

**CITY OF BAYOU LA BATRE
ALABAMA**

ANNETTE JOHNSON, MAYOR

Financial Statements

September 30, 2016

CITY COUNCIL:

**AUSTIN COLLIER
GEORGE RAMIRES
KIMBERLYN BARBOUR
IDA MAE COLEMAN
VIRGINIA BRYANT**

**BETANCOURT AND KING
Certified Public Accountants**

**THE CITY OF
BAYQU LA BATRE, ALABAMA**

SEPTEMBER 30, 2016

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BETANCOURT AND KING

CERTIFIED PUBLIC ACCOUNTANT

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MOBILE, ALABAMA 36606

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Bayou La Batre
Bayou La Batre, Alabama

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bayou La Batre, as of and for the year ended September 30, 2016, which collectively comprises 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 the internal controls 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

INDEPENDENT AUDITOR'S REPORT- continued

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion the financial statements referred to the above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bayou La Batre, Alabama as of September 30, 2016 and the results of its operations and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

Our audit of the City of Bayou La Batre for September 30, 2016 was made for the purpose of forming an opinion of the financial statements taken as a whole. The supplemental financial information and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the City of Bayou La Batre. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The City of Bayou La Batre has not presented Management Discussion and Analysis or Budgetary Comparison Schedule that the Governmental Accounting Standards Board has determined is necessary to supplement the basic financial statements, although not required to be part of the financial statements.

W. Betancourt
BETANCOURT & KING
Certified Public Accountant
Mobile, Alabama

August 6, 2018

THE CITY OF BAYOU LA BATRE, ALABAMA
Statement of Net Position
September 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash	\$ 273,429.43	\$ 13,391.52	\$ 286,820.95
Restricted cash	201,406.13	-	201,406.13
Receivables	484,224.95	-	484,224.95
Inventory	5,670.00	-	5,670.00
Total current assets	<u>964,730.51</u>	<u>13,391.52</u>	<u>978,122.03</u>
Noncurrent assets			
Non-depreciable capital assets	407,675.31	2,268,390.60	2,676,065.91
Depreciable capital assets (net)	4,826,245.37	9,325,082.20	14,151,327.57
Total noncurrent assets	<u>5,233,920.68</u>	<u>11,593,472.80</u>	<u>16,827,393.48</u>
Total assets	<u>6,198,651.19</u>	<u>11,606,864.32</u>	<u>17,805,515.51</u>
Deferred outflows	269,219.00	-	269,219.00
LIABILITIES			
Current liabilities			
Accounts payable	454,953.38	-	454,953.38
Accrued liabilities	-	-	-
Current portion of long-term debt	29,460.20	-	29,460.20
Line of credit	255,250.00	-	255,250.00
Total current liabilities	<u>739,663.58</u>	<u>-</u>	<u>739,663.58</u>
Non-current liabilities			
Compensated absences	306,946.43	-	306,946.43
Pension retirement	606,015.00	-	606,015.00
Non-current portion of long-term obligations	81,027.03	-	81,027.03
Total non-current liabilities	<u>993,988.46</u>	<u>-</u>	<u>993,988.46</u>
Total liabilities	<u>1,733,652.04</u>	<u>-</u>	<u>1,733,652.04</u>
Deferred inflows	-	-	-
NET POSITION			
Net Investment in capital assets	5,123,433.45	11,593,472.80	16,716,906.25
Restricted	(711,555.30)	1,994.11	(709,561.19)
Unrestricted	322,340.00	11,397.41	333,737.41
Total net position	<u>\$ 4,734,218.15</u>	<u>\$ 11,606,864.32</u>	<u>\$ 16,341,082.47</u>

See Auditor's Report and notes to financial statements.

THE CITY OF BAYOU LA BATRE, ALABAMA
Statement of Net Position
Governmental Funds
September 30, 2016

	General Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 265,407.34	\$ 22.68	\$ 7,999.41	\$ 273,429.43
Restricted cash	146,773.71	-	54,632.42	201,406.13
Taxes receivable	303,122.64	-	5,817.56	308,940.20
Receivables from other governmental units	22,929.08	-	-	22,929.08
Inventories	5,670.00	-	-	5,670.00
Total assets	<u>743,902.77</u>	<u>22.68</u>	<u>68,449.39</u>	<u>812,374.84</u>
Deferred outflows	-	-	-	-
Total assets and deferred outflows	<u>743,902.77</u>	<u>22.68</u>	<u>68,449.39</u>	<u>812,374.84</u>
LIABILITIES				
Accounts payable	446,446.27	-	8,507.11	454,953.38
Total liabilities	<u>446,446.27</u>	<u>-</u>	<u>8,507.11</u>	<u>454,953.38</u>
Deferred inflows	-	-	-	-
Total liabilities and deferred inflows	<u>446,446.27</u>	<u>-</u>	<u>8,507.11</u>	<u>454,953.38</u>
FUND BALANCES				
Restricted for:				
Public safety	94,267.69	-	-	94,267.69
Public works	-	-	59,942.28	59,942.28
Culture, recreation and health	-	22.68	-	22.68
Unassigned	203,188.81	-	-	203,188.81
Total fund balances	<u>297,456.50</u>	<u>22.68</u>	<u>59,942.28</u>	<u>357,421.46</u>
Total liabilities and fund balances	<u>\$ 743,902.77</u>	<u>\$ 22.68</u>	<u>\$ 68,449.39</u>	<u>\$ 812,374.84</u>

See independent auditor report and notes to financial statements.

THE CITY OF BAYOU LA BATRE, ALABAMA
Reconciliation of Fund Balance with Net Position
Of Governmental Activities Schedules
September 30, 2016

Fund balances of governmental funds \$ 357,421.46

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Governmental capital assets	10,278,989.99	
Less accumulated depreciation	(5,045,069.31)	
	<u>5,233,920.68</u>	5,233,920.68

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrual of retirement	(606,015.00)	
Line of credit	(255,250.00)	
Accrued interest	(870.83)	
Capital lease obligations	(110,487.23)	
Compensated absences	(306,946.43)	
Deferred outflows not on funds	269,219.00	
	<u>(1,010,350.49)</u>	(1,010,350.49)

Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the governmental funds.

Total Net Position of Governmental Activities

153,226.50
\$ 4,734,218.15

See independent auditor report and notes to financial statement.

THE CITY OF BAYOU LA BATRE, ALABAMA
Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds
For the Year Ended September 30, 2016

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,577,799.13	\$ -	\$ 78,096.97	\$ 2,655,896.10
Licenses and permits	450,836.06	-	-	450,836.06
Fines and forfeitures	102,295.47	-	-	102,295.47
Federal and state assistance	21,623.11	-	36,468.00	58,091.11
Rentals	18,916.06	-	-	18,916.06
Charges for services	100,683.37	-	-	100,683.37
Other grants and contributions	34,833.33	-	-	34,833.33
Other	293,733.09	-	-	293,733.09
Total revenues	<u>3,600,719.62</u>	<u>-</u>	<u>114,564.97</u>	<u>3,715,284.59</u>
EXPENDITURES				
Current:				
General government	492,745.22	-	-	492,745.22
Public safety	1,901,347.64	-	-	1,901,347.64
Public works	474,101.25	-	54,881.49	528,982.74
Culture, recreation and health	280,948.46	-	31,429.19	312,377.65
Capital expenditures	22,277.20	-	-	22,277.20
Debt service:				
Principal	253,915.65	-	-	253,915.65
Interest and other charges	12,367.21	153.00	-	12,520.21
Total expenditures	<u>3,437,702.63</u>	<u>153.00</u>	<u>86,310.68</u>	<u>3,524,166.31</u>
Excess (deficiency) of revenues over expenditures	<u>163,016.99</u>	<u>(153.00)</u>	<u>28,254.29</u>	<u>191,118.28</u>
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>163,016.99</u>	<u>(153.00)</u>	<u>28,254.29</u>	<u>191,118.28</u>
Fund balances - beginning	134,439.51	175.68	31,687.99	166,303.18
Fund balances - ending	<u>\$ 297,456.50</u>	<u>\$ 22.68</u>	<u>\$ 59,942.28</u>	<u>\$ 357,421.46</u>

See independent auditor report and notes to financial statements.

THE CITY OF BAYOU LA BATRE, ALABAMA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund balances
to the Statement of Net Position
For the Year Ended September 30, 2016

Net change in fund balances - total governmental funds \$ 191,118.28

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report the outlays for of capital assets as expenditures. In contrast, the statement of net position reports the cost of those assets are capitalized and depreciated over their useful lives.

Expenditures for capital assets	(145,722.80)	
Less depreciation expense	<u>(408,289.45)</u>	
		(554,012.25)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of net position when earned. 200,936.19

Governmental funds report long-term debt as current financial resources. (166,991.68)

Proceeds from debt obligations provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.

Principal payments - bonds and warrants payable	190,000.00	
Principal payments - capital lease obligations	28,402.00	
Principal payments - note payable	<u>159,481.60</u>	
		377,883.60

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

Change in accrued interest	870.83	
Change in compensated absences	<u>(2,995.98)</u>	
		<u>(2,125.15)</u>

Change to net assets of governmental activities		<u><u>\$ 46,808.99</u></u>
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See independent auditor report and notes to financial statements.

THE CITY OF BAYOU LA BATRE, ALABAMA
Statement of Net Position
Proprietary Fund
September 30, 2016

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>City Docks</u>	<u>Alternative Housing Pilot Program</u>	
ASSETS			
Current assets:			
Cash	\$ 13,391.52	\$ -	\$ 13,391.52
Total current assets	<u>13,391.52</u>	<u>-</u>	<u>13,391.52</u>
Noncurrent assets			
Land	400,752.25	1,000,638.35	1,401,390.60
Buildings	1,144,429.67	12,388,511.00	13,532,940.67
Playground equipment	-	137,197.09	137,197.09
Construction in progress	867,000.00	-	867,000.00
Less: accumulated depreciation	<u>(1,144,429.67)</u>	<u>(3,200,625.89)</u>	<u>(4,345,055.56)</u>
Total noncurrent assets	<u>1,267,752.25</u>	<u>10,325,720.55</u>	<u>11,593,472.80</u>
Total assets	<u>1,281,143.77</u>	<u>10,325,720.55</u>	<u>11,606,864.32</u>
LIABILITIES			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,267,752.25	10,325,720.55	11,593,472.80
Restricted	1,994.11	-	1,994.11
Unrestricted	11,397.41	-	11,397.41
Total net position	<u>\$ 1,281,143.77</u>	<u>\$ 10,325,720.55</u>	<u>\$ 11,606,864.32</u>

See independent auditors report and notes to financial statement.

THE CITY OF BAYOU LA BATRE, ALABAMA
Statement of Revenues, Expenditures and Changes in Net Assets
Of Proprietary Funds
For the Year Ended September 30, 2016

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>City Docks</u>	<u>Alternative Housing Pilot Program</u>	
OPERATING REVENUES			
Rentals	\$ 56,387.38	\$ -	\$ 56,387.38
Total operating revenues	<u>56,387.38</u>	<u>-</u>	<u>56,387.38</u>
OPERATING EXPENSES			
Depreciation	-	422,096.59	422,096.59
Miscellaneous	64,627.03	-	64,627.03
Repairs and maintenance	159.99	-	159.99
Total operating expenses	<u>64,787.02</u>	<u>422,096.59</u>	<u>486,883.61</u>
Operating (loss)	<u>(8,399.64)</u>	<u>(422,096.59)</u>	<u>(430,496.23)</u>
Net change in net position	(8,399.64)	(422,096.59)	(430,496.23)
Total net position - beginning	1,289,543.41	10,747,817.14	12,037,360.55
Total net position - ending	<u>\$ 1,281,143.77</u>	<u>\$ 10,325,720.55</u>	<u>\$ 11,606,864.32</u>

See independent auditor report and notes to financial statements.

THE CITY OF BAYOU LA BATRE, ALABAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	<u>City Docks</u>	<u>Alternative Housing Pilot Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 57,489.88	\$ -
Cash paid to vendors	(65,160.88)	-
Total Operating Revenues	<u>(7,671.00)</u>	<u>-</u>
Cash flows from noncapital financing activities		
Transfer (to) other funds	-	-
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	-	-
Cash received from other governments	-	-
Net cash provided by capital and related financing activities	-	-
Net decrease in cash	(7,671.00)	-
Cash at beginning of year	<u>21,062.52</u>	<u>-</u>
Cash at end of year	<u><u>13,391.52</u></u>	<u><u>-</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating (loss)	(8,399.64)	(422,096.59)
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	-	422,096.59
Decrease in accounts receivables	1,102.50	-
Decrease in accounts payable	(373.86)	-
Net cash provided by operating activities	<u><u>\$ (7,671.00)</u></u>	<u><u>\$ -</u></u>

See independent auditor report and notes to financial statements.

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

Organization

The City of Bayou La Batre, Alabama (the City) was incorporated on July 17, 1955 under the provisions of Title 37 of Alabama Code 1940. The City operates under a mayor-council form of government. The City engages in municipal services, including public safety, street and drainage, culture, recreation and health, public improvements, planning and zoning, and general administrative.

Reporting Entity

The primary government is the City of Bayou La Batre, Alabama.

There are several organizations which are either Boards or Authorities operating within the City. For an organization to be a material component unit, the City must factually be financially accountable for such organizations. For the year ended September 30, 2016, these organizations were not component units of the City of Bayou La Batre:

1. The Water Supply Board of the City of Bayou La Batre
2. Bayou La Batre Housing
3. The Utilities Board of the City of Bayou La Batre

Complete financial statements of these organizations can be read at their respective locations.

The Utilities Board of the City
of Bayou La Batre
13321 North Wintzell Avenue
Bayou La Batre, Alabama 36509

The Water Supply Board of the
City of Bayou La Batre
13321 North Wintzell Avenue
Bayou La Batre, Alabama 36509

Bayou La Batre Housing Authority
8871 Highway 188
Irvington, Alabama 36544

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – ORGANIZATION AND REPORTING ENTITY - continued

Other Organizations

Financial statements of the organizations below are not included because city officials simply make appointments to their Boards.

1. City of Bayou La Batre Public Library Board
2. Medical Clinic Board (Mostellar Clinic)
3. Industrial Development Board
4. Port Authority

In conclusion, the City does not have material component units for the year September 30, 2016.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Statement of Net Position and Fund Accounting

The accounting policies of the City of Bayou La Batre conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures (or expenses, as appropriate). Government resources are to be spent and spending activities controlled.

Government Fund Types

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

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal, regulatory or administrative action. Special revenue funds used by the City are considered non-major except for the Grant Fund. The taxes accounted for are 4 cent, 5 cent and 7 cent.

THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a matter similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges; or (b) wherein the governing body has decided that periodic determination of revenue earned, expenses or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. This is the accrual method. The City Docks and Alternative Housing Pilot Program (land and buildings) are major funds. See page 11 and 12.

The fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements in which case GASB prevails.

Budgets

The City has adopted a budget for the year September 30, 2016.

Cash and Investments

The City's policy is to limit the investment of its excess funds to time deposits, money market funds, certificates of deposit, and repurchase agreements.

Revenue Recognition

The property tax calendar for the City is as follows: The levy date, the assessment date, and the lien date are all the same date - October 1. On October 1, the assessed value of all property is multiplied by the applicable rates to levy the property tax. On that date, the City has a lien (a legal claim) against the property. The property tax is not due until October 1 the following year. The property tax is paid in arrears between October 1 and December 31. After December 31, it is delinquent.

Other material revenue which is susceptible to accrual includes gross receipts, interest income, and state-shared revenue. Revenue which is not both available and measurable and is thus not susceptible to accrual includes property and franchise taxes, licenses and permits, and fines and forfeitures.

THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

Capital Assets

For a schedule of Capital Assets accounting, see Note 6.

In the Statement of Net Position, fixed expenditures are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated fixed assets are recorded at their estimated fair market value on the date of donation.

Prior to October 1, 2003, governmental funds infrastructure assets were not capitalized. In accordance with GASB Statement No. 34, infrastructure assets acquired on or after October 1, 2003 will be capitalized.

Depreciation is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the State of Net Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Infrastructure (drainage, streets, bridges, sidewalks and docking)	25-50 years
Machinery and equipment	5-10 years
Vehicles	5 years
Office furniture and equipment	5 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in statement of net position financial statements.

Compensated Absences

The City follows the Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, which requires that accrued liabilities for future vacations and sick leaves be recorded to the extent the future leaves 1) relate to rights attributable to employee services already rendered, 2) relate to rights that vest or accumulate, 3) where payment is probable and 4) where amounts can be reasonably estimated.

The liability for compensated absences is recorded as long-term debt in the statement of net position financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, amounts that would normally be paid with expendable available financial resources are recorded in the General Fund. Amounts paid or payable within 60 days are deemed to be payable from expendable financial resources.

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

Equity Classifications

Statement of Net Position Financial Statements

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net assets - Consist of net assets with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not being used by the City.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the proprietary funds consider cash and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 3 - NET ASSETS AND FUND EQUITY CLASSIFICATION

In the statement of net position statement of net assets, fund equity is referred to as net assets and is segregated into the following three components; 1) amount invested in capital assets, net of related debt, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 - NET ASSETS AND FUND EQUITY CLASSIFICATION- continued

In the governmental fund statements and schedules, the focus is more on near-term liquidity. GASB statement No. 54 *Fund Balance Reporting and Government Fund Definitions*, establishes new classifications for fund balances. Fund balances are now segregated into the following five components:

- 1) *Nonspendable fund balance* - the most restrictive category is for amounts in the fund balance that are not in spendable form, such as prepaid items, inventory and permanently restricted funds.
- 2) *Restricted fund balances* - for amounts constrained to specific purposes by their providers, (such as grantors or bond holders), through constitutional provisions or enabling legislation. These are primarily amounts subject to externally enforceable legal restrictions.
- 3) *Committed fund balance* - for amounts constrained by the City using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose, unless the City takes the same highest-level action to remove or change the constraint. In order to commit balances, the City must take formal action prior to the close of the fiscal year.
- 4) *Assigned fund balance* - for amounts the City intends to use for a specific purpose; intent can be expressed by Council or Council may delegate authority to an official other body.
- 5) *Unassigned fund balance* - for amounts that are not constrained in any of the ways previously mentioned and are available for any purpose. These amounts are only reported in the General Fund.

The City Council establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed asset, construction, debt service or other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first of committed funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS

The City's primary government deposits were fully insured or collateralized at September 30, 2016. At September 30, 2016, the carrying amount of the City's deposits was \$474,835.56. Each of the banks holding the City's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledge failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

NOTE 5 - RECEIVABLES

Receivables at September 30, 2016 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Receivables			
Taxes	\$ 303,122.64	\$ -	\$ 303,122.64
Receivables from other governmental units	22,929.08	-	22,929.08
Gross receivables	<u>326,051.72</u>	<u>-</u>	<u>326,051.72</u>
Allowance for uncollectibles	-	-	-
Net receivables	<u>\$ 326,051.72</u>	<u>\$ -</u>	<u>\$ 326,051.72</u>

Substantially all receivables were collected subsequent to year end.

Accounts receivable risk - The City gives credit to its customers who are usually businesses and residents located within the City. However, the majority of receivables were collected in 2016.

THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2016:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Disposals/ Retirements	
Governmental Activities:				
Land	\$ 300,851.00	\$ -	\$ -	\$ 300,851.00
Buildings & improvements	2,896,234.67	-	-	2,896,234.67
Infrastructure	4,085,199.50	-	-	4,085,199.50
Construction in progress	106,824.31	-	-	106,824.31
Leasehold improvements	214,906.12	-	-	214,906.12
Machinery & equipment	1,693,735.44	9,277.20	168,000.00	1,535,012.64
Office furniture & equipment	179,516.27	-	-	179,516.27
Vehicles	947,445.48	13,000.00	-	960,445.48
	<u>10,424,712.79</u>	<u>22,277.20</u>	<u>168,000.00</u>	<u>10,278,989.99</u>
Less accumulated depreciation				
Buildings & improvements	1,322,733.48	71,998.61	-	1,394,732.09
Infrastructure	1,135,341.78	160,934.06	-	1,296,275.84
Leasehold improvements	75,821.07	13,612.96	-	89,434.03
Machinery & equipment	1,275,075.18	139,977.44	-	1,415,052.62
Office furniture & equipment	153,488.76	7,279.47	-	160,768.23
Vehicles	674,319.59	48,086.91	33,600.00	688,806.50
Total accumulated depreciation	<u>4,636,779.86</u>	<u>441,889.45</u>	<u>33,600.00</u>	<u>5,045,069.31</u>
Capital assets, net	<u>\$ 5,787,932.93</u>	<u>\$ (419,612.25)</u>	<u>\$ 134,400.00</u>	<u>\$ 5,233,920.68</u>

Depreciation and/or amortization expense was charged to governmental activities as follows:

General government	\$ 165,900.73
Public safety	153,936.26
Public works	57,124.95
Culture & recreation	64,927.51
Total depreciation expense	<u>\$ 441,889.45</u>

THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – CAPITAL ASSETS - continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Ending Balance</u>
Business-type Activities				
Land	\$ 1,401,390.60	\$ -	\$ -	\$ 1,401,390.60
Buildings & improvements	13,532,940.67	-	-	13,532,940.67
Playground equipment	137,197.09	-	-	137,197.09
Construction in progress	867,000.00	-	-	867,000.00
	<u>15,938,528.36</u>	<u>-</u>	<u>-</u>	<u>15,938,528.36</u>
Less accumulated depreciation				
Buildings & improvements	3,922,958.97	422,096.59	-	4,345,055.56
Capital assets, net	<u>\$ 12,015,569.39</u>	<u>\$ (422,096.59)</u>	<u>\$ -</u>	<u>\$ 11,593,472.80</u>

NOTE 7 – LONG-TERM DEBT

The City has entered into capital leases for various items, including a garbage truck, a tractor and various heavy equipment.

Future debt service payments under these governmental activity capital leases are as follows:

	<u>Capital Leases</u>		
	<u>Present Value of Net Minimum Lease Payments</u>	<u>Governmental Activities Amount Representing Interest</u>	<u>Total</u>
Fiscal Year Ending September 30,			
2017	\$ 29,460.20	\$ 2,849.32	\$ 32,309.52
2018	29,873.61	1,733.78	31,607.39
2019	51,153.17	96.83	51,250.00
Totals	<u>\$ 110,486.98</u>	<u>\$ 4,679.93</u>	<u>\$ 115,166.91</u>

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 – LONG-TERM DEBT- continued

The following is a summary of the changes in liabilities reported in the Statement of Net Position for the year ended September 30, 2016:

	Balance, October 1	Additions	Deductions	Balance, September 30	Due Within One Year
Governmental Activities					
General obligation bonds/warrants	\$ 190,000.00	\$ -	\$ 190,000.00	\$ -	\$ -
Pension retirement	312,814.00	293,201.00	-	606,015.00	-
Note payable	159,481.60	-	159,481.60	-	-
Capital leases	138,889.23	-	28,402.00	110,487.23	29,460.20
Line of credit	340,555.04	-	85,305.04	255,250.00	255,250.00
Compensated absences	303,950.45	2,995.98	-	306,946.43	-
Total	<u>\$ 1,445,690.32</u>	<u>\$ 296,196.98</u>	<u>\$ 463,188.64</u>	<u>\$ 1,278,698.66</u>	<u>\$ 284,710.20</u>

NOTE 8 – RESTRICTED NET ASSETS

The following is a summary of the restricted net assets at September 30, 2016.

NOTE 9 – GENERAL FUND CONTINGENCIES

The City participates in numerous federal grant programs which are subject to compliance audits. The amounts of expenditures, if any, which may be disallowed by the federal agencies, are not considered to be material to the City.

The City is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omission; injuries to employees and natural disasters. All other risk is insured with insurance companies.

NOTE 10 – SALES TAX

The city records sales tax as revenue.

NOTE 11 – LITIGATION

Jay Ross, City Attorney, does not anticipate any material liability on behalf of the City for suits in process as of September 30, 2016 which were subsequently settled. See Note 15 subsequent events.

THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12 – PENSION PLAN

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

General Information about the Pension Plan

Plan description - The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 12 – PENSION PLAN - continued

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

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

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

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 12 – PENSION PLAN - continued

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries		
currently receiving benefits	22,211	
Terminated employees entitled to		
but not yet receiving benefits	1,353	
Post-Drop participants who are		
still in active service	214	
Terminated employees not entitled		
to a benefit	5,451	
Active members	55,164	
Total	84,393	

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

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

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 12 – PENSION PLAN - continued

The ERS establishes rates based upon actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015 (or other year-end, if not September) the City's active employee contribution rate was 5 percent of pensionable payroll and the City's average contribution rate to fund the normal and accrued liability costs which was 6 from the RSI Schedule of Contributions.

The City is contractually required contribution rate for the year ended September 30, 2016 was 6.79% of pensionable pay for Tier 1 employees and 3.38% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial variations dated September 30, 2015, a percent of annual pensionable payroll, actuarially determined as an amount that when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$166,164.15 for the year ended September 30, 2016.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015 and the total pension liability (TPL) to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, rolled forward to September 30, 2015 using standard roll-forward techniques as show below:

	Expected	Actual
(a) TPL as of September 30, 2014	\$ 3,773,361	\$ 3,940,787
Entry age normal cost for the period October 1, 2013 to		
(b) September 30, 2014	136,315	136,315
Actual benefit payments and refunds for the period October 1,		
(c) 2013 to September 30, 2014	(272,419)	(272,419)
(d) TPL as of September 30, 2014 [(a) x (1.08) + (b) - (c x 1.04)]	\$ 3,928,229	\$ 4,109,049
(e) Difference between Expected and Actual Experience (Gain)/Loss		\$ 180,820

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 12 – PENSION PLAN - continued

Actuarial assumptions - The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuations were based on the results of an actuarial experience study for the period of October 1, 2005 to September 30, 2010.

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

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

*Includes assumed rate of inflation of 2.50%

THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12 – PENSION PLAN - continued

Discount rate - The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and a municipal bond rate was not used in determining the discount rate.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance as of September 30, 2014	\$ 3,773,361	\$ 3,460,547	\$ 312,814
Changes for the year:			
Service cost	136,315		136,315
Interest	290,972		290,972
Changes of assumptions:			
Difference between expected and actual experience	180,820		180,820
Contributions - employer		116,539	(116,539)
Contributions - employee		105,764	(105,764)
Net investment income		41,063	(41,063)
Benefit payments, including refunds of employee contributions	(272,419)	(272,419)	-
Transfers among employers		51,540	(51,540)
Net change	<u>335,688</u>	<u>42,487</u>	<u>293,201</u>
Balance as of September 30, 2015	<u>\$ 4,109,049</u>	<u>\$ 3,503,034</u>	<u>\$ 606,015</u>

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension (Asset) Liability	1,087,979	606,015	198,781

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 12 – PENSION PLAN - continued

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$166,164.15. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 154,614	\$ -
Net difference between projected and actual earnings on plan investments	114,605	-
Employer contributions subsequent to the Measurement Date	-	-
Total	\$ 269,219	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources to pension will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	
2017	\$ 48,685
2018	48,685
2019	48,687
2020	73,372
2021	26,206
Thereafter	23,584

**THE CITY OF BAYOU LA BATRE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 13 – USE OF ESTIMATES

The city financial statements have been prepared in accordance with generally accepted governmental accounting principles and include amounts based on estimates and assumptions by management. Actual results could differ from those results.

NOTE 14 - RISK

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

Credit Risk - State statutes authorize the City's investments. The City is authorized to invest in obligations of the United States Government and its agencies or instrumentalities, direct obligations of the state, and Securities and Exchange Commission registered mutual funds holding like securities. The City has no investment policy that further investments choices

Custodial Credit Risk - The City is a participant in the Security of Alabama Funds Enhancement (SAFE) program, a multiple financial institution collateral pool administered by the State of Alabama. The program, by law, provides administration of pledged collateral coverage for all governments and agencies in the state and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as "public funds" will be secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

Accounts receivable risk - The City grants credit to its customers who are business and residents with properties located within the City.

NOTE 15 – RESTATEMENT OFF BEGINNING NET ASSETS

In accordance with GASB 71, the beginning net assets for the Government Activities Fund were restated and decreased by \$457,510.00 to record the pension retirement for the City of Bayou La Batre.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date at which the financial statements were available to be issued.

THE CITY OF BAYOU LA BATRE, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
SEPTEMBER 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service Cost	\$ 136,315	\$ 129,864
Interest	290,972	279,747
Difference between projected and actual earnings on plan investments	180,820	-
Benefit payments, including refunds of employee contributions	(272,419)	(266,184)
Net change in total pension liability	<u>335,688</u>	<u>143,427</u>
Total pension liability - beginning	3,773,361	3,629,934
Total pension liability - ending (a)	<u>\$ 4,109,049</u>	<u>\$ 3,773,361</u>
Plan fiduciary net position		
Contributions - employer	\$ 116,539	\$ 88,267
Contributions - member	105,764	80,122
Net investment income	41,063	370,415
Benefit payments, including refunds of employee contributions	(272,419)	(266,184)
Transfers among employees	<u>51,540.00</u>	<u>103,770</u>
Net change in plan fiduciary net position	42,487	376,390
Total net position - beginning	<u>3,460,547</u>	<u>3,084,157</u>
Total net position - ending (b)	<u>\$ 3,503,034</u>	<u>\$ 3,460,547</u>
Net pension liability - ending (a) - (b)	\$ 606,015	\$ 312,814
Plan fiduciary net position as a percentage of the total pension liability	85.25%	91.71%
Covered payroll	\$ 1,144,270.27	\$ 1,471,359.66
Net pension liability as a percentage of covered payroll	52.96%	21.26%

**THE CITY OF BAYOU LA BATRE, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2016**

Employer's pensionable payroll during the measurement period is the total payroll paid to pensionable employees. For FY 2015, the measurement period at October 1, 2014 - September 30, 2015. *

	2016	2015
Actuarially determined contributions*	\$ 75,073.00	\$ 116,539.00
Contributions in relation to the actuarily* determined contribution	(75,073.00)	(116,539.00)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll**	\$ 1,271,359.66	\$ 1,623,176.15
Contributions as a percentage of covered payroll	5.10%	7.18%

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12-month period of the underlying statement.

**Employer's covered payroll for FY2017 is the total covered payroll for the 12-month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contributions rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Percent
Remaining amortization method	11.2 years
Asset Valuation Method	5-year smoothed market
Inflation	3 %
Salary Increases	3.75 - 7.25% including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

**THE CITY OF BAYOU LA BATRE, ALABAMA
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2016**

	2016
Service Cost	\$ 136,315
Interest on total pension liability	290,972
Current period benefit changes	-
Expensed portion of current period differences between expected and actual experience in the total pension liability	26,206
Expensed portion of current period changes of assumptions	-
Member contributions	(105,764)
Projected earnings on plan investments	(276,901)
Expensed portion of current period differences between actual and projected earnings on plan investments	47,168
Transfers among employees	(51,540.00)
Recognition of beginning deferred outflows of resources as pension expense	-
Recognition of beginning deferred inflows of resources as pension expense	(24,689)
Total	\$ 41,767

