	604	231,549	355,140
Total Revenues	176,948	45,646	657,888	503,591	391,326	233,328	2,008,727
Expenditures:							
General Government - Executive	-	-	-	-	-	-	-
Police and Fire	-	-	-	-	-	-	-
Grounds, Public Works, and Recycling	-	-	-	-	-	-	-
Seniors and Nutrition	-	-	-	-	-	-	-
Library and Recreation	-	635,509	2,226,974	-	-	-	2,862,483
Public Transportation	-	-	-	518,441	-	-	518,441
Municipal Courts	-	-	-	-	476,461	-	476,461
Economic development and other programs	-	-	-	-	-	27,538	27,538
Debt Service	-	-	-	-	-	165,332	165,332
Capital Outlay	346,415	86,744	254,638	126,960	-	28,989	843,746
Total Expenditures	346,415	722,253	2,481,612	645,401	476,461	221,859	4,894,001
Excess (Deficiency) of Revenues Over Expenditures	(169,467)	(676,607)	(1,823,724)	(141,810)	(85,135)	11,469	(2,885,274)
Other Financing Sources (Uses):							
Proceeds from debt	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	17,295	-	-	-	17,295
Operating transfers in	-	623,967	1,806,429	161,340	151,774	-	2,743,510
Operating transfers out	-	-	-	-	(39,872)	(7,325)	(47,197)
Total Other Financing Sources (Uses)	-	623,967	39 1,823,724	161,340	111,902	(7,325)	2,713,608

Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(169,467)	(52,640)	-	19,530	26,767	4,144	(171,666)
Fund Balance - Beginning of Year	<u>352,381</u>	<u>94,092</u>	<u>-</u>	<u>27,363</u>	<u>2,445</u>	<u>142,880</u>	<u>619,161</u>
Fund Balance - End of Year	<u><u>\$ 182,914</u></u>	<u><u>\$ 41,452</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,893</u></u>	<u><u>\$ 29,212</u></u>	<u><u>\$ 147,024</u></u>	<u><u>\$ 447,495</u></u>

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS
