

THE CITY OF
BAYOU LA BATRE, ALABAMA
SEPTEMBER 30, 2014

CONTENTS

INDEPENDENT AUDITOR’S REPORT	3
STATEMENT OF NET POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF NET POSITION GOVERNMENTAL FUNDS	7
RECONCILIATION OF FUND BALANCES WITH NET POSITION OF GOVERNMENTAL ACTIVITIES SCHEDULES	8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS	9
RECONCILIATION OF FUND CHANGES WITH NET CHANGES IN STATEMENT OF NET POSITION (Schedule)	10
PROPRIETARY FUND NET POSITION	11
PROPRIETARY FUND REVENUES, EXPENSES AND CHANGES IN NET ASSETS	12
PROPRIETARY FUND CASH FLOWS	13
NOTES TO THE FINANCIAL STATEMENTS:	14

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, 2014 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- continue

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, 2014 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, 2014 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.



BETANCOURT & KING
Certified Public Accountant
Mobile, Alabama

September 2, 2016

**THE CITY OF BAYOU LA BATRE
STATEMENT OF NET POSITION
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

ASSETS	<u>Primary Government</u>		Total
	Governmental Activities	Business-Type Activities	
Current assets:			
Cash	\$ 78,145.95	\$ 15,895.69	\$ 94,041.64
Restricted Cash	284,923.32	2,591.85	287,515.17
Receivables	302,576.27	.00	302,576.27
Other	5,670.00	.00	5,670.00
Non- depreciable capital assets	407,675.31	2,268,390.60	2,676,065.91
Depreciable capital assets	<u>5,841,965.09</u>	<u>10,169,275.38</u>	<u>16,011,240.47</u>
Total Assets	<u>\$ 6,920,955.94</u>	<u>\$12,456,153.52</u>	<u>\$19,377,109.46</u>
Deferred outflows	<u>.00</u>	<u>.00</u>	<u>.00</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 267,462.23	\$ 558.42	\$ 268,020.65
Current Portion of long term debt	237,527.12	0.00	237,527.12
Line of Credit	<u>218,250.00</u>	<u>0.00</u>	<u>218,250.00</u>
Total Current Liabilities	<u>723,239.35</u>	<u>558.42</u>	<u>723,797.77</u>
 Non Current Liabilities:			
Compensated Absences	344,122.77	.00	344,122.77
Non current portion Of longer- term obligations	<u>482,619.85</u>	<u>.00</u>	<u>482,619.85</u>
Total Non Current Liabilities	<u>826,742.62</u>	<u>.00</u>	<u>826,742.62</u>
 Total liabilities	<u>1,549,981.97</u>	<u>558.42</u>	<u>1,550,540.39</u>
 NET ASSETS			
Invested in capital assets, net of related debt	5,529,493.43	12,437,665.98	17,967,159.41
Restricted	<1,655.71>	2,591.85	936.14
Unrestricted	<u><156,863.75></u>	<u>15,337.27</u>	<u><141,526.48></u>
Total net position	<u>\$ 5,370,973.97</u>	<u>\$12,455,595.10</u>	<u>\$17,826,569.07</u>

See independent auditors report and notes to financial statement.

City of Bayou La Batre, Alabama
Statement of Activities
For the Year Ending September 30, 2014

Function Programs	Expenses	Program Revenues			Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants Contributions	Governmental Activities	Business Type Activities	
Primary government:							
General Governmental	\$ 873,901.15	\$ 430,988.16	\$.00	\$.00	\$ <442,912.99>	\$.00	\$ <442,912.99>
Public safety	2,010,617.85	181,426.74	62,676.75	.00	<1,766,514.36>	.00	<1,766,514.36>
Public works	726,710.37	147,035.21	24,966.27	.00	<554,108.89>	.00	<554,708.89>
Culture, recreation and health	496,103.63	.00	.00	.00	<496,103.63>	.00	<496,103.63>
Interest on long term debt	<u>33,716.37</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u><33,716.37></u>	<u>.00</u>	<u><33,716.37></u>
Total governmental activities	<u>4,141,049.37</u>	<u>759,450.11</u>	<u>87,643.02</u>	<u>.00</u>	<u><3,293,956.24></u>	<u>.00</u>	<u><3,293,956.24></u>
Business-type activities:							
City docks	24,277.62	29,861.85	.00	.00	.00	5,584.23	5,584.23
Alternative housing pilot program	<u>422,096.59</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u><422,096.59></u>	<u><422,096.59></u>
Total business-type activities	<u>446,374.21</u>	<u>29,861.85</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u><416,512.36></u>	<u><416,512.36></u>
Total primary government	<u>\$ 4,587,423.58</u>	<u>\$ 789,311.96</u>	<u>\$ 87,643.02</u>	<u>\$.00</u>	<u>\$ <3,293,956.24></u>	<u>\$ <416,512.36></u>	<u>\$ <3,710,468.60></u>
General revenues:							
Taxes					2,380,752.19	.00	2,380,752.19
Interest					37.23	.00	37.23
Miscellaneous					309,550.18	.00	309,550.18
Grants					<u>72,713.01</u>	<u>.00</u>	<u>72,713.01</u>
Total general revenues, special items and transfers					<u>2,763,052.61</u>	<u>.00</u>	<u>2,763,052.61</u>
Change in net assets <Deficit>					<530,903.63>	<416,512.36>	<947,415.99>
Net assets - beginning					<u>5,901,877.60</u>	<u>12,872,107.46</u>	<u>18,773,985.06</u>
Net assets - ending					<u>\$ 5,370,973.97</u>	<u>\$ 12,455,595.10</u>	<u>\$ 17,826,569.07</u>

See Auditor's Report and notes to financial statements.

CITY OF BAYOU LA BATRE, ALABAMA
STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2014

	<u>General Funds</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 75,160.99	\$.00	\$ 2,984.96	\$ 78,145.95
Restricted cash	255,240.05	10,294.68	19,388.59	284,923.32
Taxes receivable	287,128.70	.00	5,414.57	292,543.27
Receivables from other governments	10,033.00	.00	.00	10,033.00
Other receivables	.00	.00	.00	.00
Inventories	<u>5,670.00</u>	<u>.00</u>	<u>.00</u>	<u>5,670.00</u>
TOTAL ASSETS	<u>633,232.74</u>	<u>10,294.68</u>	<u>27,788.12</u>	<u>671,315.54</u>
Deferred outflows	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>
Total assets and deferred outflows	<u>\$ 633,232.74</u>	<u>\$ 10,294.68</u>	<u>\$ 27,788.12</u>	<u>\$ 671,315.54</u>
LIABILITIES				
Accounts payable	\$328,318.27	\$.00	\$ 13,026.05	\$341,344.32
Accrued liabilities	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>
TOTAL LIABILITIES	<u>328,318.27</u>	<u>.00</u>	<u>13,026.05</u>	<u>341,344.32</u>
Deferred inflows	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>
Total liabilities and deferred inflows	<u>328,318.27</u>	<u>.00</u>	<u>13,026.05</u>	<u>341,344.32</u>
FUND BALANCES				
Restricted for:				
General government	.00	.00	.00	.00
Public safety	182,653.51	.00	.00	182,653.51
Public works	.00	.00	15,640.63	15,640.63
Culture and recreation	.00	10,294.68	2,984.96	13,279.64
Public assistance	.00	.00	.00	.00
Unassigned	<u>122,260.96</u>	<u>.00</u>	<u><3,863.52></u>	<u>118,397.44</u>
Total net position	<u>304,914.47</u>	<u>10,294.68</u>	<u>14,762.07</u>	<u>329,971.22</u>
Total liabilities & fund balances	<u>\$ 633,232.74</u>	<u>\$ 10,294.68</u>	<u>\$ 27,788.12</u>	<u>\$ 671,315.54</u>

See independent auditor report and notes to financial statements.

CITY OF BAYOU LA BATRE, ALABAMA
SCHEDULE - RECONCILIATION OF STATEMENT OF NET POSITION
OF GOVERNMENTAL FUNDS WITH NET ASSETS OF STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING SEPTEMBER 30, 2014

Total net positions of governmental funds: \$ 329,971.22

Amounts reported for governmental activities in the statement of
Net Assets are different because:

Capital assets used in governmental activities are recorded
as expenses in fund financial statements, but are reported as
capital assets and depreciated in the statement of net position.

Governmental capital assets	\$10,406,136.21	
Less accumulated depreciation	<u>< 4,156,495.81 ></u>	6,249,640.40

Long-term liabilities are not due and payable in the current period
and are not included in the fund financial statement, but are
included in the governmental activities of the statement of net position.

Line of credit	<218,250.00>	
Accrued interest	<2,778.45>	
Capital lease obligations	<166,286.68>	
Bonds and warrants payable	<365,000.00>	
Compensated absences	<344,122.77>	
Note payable	<u><188,860.29 ></u>	<1,285,298.19>

Certain other long-term assets are not available to pay current
period expenditures and therefore are not reported in the fund
financial statement, but are reported in the governmental activities
of the statement of net position.

76,660.54

Total net position of governmental activities: \$ 5,370,973.97

See independent auditor report and notes to financial statement.

CITY OF BAYOU LA BATRE, ALABAMA
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
FISCAL YEAR ENDING SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,324,658.78	\$ 0.00	\$ 62,883.41	\$2,387,542.19
Licenses & permits	430,988.16	0.00	0.00	430,988.16
Fines & forfeitures	181,426.74	0.00	0.00	181,426.74
Federal and state assistance	0.00	43,283.20	29,429.81	72,713.01
Rentals	16,108.49	0.00	0.00	16,108.49
Charges for services	147,035.21	0.00	0.00	147,035.21
Other grants and contributions	87,643.02	0.00	0.00	87,643.02
Investment earnings	37.23	0.00	0.00	37.23
Other	<u>293,441.69</u>	<u>0.00</u>	<u>0.00</u>	<u>293,441.69</u>
Total Revenues	<u>3,481,339.32</u>	<u>43,283.20</u>	<u>92,313.22</u>	<u>3,616,935.74</u>
EXPENDITURES				
Current:				
General government	711,848.42	.00	0.00	711,848.42
Public safety	1,840,240.19	.00	0.00	1,840,240.19
Public works	561,745.96	.00	66,242.23	627,988.19
Culture, recreation and health	402,277.64	.00	29,277.15	431,554.79
Capital expenditures	380,974.56	33,080.02	0.00	414,054.58
Debt service:				
Principal	203,651.80	.00	0.00	203,651.80
Interest and other charges	<u>34,495.54</u>	<u>.00</u>	<u>0.00</u>	<u>34,495.54</u>
Total expenditures	<u>4,135,234.11</u>	<u>33,080.02</u>	<u>95,519.38</u>	<u>4,263,833.51</u>
Excess revenues over (under) expenditures	<u><653,894.79></u>	<u>10,203.18</u>	<u><3,206.16></u>	<u><646,897.77></u>
Other financing proceeds	<u>585,050.14</u>	<u>.00</u>	<u>.00</u>	<u>585,050.14</u>
Total other financing sources (uses):	<u>585,050.14</u>	<u>.00</u>	<u>.00</u>	<u>585,050.14</u>
Net change in fund balance	<u><68,844.65></u>	<u>10,203.18</u>	<u><3,206.16></u>	<u><61,847.63></u>
Fund Balance - beginning	<u>373,759.12</u>	<u>91.50</u>	<u>17,968.23</u>	<u>391,818.85</u>
Fund Balance - end	<u>\$ 304,914.47</u>	<u>\$ 10,294.68</u>	<u>\$ 14,762.07</u>	<u>\$ 329,971.22</u>

See independent auditor report and notes to financial statements.

**THE CITY OF BAYOU LA BATRE , ALABAMA
SCHEDULE - RECONCILIATION OF OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FISCAL YEAR ENDING SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds: \$ <61,847.63>

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of net position reports only the portion of the outlays as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Expenditures for capital assets	\$ 380,974.56	
Less current year depreciation	<u><504,634.20></u>	<123,659.64>

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. <6,790.00>

Governmental funds report long-term debt as current financial resources. <585,050.14>

In contrast, the statement of net position treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities.

Principal payments - bonds and warrants payable	170,000.00	
Principal payments - capital lease obligations	22,512.09	
Principal payments - note payable	11,139.71	

Some expenses reported in the statement of net position do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest	\$ 779.17	
Change in compensated absences	<u>42,012.81</u>	<u>42,791.98</u>

Change in net assets of governmental activities \$<530,903.63>

See independent auditor report and notes to financial statements.

THE CITY OF BAYOU LA BATRE , ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2014

ASSETS	City Docks	Alternative Housing Pilot Program	Total
Current assets:			
Cash	\$ 15,895.69	\$.00	\$ 15,895.69
Accounts receivable	<u>.00</u>	<u>.00</u>	<u>.00</u>
Total current assets	<u>15,895.69</u>	<u>.00</u>	<u>15,895.69</u>
Non-current assets:			
Restricted cash	2,591.85	0.00	2,591.85
Capital 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	0.00	137,197.09	137,197.09
Construction in progress	867,000.00	0.00	867,000.00
Less: accumulated depreciation	<u><1,144,429.67></u>	<u><2,356,432.71></u>	<u><3,500,862.38></u>
Total non-current assets	<u>1,270,344.10</u>	<u>11,169,913.73</u>	<u>12,440,257.83</u>
Total assets	<u>1,286,239.79</u>	<u>11,169,913.73</u>	<u>12,456,153.52</u>
Deferred outflows	<u>\$.00</u>	<u>\$.00</u>	<u>\$.00</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	<u>\$ 558.42</u>	<u>\$.00</u>	<u>\$ 558.42</u>
Total current liabilities	<u>558.42</u>	<u>.00</u>	<u>558.42</u>
Total liabilities	<u>558.42</u>	<u>.00</u>	<u>558.42</u>
Deferred inflows	<u>.00</u>	<u>.00</u>	<u>.00</u>
 NET ASSETS			
Invested in capital assets, net of related debt	1,267,752.25	11,169,913.73	12,437,665.98
Restricted	2,591.85	0.00	2,591.85
Unrestricted	<u>15,337.27</u>	<u>0.00</u>	<u>15,337.27</u>
Total net position	<u>\$ 1,285,681.37</u>	<u>\$11,169,913.73</u>	<u>\$ 12,455,595.10</u>

See independent auditors report and notes to financial statement.

**THE CITY OF BAYOU LA BATRE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

	<u>City Docks</u>	<u>Alternative Housing Pilot Program</u>	<u>Total</u>
Operating revenues:			
Rentals	\$ <u>29,861.85</u>	\$ <u>.00</u>	\$ <u>29,861.85</u>
Total operating revenues	<u>29,861.85</u>	<u>.00</u>	<u>29,861.85</u>
Operating expenses:			
Depreciation	.00	422,096.59	422,096.59
Miscellaneous	18,947.89	.00	18,947.89
Repairs and maintenance	.00	.00	.00
Utilities	<u>5,329.73</u>	<u>.00</u>	<u>5,329.73</u>
Total operating expenses	<u>24,277.62</u>	<u>422,096.59</u>	<u>446,374.21</u>
Operating income (loss)	<u>5,584.23</u>	<u><422,096.59></u>	<u><416,512.36></u>
Non-operating revenues (expenses):			
Transfers to (from) other funds	<u>.00</u>	<u>.00</u>	<u>.00</u>
Total non-operating revenues (expenses)	<u>.00</u>	<u>.00</u>	<u>.00</u>
Change in net assets	5,584.23	<422,096.59>	<416,512.36>
Total net assets - beginning	<u>1,280,097.14</u>	<u>11,592,010.32</u>	<u>12,872,107.46</u>
Total net assets - ending	<u>\$1,285,681.37</u>	<u>\$11,169,913.73</u>	<u>\$12,455,595.10</u>

See independent auditor report and notes to financial statements.

**THE CITY OF BAYOU LA BATRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

	<u>City Docks</u>	<u>Alternative Housing Pilot Program</u>
Cash flows from operating activities:		
Cash received from customers	\$ 39,511.85	\$.00
Cash paid to vendors	<u><23,719.57></u>	<u>.00</u>
Total operating revenues <Deficit>	<u>15,792.28</u>	<u>.00</u>
Cash flows from noncapital financing activities:		
Transfer (to) other funds	<u>.00</u>	<u>.00</u>
Cash from capital and related financing activities:		
Acquisition and construction of capital assets	.00	.00
Cash received from other governments	<u>.00</u>	<u>.00</u>
Net cash provided by capital and related financing activities	.00	.00
Net increase in cash	15,792.28	.00
Cash at beginning of year	<u>2,695.26</u>	<u>.00</u>
Cash at end of year	<u>\$18,487.54</u>	<u>\$.00</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 5,584.23	\$<422,096.59>
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation expense	.00	422,096.59
Decrease in accounts receivable	9,650.00	.00
Increase in accounts payable	<u>558.05</u>	<u>.00</u>
Net cash provided by operating activities	<u>\$ 15,792.28</u>	<u>\$.00</u>

See independent auditor report and notes to financial statements.

**THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

NOTE 1 - Organization and Reporting Entity (continued)

Organization

The City of Bayou La Batre, Alabama 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 of Bayou La Batre. For a organization to be a material component unit the City must factually be financially accountable for such organizations. For the year September 30, 2014 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

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, 2014.

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 is 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 7cent.

THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014

NOTE 2 - Summary of Significant Accounting Policies - continue

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner 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 can not find any acceptable Budget for the year September 30, 2014.

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 of Bayou La Batre 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
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014

NOTE 2 - Summary of Significant Accounting Policies - continue

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 are 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 CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014

NOTE 2 - Summary of Significant Accounting Policies - continue

Compensated Absences - (continued)

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.

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.

THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014

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.

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 OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

NOTE 3 - Net Assets and Fund Equity Classification - (continued)

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.

NOTE 4 - Cash, Deposits and Investments

The City's primary government deposits were fully insured or collateralized at September 30, 2014. At year-end the carrying amount of the City's deposits was \$330,400.96. 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, 2014 consist of the following:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total Primary Government</u>
Receivables:			
Taxes	\$ 292,543.27	\$.00	\$ 292,543.27
Customers and others	.00	.00	.00
Other governmental units	<u>10,033.00</u>	<u>.00</u>	<u>10,033.00</u>
Gross receivables	302,576.27	.00	302,576.27
Less: Allowance for uncollectibles	<u>.00</u>	<u>.00</u>	<u>.00</u>
Net receivables	<u>\$ 302,576.27</u>	<u>\$.00</u>	<u>\$ 302,576.27</u>

THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014

Substantially all receivables were collected subsequent to year end.

Accounts receivable risk - The City gives credit to its customers who are usually business and residents located within the City. However, the majority of receivables were collected in 2014.

NOTE 6 - Illustrative Disclosure of Information About Capital Assets

PRIMARY GOVERNMENT				
	Beginning Balance	Additions	<Depreciation> <Retirements>	Ending Balance
Governmental Activities:				
Land	\$ 300,851.00	\$.00	\$.00	\$ 300,851.00
Buildings	2,896,234.67	.00	.00	2,896,234.67
Infrastructure	4,085,199.50	.00	.00	4,085,199.50
Constructions in progress	106,824.31	.00	.00	106,824.31
Leasehold improvements	214,906.12	.00	.00	214,906.12
Machinery & equipment	1,686,854.45	6,880.99	.00	1,693,735.44
Office furniture & equipment	143,546.26	29,793.43	.00	173,339.69
Vehicles	<u>590,745.34</u>	<u>344,300.14</u>	<u>.00</u>	<u>935,045.48</u>
Totals	<u>10,025,161.65</u>	<u>380,974.56</u>	<u>.00</u>	<u>10,406,136.21</u>
Less accumulated depreciation				
Building and improvements	1,178,736.26	71,998.61	.00	1,250,734.87
Infrastructure	813,473.66	160,934.06	.00	974,407.72
Leasehold improvements	48,595.15	13,612.96	.00	62,208.11
Machinery and equipment	971,986.31	154,738.15	.00	1,126,724.46
Office furniture and equipment	121,678.11	17,859.12	.00	139,537.23
Vehicles	<u>517,392.12</u>	<u>85,491.30</u>	<u>.00</u>	<u>602,883.42</u>
Total accum. depreciation	<u>3,651,861.61</u>	<u>504,634.20</u>	<u>.00</u>	<u>4,156,495.81</u>
Governmental activities				
Capital assets , net	<u>\$ 6,373,300.04</u>	<u>\$ <123,659.64></u>	<u>\$.00</u>	<u>\$ 6,249,640.40</u>

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

General government	\$ 171,294.73
Public safety	196,426.47
Public works	71,944.16
Culture and recreation	<u>64,968.84</u>
Total depreciation expense	<u>\$ 504,634.20</u>

THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014

NOTE 6 - Illustrative Disclosure of Information About Capital Assets

Business-type Activities:

	Balance October 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2014</u>
Land	\$1,401,390.60	\$ 0.00	\$ 0.00	\$ 1,401,390.60
Buildings	13,532,940.67	0.00	0.00	13,532,940.67
Playground equipment	137,197.09	0.00	0.00	137,197.09
Construction in progress	<u>867,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>867,000.00</u>
Totals	<u>15,938,528.36</u>	<u>0.00</u>	<u>0.00</u>	<u>15,938,528.36</u>
Less accumulated depreciation				
Buildings	<u>3,078,765.79</u>	<u>422,096.59</u>	<u>0.00</u>	<u>3,500,862.38</u>
Net capital assets	<u>\$12,859,762.57</u>	<u>\$<422,096.59></u>	<u>\$ 0.00</u>	<u>\$12,437,665.98</u>

NOTE 7 - Long-term Debt

	October 1, <u>2013</u>	<u>Additions</u>	<u>Payments</u>	September 30, <u>2014</u>	Due <u>In One Year</u>
G.O. Bonds and Warrants	\$535,000.00	\$.00	\$170,000.00	\$365,000.00	\$175,000.00
<u>Capital Leases and Notes Payable</u>					
Garbage Truck C/L	.00	137,955.39	.00	137,955.39	20,967.57
Kubota Tractor C/L	.00	28,844.75	513.46	28,331.29	6,429.88
Fire Truck Note Pay	.00	200,000.00	11,139.71	188,860.29	35,129.67
Machinery & Equip.	21,998.63	.00	21,998.63	.00	.00
Line of Credit	.00	218,250.00	.00	218,250.00	218,250.00
Compensated Absences	<u>386,135.58</u>	<u>.00</u>	<u>42,012.81</u>	<u>344,122.77</u>	<u>.00</u>
Total	<u>\$943,134.21</u>	<u>\$585,050.14</u>	<u>\$245,664.61</u>	<u>\$1,282,519.74</u>	<u>\$455,777.12</u>

**THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

The general obligation of the City includes the following at September 30, 2014:

\$2,355,000, 1997 General Obligation Refunding Warrants, due annually with interest payable semi-annually at rates ranging from 3.6% to 5.5% per annum; maturing September 1, 2016. \$ 365,000

The principal maturities and related interest requirements for the next five fiscal years and hereafter are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2015	\$ 175,000.00	\$ 20,075.00	\$ 195,075.00
2016	190,000.00	10,450.00	200,450.00
	<u>\$ 365,000.00</u>	<u>\$ 30,525.00</u>	<u>\$ 395,525.00</u>

Note 8 - Restricted Net Assets

The following is a summary of the restricted net assets at September 30, 2014.

Activity	Restricted by	Amount
Restricted Cash	Grant Agreements	\$ 38,114.73

**THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

NOTE 9 - General Fund Contingencies

- A. 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.

- B. The City of Bayou La Batre 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

Management does not anticipate any material liability on behalf of the City for suits in process as of September 30, 2014 which were subsequently settled. See Note 15 subsequent events.

NOTE 12 - Retirement Plans

The City has elected to cover employees under Employees' Retirement System of Alabama. The plan benefit is best described as a percentage of average final salary multiplied by years of creditable service. The plan requires that contributions be deducted on the total salary on each individual member at a fixed rate of 5%. The cost to the employer is 7.17% which is paid monthly.

**THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

The following general information applies to the Employees' Retirement System valuation as of September 30, 2012: (Only years available.)

1. Since the previous valuation there have been no changes in the actuarial cost method..
2. Actuarial gains and losses are reflected in the unfunded accrued liability and they are being amortized within 40-year period.

Schedule of Funding Progress

Actuarial Valuation Date:	9/30/2012
Actuarial Value of Assets (a)	\$2,753,632
Actuarial Accrued Liability (AAL)	\$3,423,472
Unfunded AAL (UAAL) (b-a)	\$ 669,840
Funded Ratio (a/b)	80.4%
Covered Payroll (c)	\$1,281,351
UAAL as percentage of Covered Payroll ((b-a))/ c)	52.3%

The schedule of funding progress at September 30, 2012 (only years available) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
9/30/2009	\$2,889,565	\$3,497,354	\$607,789	82.6%	\$1,545,255	39.3%
9/30/2010 ²	\$2,895,388	\$3,608,418	\$713,030	80.2%	\$1,588,423	44.9%
9/30/2011 ⁴	\$2,879,202	\$3,528,170	\$648,968	81.6%	\$1,439,286	45.1%
9/30/2012 ⁵	\$2,753,632	\$3,409,265	\$655,633	80.8%	\$1,281,351	51.2%
9/30/2012 ³⁵	\$2,753,632	\$3,423,472	\$669,840	80.4%	\$1,281,351	52.3%

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 Oct. 1, 2011 and by an additional 0.25% beginning Oct. 1, 2012.

4 Reflects changes in actuarial assumptions.

5 Reflects changes to interest smoothing methodology.

THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS -CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014

Defined Benefit Pension Plan

Plan Description

The City of Bayou La Batre contributes to the Employees' Retirement System of Alabama, an agent multiple employers public employee retirement system, that acts as a common investment and administrative agent for various state agencies and departments.

Substantially all employees are members of the members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City of Bayou La Batre. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service.*** Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 35-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living-Adjustments (COLAs) granted to retirees.

The Retirement System of Alabama issues a publicly available financial report that includes financial statements and require supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

*****This will be "30 Years of Service" for those units that have not elected 25 year retirement.**

**THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS -CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

City

Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5 smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected inflation at	375% - 7.25%
Includes inflation at	3.00%
Cost-of-living adjustments	None

Trend Information

	Year	Fiscal Pension Cost (APC)	Annual Of APC Contributed	Percentage Net Pension Obligation(NPO)
	<u>Ending</u>			
City	09/30/10	\$ 79,949	100.0%	\$0
	09/30/11	\$ 91,667	100.0%	\$0
	09/30/12	\$ 88,138	100.0%	\$0

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

**THE CITY OF BAYOU LA BATRE
NOTES TO THE FINANCIAL STATEMENTS -CONTINUED
FOR THE YEAR ENDING SEPTEMBER 30, 2014**

NOTE 14 - RISK - (continued)

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 - Primary Governmental - 5 Year Debt Requirements

The City estimates the following payments of interest, bonds and notes in the future:

<u>Year End September 30, Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 237,527.12	\$ 37,925.60
2016	256,251.35	24,576.37
2017	70,239.79	10,137.93
2018	73,810.29	5,865.25
2019	<u>82,318.42</u>	<u>977.35</u>
Total	<u>\$ 720,146.97</u>	<u>\$ 79,482.50</u>
Line of Credit	<u>\$ 218,250.00</u>	
	<u>\$ 938,396.97</u>	

NOTE 16 Subsequent Events

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

